



Matthew Sedgwick
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
Parkes ACT 2600

by e-mail to regmod@treasury.gov.au

Dear Mr Sedgwick

Modernising Business Registers Program – Review of Registry Fees

The Financial Reporting Council (FRC), the Australian Accounting Standards Board (AASB) and the Audit and Assurance Standards Board (AUASB), welcome the opportunity to contribute to the Modernising Business Registers consultation.

Summary of Recommendations:

- As government regulatory entities FRC, AASB and AUASB should be provided with access to the Australian Company Register (ABR) data at no cost (including no administrative costs), particularly when accessing financial reports, in the course of meeting the objectives of Part 12 of the *ASIC Act 2001*.
- Access to the data at no cost should also be extended to the academic community who partner with the FRC, AASB and/or AUASB in order to conduct research pursuant to the objectives of Part 12 of the *ASIC Act 2001*.
- We strongly encourage further policy decisions to require lodgement of ABR data in a format that enables comparability and data analysis.

With reference to the ABR, which is in the scope of the Modernising Business Register program, our primary concerns relate to;

- the cost and accessibility of financial reports for regulatory entities such as FRC/AASB/AUASB which impedes the use of data in policy decision making,
- the ability to partner with the academic community and share data for the purposes of delivering on our outcomes at no cost; and
- the comparability of data which is not easily analysed or collated.

Cost and Accessibility

The data available in financial reports is underutilised and represents a significant opportunity to address any information asymmetry that exists between preparers and users.

In recent discussions with ASIC relating to accessing financial reports, the AASB was quoted a cost of \$17 per financial report. This cost related to the administrative cost of retrieval and electronic distribution.

Postal Address: PO Box 204, Collins Street West, VIC 8007

AASB: Phone: + 61 3 9617 7600 Email: standard@asb.gov.au Web: www.asb.gov.au ABN 92 702 019 575
AUASB: Phone: + 61 3 8080 7400 Email: enquiries@auasb.gov.au Web: www.auasb.gov.au ABN 80 959 780 601

In 2017/2018 there were over 15,000 financial reports lodged with ASIC and this number is expected to increase to around 20,000 after late lodgements are received. The annual cost of accessing this data based on current charges is over \$300,000 per year.

The FRC, AASB and AUASB are considered to be micro agencies with less than 30 employees and limited financial resources. The additional financial cost of obtaining these records is prohibitive when it comes to evidence gathering to make effective regulatory decisions.

The AASB recently commissioned a private sector data aggregator to conduct a detailed analysis of financial reporting data for the 2017/2018 financial year. This included key company information from over 15,000 financial reports and was undertaken at a considerable cost.

The data was necessary to understand the extent of a particular accounting issue and assist in making informed decisions about proposed changes to the Australian Financial Reporting framework.

Accessing this key data also required the application of machine reading technology to scan over 15000 pdf documents searching for key words and phrases in order to identify key characteristics. This process was expensive and time consuming.

The cost to the FRC, AASB and AUASB to access and utilise this information that is held by another portfolio agency within Treasury is prohibitive and impacts the ability to gather suitable evidence in support of developing, maintaining and issuing standards.

As government regulatory entities the FRC, AASB and AUASB should be provided with access to the Australian Company Register (ABR) data at no cost (including no administrative costs), particularly when accessing financial reports, in the course of meeting the objectives of Part 12 of the *ASIC Act 2001*.

Access to the data at no cost should also be extended to the academic community who partner with the FRC, AASB and/or AUASB in order to conduct research pursuant to the objectives of Part 12 of the *ASIC Act 2001*.

As per previous submissions by the AASB¹, the ability to access financial reports (particularly in a digital format) is a necessary step in modernisation.

Comparability

In 2015 ASIC released the IFRS taxonomy for submitting financial reports in a machine readable format (XBRL). The adoption of this technology is voluntary and to date the voluntary model has not encouraged the use of the data dictionary or XBRL. All financial reports are lodged in a pdf format.

As per our previous submissions we would encourage the review of the MBR to support the principles of discoverability, comparability and interoperability in order to facilitate access to data.

