

Policy Statement

PS 2
June 2001

The AASB Consultative Group



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The Australian Accounting Standards Board was established by section 226 of the *Australian Securities and Investments Commission Act 1989*. That Act was amended by the *Corporate Law Economic Reform Program Act 1999* to restructure accounting standard-setting arrangements in Australia. Under the revised arrangements, the former Australian Accounting Standards Board and the Public Sector Accounting Standards Board of the Australian Accounting Research Foundation were merged to form the reconstituted Australian Accounting Standards Board. It has responsibility for the development of accounting standards for application by companies and by other entities in the private and public sectors, and for the development of Statements of Accounting Concepts.

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PREFACE

Background to Development of the Policy Statement

Policy Statement PS 1 “The Development of Statements of Accounting Concepts and Accounting Standards” (forthcoming) documents the procedures the Australian Accounting Standards Board (AASB) follows in developing Statements of Accounting Concepts and Accounting Standards. In particular, Policy Statement PS 1 states in relation to the Consultative Group:

“The AASB consults with members of its broadly-constituted Consultative Group to increase the involvement of various interested groups in the standard-setting process. Members of the Consultative Group include representatives of parties interested in and affected by Statements of Accounting Concepts and Accounting Standards. The role of the members of this group includes providing advice to the AASB on major technical issues, the AASB’s work program, project priorities and due process.” (paragraph 11)

Policy Statement PS 2 documents the policy of the AASB concerning the Consultative Group and provides more detail on the role of the Consultative Group.

In developing Policy Statement PS 2, the AASB consulted with its Consultative Group. This Policy Statement supersedes Policy Statement 2 “The Operation of Consultative Groups to the AASB and the PSASB”, which was issued by the former AASB and Public Sector Accounting Standards Board in July 1994.

Overseas Practices

The AASB considered the policies of overseas standard-setting bodies in relation to groups similar to the Consultative Group. The operating procedures adopted by the AASB for its Consultative Group are substantially the same as those of major overseas standard-setting bodies.

POLICY STATEMENT PS 2

“THE AASB CONSULTATIVE GROUP”

Objective

- 1 The objective of the AASB Consultative Group is to provide a forum where the AASB can consult with representatives of organisations representing different groups of constituents to obtain input on major technical issues, its work program, project priorities and due process and to receive feedback on its activities and those of the Urgent Issues Group (UIG), a committee of the AASB.¹

Composition

- 2 The Consultative Group is broadly constituted, comprising approximately 35 members representative of those preparing, using and regulating financial reports. Members of the Consultative Group are listed in the Appendix.
- 3 Organisations which have an interest in accounting standards generally or in the deliberations about particular issues are encouraged to nominate and be considered for membership of the Consultative Group.
- 4 The AASB encourages members of the Consultative Group to appoint representatives who are knowledgeable about the problems and impact of financial reporting. The AASB encourages continuity of representation on the Consultative Group, but acknowledges that members could change representatives in order to better discuss particular issues under review at a meeting. A representative may be replaced by a substitute representative where necessary.

¹ A Consultative Group to the Australian Accounting Standards Board (AASB) was established by the former AASB and a Consultative Group to the Public Sector Accounting Standards Board (PSASB) was established by the PSASB, early in 1994. These Groups were established to provide a forum for improved communication with the various groups interested in and affected by the accounting standard-setting process and played an advisory role in the process of improving financial reporting. The reconstituted AASB agreed to establish a Consultative Group under the restructured standard-setting arrangements which includes most members of the former Consultative Groups.

Terms of Reference

- 5 The terms of reference of the Consultative Group are to consult with the AASB on:
- (a) major technical issues;
 - (b) work program;
 - (c) project priorities;
 - (d) due process; and
 - (e) other matters of relevance to the activities of the AASB and the UIG.

Operating Procedures

- 6 To ensure that the Consultative Group operates efficiently and effectively, the following specific operating procedures are adopted.

Meeting details

- 7 Generally, two meetings are held each year. Consultative Group members are notified of meeting dates well in advance. The Consultative Group meets with the AASB. Meetings are chaired by the Chairman of the AASB.

