

STATEMENT OF EXPECTATIONS – THE AUSTRALIAN ACCOUNTING STANDARDS BOARD

This Statement outlines the Government's expectations about the role and responsibilities of the Australian Accounting Standards Board (AASB), its relationship with the Government, issues of transparency and accountability and operational matters. It forms part of the Government's commitment to good corporate governance of regulatory bodies and reducing the regulatory burden on business and the community.

The AASB plays an important role in developing and maintaining high-quality financial reporting standards for all sectors of the Australian economy, and contributing to the development of global financial reporting standards, thereby contributing to underlying confidence in financial reporting and capital markets.

It is imperative that the AASB act independently and objectively in performing its functions and exercising its powers as set out in Part 12 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Nevertheless, the Government expects that the AASB take into account the Government's broad policy framework, including its deregulation agenda, in performing its role and meeting its responsibilities.

THE GOVERNMENT'S DEREGULATION AGENDA

The Government is committed to reducing red tape and compliance costs for business and the community as a critical step towards improving Australia's productivity.

The Government is overhauling the process for creating, implementing and reviewing new regulation. This includes a process within Government whereby the costs and benefits of additional regulation are carefully balanced, and the costs of new regulations are offset.

The Government expects that the AASB will look for opportunities to reduce compliance costs for business and the community and contribute to the Government's \$1 billion red and green tape reduction target.

The Government also expects that the AASB will comply with the Government's enhanced Regulatory Impact Analysis requirements for all regulatory proposals, including considering the impacts of regulation on business and the community and costing proposals before they are introduced using the Regulatory Burden Measurement framework.

The Government expects that the AASB will act in accordance with regulatory best practice in its decision-making, policies, processes and communication practices to maximise effectiveness, efficiency and transparency, and minimise compliance costs. The AASB should regularly review its policies and procedures to identify improvements to achieve these goals.

The Government's preference is for principles-based regulation that identifies the outcomes that are desired, rather than prescribing how to achieve those outcomes. An outcomes-based approach is more likely to accommodate change within the economy, allow for innovation and enterprise and reduce compliance costs by allowing regulated entities to determine the best way of meeting regulatory objectives.

The Government also considers that regulators should adopt a risk-based approach to compliance obligations, engagement and enforcement, allowing for proportionate approaches suited to the size, nature, complexity and risk of regulated entities. This allows regulators to achieve their objectives more efficiently and reduce the overall regulatory burden, particularly for small

businesses. This approach also recognises that it is not possible or efficient to eliminate all risks and that trade-offs in risk reductions are necessary.

The Government understands that the AASB implements international principles-based accounting standards. The AASB should use its influence with the international standard setters to encourage risk-based approaches and the retention of principles-based accounting standards.

The Government will provide the AASB with further detail about a whole-of-government risk management framework and expectations for the AASB's performance against specific performance indicators in the second half of 2014.

RELATIONSHIP WITH TREASURY

Treasury's key role is to support and advise me and other Treasury Ministers in our responsibilities by being the principal source of advice on a wide range of issues, including policy development and maintenance, and the performance of the regulatory system.

To fulfil this role, Treasury and the AASB maintain a close relationship. Treasury takes into account the views and experience of the AASB when considering and advising on changes to corporate reporting policy and legislation. By advising Treasury on the implications of Government policy initiatives on the accounting framework, the AASB contributes to policy development.

TRANSPARENCY AND ACCOUNTABILITY

The AASB was established as an independent body to set accounting standards for Australian businesses. Nevertheless, the AASB operates as part of the Australian Government and is accountable to the Parliament, and ultimately to the public, through the Treasury Ministers, the Parliamentary Committee process and the tabling of its annual report.

The Government expects the AASB to have an open and consultative relationship with users of financial reports and the other stakeholders affected by accounting standards. It is important that stakeholders are encouraged to communicate considered and candid views to the AASB, in order to enhance the regulatory framework and outcomes, and minimise compliance costs.

OPERATIONAL ISSUES

The Office of the AASB, in its capacity as technical secretariat to the AASB, has the capacity to employ staff under the *Public Service Act 1999* (PSA) as well as under the ASIC Act. Under the PSA, agencies are required to uphold and promote the APS Values. All APS employees are required to adhere to the APS Code of Conduct. The AASB is also required to comply with the APS Bargaining Framework in relation to APS employees.

The requirements for the AASB's financial management are set out in the relevant legislation and the Finance Minister's Orders. In this regard, I note that the AASB must comply with the Government's recent requirements in relation to approval for overseas travel.

CONCLUSION

The Government's vision is for the AASB to be a high performing and consultative standard-setting agency that furthers principles-based standards in a way that serves users and minimises compliance costs.