This could be achieved by reviewing ASIC's voluntary program for digital lodgement of financial reports with a view to mandating that lodgement of financial reports pursuant to section 319 of the *Corporations Act 2001* be done so in a digital format.

With reference to the AASB submission (refer Attachment 2) to Treasury's current consultation on thresholds for large proprietary companies, we encourage Treasury to consider the

¹ Modernising Business registers and Director Identification Numbers legislation 23 Nov 2018 (refer Attachment 1)

thresholds for large proprietary companies² and assesses the feasibility of making digital lodgement of financial reports mandatory for all large entities that meet the threshold.

We would welcome the opportunity to discuss this in more detail.

Further considerations:

We note and support the Australian Government's Public Data policy statement³ acknowledging that public data is a valuable asset for growing the economy, improving service delivery and transforming policy outcomes.

We adopt the following key aspects of the policy statement as part of our regulatory standard setting procedures by using data to:

- identify and clarify problems
- create opportunities to provide innovative, evidence-based policy solutions
- support evidence-based policy making
- Monitor impact, supporting assessments of the impact of our standards.

With oversight from the FRC, AASB- AUASB are standard setters and form part of the overall regulatory framework for the financial system in Australia, as outlined in Part 12 of *the ASIC Act 2001*.

The process by which the AASB- AUASB formulate and set standards and guidance is expansive and integrated with the international standards setting process, in addition to being subject to Commonwealth due process requirements.

The pace of regulatory change and the imperative to reduce the regulatory burden, requires the AASB and AUASB to undertake full public and targeted consultation with stakeholders. This process is consistent with the Government's guidance for developing regulatory impact statements (RIS) and is at the core of the AASB-AUIASB's work.

This consultative approach to regulatory change is underpinned by the ability to:

- define the issue or problem,
- deconstruct what we might already know and what might needs to be determined
- explore possible avenues of inquiry and sources of information
- formulate what information links back to the underlying issue and what other issues are emerging from the research
- gather and collate the information and data
- synthesise the information to derive meaning and understanding, and
- present the information and learnings to stakeholders, to advise, influence or educate

The intended outcome of this process is

- to clearly identify the issue
- articulate the options and
- assess the impact of developing, issuing and or maintain accounting and auditing standards.

² <https://treasury.gov.au/consultation/c2018-t342318/>

³ https://www.pmc.gov.au/sites/default/files/publications/aust_govt_public_data_policy_statement_1.pdf

This approach prioritises rigorous research, data, analytics, and evaluation of new ideas and innovations.

Access to data and in particular financial reports held by ASIC will allow the FRC, AASB and AUASB to;

- better understand how the financial reporting framework is being implemented
- measure the potential impact of proposed changes to existing standards
- identify and model the economic benefits or impact of new standards, and
- where required partner with the academic community to conduct research on behalf of the FRC, AASB and/or AUASB.

Modernising the Business Registry and implementing the recommendations in this submission will improve the ability of the FRC, AASB and AUASB to achieve the objectives of part 12 of the *ASIC Act 2001*.

Conclusion:

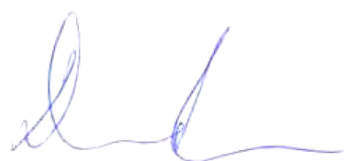
The FRC, AASB and AUASB welcome the Modernising of Business Registry program and we anticipate that implementation of the principles of the International Open Data Charter and the Public Data Policy Statement will greatly assist when making evidence based policy decisions in keeping with the objectives of part 12 of the *ASIC Act 2001*.

We note the precedent for exemption in the recent Ministerial announcement by the Hon Kelly O'Dwyer MP⁴ in her capacity as Minister for Revenue and Financial Services, that journalists would be exempt from all fees for all registry searches where is was in the course of their professional work.

Accordingly, we strongly encourage providing the FRC, AASB and AUASB with a similar exception where access to the MBR data is required to meet the objectives of Part 12 of the *ASIC Act 2001*.

