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The Treasury  
Langton Crescent  
PARKES ACT 2600

Email: [frpdiscussionpaper@treasury.gov.au](mailto:frpdiscussionpaper@treasury.gov.au)

5 December 2011

Dear Sir,

## **Future of the Financial Reporting Panel Discussion Paper**

We appreciate the opportunity to comment on the Future of the Financial Reporting Panel (FRP) Discussion Paper issued by Treasury.

We are supportive of the retention of the FRP as an independent body to make determinations where disputes arise between ASIC and an entity on the application of accounting standards in the entity's financial reports. Furthermore, we are of the view that, subject to consideration of the skills and experience of the members of the panel, the FRP could expand its scope and make determinations of audit related matters.

The FRP can apply the experience of accounting practitioners to determine the appropriate accounting treatment with respect to a specific set of facts. In the principles based accounting framework currently operating, this is a valuable manner in which to make a determination and to allow an entity a degree of certainty without incurring the cost and publicity of contesting a matter through the legal system. Furthermore, the FRP provides for a determination of the application of the accounting standard by accounting professionals, rather than a legal interpretation of accounting issues by means of the judiciary.

In our response to Treasury on the *Corporations Legislation Amendment Bill 2011* dated 28 October 2011, Deloitte provided support for the proposed amendments that would allow ASIC to prepare and publish audit deficiency reports. Deloitte also stated that it is important there be an appeal mechanism to provide an auditor with due process before audit deficiency reports are published. In this response the FRP was identified as a possible body to adjudicate on such matters.

In order for the FRP to operate effectively, including as a potential adjudicator between ASIC and auditors in respect of the publication of audit deficiency reports, the constitution of the FRP members is crucial and the panel members should be comprised of representatives with expertise closely aligned to the subject matter under dispute. Suitably qualified panel membership not only enhances the credibility of the FRP, but ensures matters are dealt with as expeditiously as possible.

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Deloitte is also supportive of an amendment to the terms of reference of the FRP to allow parties to refer matters to the FRP without obtaining prior consent from ASIC provided it is balanced with a requirement that only true "disputes" be referred. This proposal could result in more matters being brought before the FRP, increasing the profile of the FRP as an independent arbitrator. The Discussion Paper acknowledges the increase in matters referred to the Takeovers Panel when a similar change was made to that body's role.

It is equally important that disputes are resolved in a timely manner, especially in respect of listed entities with continuous disclosure requirements under the *Corporations Act 2001* and a requirement to present financial information at least every six months. For this reason, Deloitte considers that the nine month timeframe presented in paragraph 37 of the Discussion Paper is not an appropriate period.

I would be pleased to discuss Deloitte's comments with either yourself or other members of your team. If you wish to do so, please do not hesitate to contact me on (02) 9322 5060.

Yours sincerely



Kristen Wydell  
Partner

Deloitte Touche Tohmatsu