Meeting agenda and papers

- 8 The Consultative Group is provided with copies of, and is invited to comment on, the AASB's draft work program and its intended priorities.
- 9 A typical agenda includes discussions of topics at key stages, international issues or procedural matters. Written materials are provided prior to each meeting. A briefing paper identifying questions to be the focus of discussions at the meeting is usually prepared for each topic. Generally, briefing papers are relatively short, but on occasions they may be more extensive, for example, to incorporate summaries of exposure draft responses.
- 10 The role of the Consultative Group is to provide a means by which the AASB can obtain and discuss views representative of the diverse

groups that they affect. The Consultative Group does not vote on agenda items.

- 11 From time to time the views of the members of the Consultative Group may be sought on a course of action proposed by the AASB to address a particular emerging issue or practice. However, sources of advice to the AASB are not limited to members of the Consultative Group.
- 12 To keep them informed of AASB and UIG activities, members of the Consultative Group receive copies of the agenda and the *Action Alert* relating to AASB meetings, media releases issued by the AASB and the UIG, and all other documents issued publicly by the AASB, including Accounting Standards, Exposure Drafts and Invitations to Comment.

Confidentiality requirements

- 13 AASB members observe a strict code of confidentiality in respect of those agenda papers that are not published on the AASB's web site. The AASB acknowledges that the representatives of members of the Consultative Group need to discuss the Group's agenda papers, and public materials relating to AASB meetings, with the constituency they represent. However, the AASB expects member bodies to put in place arrangements which enable the distribution of confidential material to be confined to an advisory panel. Under no circumstances should any confidential material be provided to parties outside the member bodies' advisory panels or be used as a basis for comment to the media.

Travel and Accommodation Costs

- 14 Members of the Consultative Group meet the travel and accommodation costs of their representatives.

Relationship with Project Advisory Panels

- 15 The Consultative Group is kept informed of the work undertaken by Project Advisory Panels. The AASB establishes Project Advisory Panels to assist in the development of background papers such as Discussion Papers and Accounting Theory Monographs and to provide expert technical advice. The role and functions of Project Advisory Panels are set out in Policy Statement PS 3 "AASB Project Advisory Panels". The AASB may invite members of the

Consultative Group to nominate persons to join a particular Project Advisory Panel. Project Advisory Panels may also be used to support the development of Invitations to Comment, Exposure Drafts, Accounting Standards and other pronouncements.

Review

- 16 The composition, terms of reference and operating procedures of the Consultative Group are reviewed as experience is gained.
- 17 The ongoing operation and membership of the Consultative Group is reported on periodically to the Financial Reporting Council (FRC) and annually in the AASB's Annual Report. The FRC is the peak body responsible for broad oversight of the accounting standard-setting process.

APPENDIX

MEMBERS OF THE CONSULTATIVE GROUP TO THE AASB

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| Accounting Association of Australia and New Zealand | Association of School Bursars and Administrators |
| Association of Superannuation Funds of Australia | Australasian Council of Auditors-General |
| Australasian Council of Public Accounts Committees | Australian Bankers' Association |
| Australian Bureau of Statistics | Australian Chamber of Commerce and Industry |
| Australian Competition and Consumer Commission | Australian Institute of Company Directors |
| Australian Property Institute | Australian Prudential Regulation Authority |
| Australian Securities and Investments Commission | Australian Shareholders' Association |
| Australian Stock Exchange | Australian Vice-Chancellors' Committee |
| Business Council of Australia | Council of Small Business Organisations of Australia |
| CPA Australia | Electricity Supply Association of Australia |
| Finance and Treasury Association | Group of 100 |
| Institute of Municipal Management | Insurance Council of Australia |
| International Banks and Securities Association of Australia | Law Council of Australia |
| National Institute of Accountants | Not-for-Profit Sector |
| Productivity Commission | Public Sector Committee of IFAC |
| Securities Institute of Australia | The Institute of Chartered Accountants in Australia |
| The Royal Institution of Chartered Surveyors (Australasia) | The Treasury (Commonwealth) |
| Treasuries (HOTARAC) | |