If you have any questions regarding this submission, please contact the undersigned at dpaul@aab.gov.au

Yours sincerely



Damian Paull
National Director
Australian Accounting Standards Board
Auditing and Assurance Standards Board
Tel +61 3 9617 7629

⁴ <http://kmo.ministers.treasury.gov.au/media-release/091-2018/>



Australian Government

**Australian Accounting
Standards Board**

Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600

23 November 2018

Matthew Sedgwick
Consumer and Corporations Policy Division
The Treasury
Langton Crescent
Parkes ACT 2600

by e-mail to regmod@treasury.gov.au

Dear Mr Sedgwick,

Modernising Business Registers and Director Identification Numbers legislation

The Australian Accounting Standards Board (AASB) is pleased to support changes in legislation to modernise Business Registers.

The AASB considers that it is important for business registers to keep up with digital technology to improve the stakeholder experience and simplify interactions with the Government. Business registers utilising digital information will also enable stakeholders and others to make better use of information publicly available through the registers, as well as providing a better platform for the administration of the registers and the operation of regulatory activities by governments and their authorised agencies.

The AASB also considers that similar legislation changes should be introduced to require the lodgement of financial reports with the Australian Securities and Investments Commission (ASIC) pursuant to section 319 of the *Corporations Act 2001* in digital form. A digital register of financial reports would make it easier for users to access the information they want in their preferred manner. Companies and other entities are currently able to lodge digital financial reports with ASIC to satisfy the legislative requirements, however the AASB understands that virtually no entities do so, in the absence of mandated digital lodgement. ASIC updates annually a taxonomy for digital lodgement, so the basis required for consistent digital lodgement by entities is already in place.

A digital register of financial reports also would be very useful to the AASB as a regulator in developing Australian Accounting Standards. The AASB would be able to use the financial reports on a digital register to assess both the scope of an issue and the potential impact of proposed changes to the Standards on entities preparing financial statements, enabling more effective and targeted regulation. For example, being able to search digital financial reports to identify the extent to which entities have adopted a particular accounting policy or policies or type of financial statements would help the AASB to determine the scope of an issue – how many entities might be affected – and hence to consider whether standard-setting action was an appropriate response. Accessing digital financial reports could also help the AASB to assess the potential impact on these entities of proposed changes to the Standards, such as whether amounts included in financial reports might be significantly affected by proposals.

At present, it is very difficult to get accurate information on how many entities might be applying particular accounting policies and their significance, or the type of financial statements prepared. The financial reports lodged with ASIC are typically in PDF format, which means that there is no easy way to access their content. The AASB has sought summary information from data aggregators, who digitise the contents of financial reports once they have purchased them from ASIC. Considerable effort from the AASB (and expense) is required to obtain the information that the AASB needs from the financial reports, since the data aggregators use the information for different purposes.

In contrast to financial reports lodged with ASIC, annual information statements are lodged digitally with the Australian Charities and Not-for-profits Commission (ACNC). The AASB is working with the ACNC to consider significant changes to the financial reporting thresholds and requirements for charities. The digital information held by ACNC means that it is much more straightforward to assess the likely effects of changing reporting thresholds on the number of charities that might be required to prepare full financial reports rather than annual information statements. The population of charities can be stratified in various ways to help the AASB and the ACNC consider whether additional thresholds for intermediate reporting requirements might be appropriate.

Requiring the digital lodgement of financial report information rather than paper-based or PDF-format financial reports would impose some costs upon lodging entities, particularly transitional costs. Consequently, proposals for such a change would need to be considered in conjunction with other reporting obligations to government, such as the provision of information to government agencies through the Standard Business Reporting initiative, electronic lodgement of tax returns, and the small/large proprietary company thresholds.

Based on current data from ASIC and data aggregators, there are less than 22,600 companies and registered managed investment schemes (including 2,200 listed companies and 3,600 registered schemes) currently lodging financial statements with ASIC. Given this represents less than 1% of registered companies and schemes, the AASB considers that the benefits of digital financial report information on the public record would outweigh the incremental preparation and lodgement costs to the entities – benefits not only for the AASB and other regulators, but also for stakeholders who need accessible financial information in order to make economic decisions, which is the objective of financial reporting.

Please feel free to contact Kala Kandiah, AASB Technical Director (kkandiah@asb.gov.au), if you have any questions.

Your sincerely,



Kris Peach
AASB Chair



Australian Government
**Australian Accounting
Standards Board**

Postal Address
PO Box 204
Collins Street West VIC 8007
Telephone: (03) 9617 7600

14 December 2018

Ms. Kate O'Rourke
Principal Adviser
Corporations Policy Unit
Consumer and Corporations Division
The Treasury
Level 5, 100 Market Street
SYDNEY NSW 2000

[Email: reportingthresholds@treasury.gov.au]

Dear Ms. O'Rourke

The Australian Accounting Standards Board (AASB) welcomes the opportunity to make comments on the *Reducing the financial reporting burden by increasing the thresholds for large proprietary companies* proposals (referred to throughout this submission as 'the threshold proposals').

The AASB is an Australian Government body under the *Australian Securities and Investments Commission Act 2001*. Under that Act, the statutory functions of the AASB are to:

- develop a conceptual framework for the purpose of evaluating proposed standards;
- make accounting standards under section 334 of the *Corporations Act 2001*;
- formulate accounting standards for other purposes;
- participate in and contribute to the development of a single set of accounting standards for worldwide use; and
- advance and promote the main objects of Part 12 of the *Australian Securities and Investment Commission Act*, which include reducing the cost of capital, enabling Australian entities to compete effectively overseas and maintaining investor confidence in the Australian economy.

The AASB's vision is to contribute to stakeholder confidence in the Australian economy, including its capital markets, and in external reporting. The AASB's mission is to develop, issue and maintain principle-based Australian accounting and external reporting standards and develop guidance that meets user needs and enhances external reporting consistency and quality; and contributes to the development of a single set of accounting and external reporting standards for world-wide use.

AASB's response to the threshold proposals:

1. **The AASB supports Treasury's review of the thresholds** for determining what constitutes a large proprietary company under the *Corporations Act 2001*.
2. **We note the proposals are integrally linked with the AASB's project on improving the Australian Financial Reporting Framework** which includes working with other regulators to:
 - Develop a simple, proportionate, consistent and transparent financial reporting framework setting out who should report, what the reporting requirements are, and what the appropriate level of assurance is; and
 - Remove the ability for entities that have a legislative requirement to prepare financial statements in accordance with Australian Accounting Standards (AAS) from self-assessing their reporting requirements and preparing special purpose financial statements – to reduce complexity and improve comparability, consistency and transparency.

As noted in AASB [Research Report No 7](#) *Financial Reporting Requirements Applicable to For-Profit Private Sector Companies*, public lodgement of financial statements should only be required where there are users who cannot obtain the financial information they need for decision-making by themselves and who need general purpose financial statements. The Exposure Draft accompanying the threshold proposals (the 'ED') states that financial reporting requirements should be targeted at economically significant entities.

This is consistent with existing AAS guidance¹ that economically significant entities attract a higher level of public interest, not the least being interest in the level of tax paid. Accordingly, there are users who cannot command by themselves, the financial information they need. Our proposals in [ITC 39](#)² to remove an entity's ability to self-assess their reporting requirements are predicated on the assumption that the regulator requires public lodgement of financial statements that are comparable, consistent and transparent – to meet the needs of users.

¹ Refer to Statement of Accounting Concepts SAC 1 *Definition of the Reporting Entity*.

² Refer to AASB's Invitation to Comment [ITC 39](#) *Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems*

3. The AASB offers the following observations in an effort to further enhance the threshold proposals:
- a. **Thresholds based on transparent, clear and objective criteria** – the ED states financial reporting requirements should be targeted at economically significant companies. We encourage disclosure of a more detailed objective rationale of what constitutes economic significance. Consistent with our submission to the ACNC legislative review, this would not only help constituents understand why Treasury has proposed doubling the current thresholds, but also when future reviews of thresholds may be beneficial. For example under the threshold proposals, approximately 0.5%³ of Australian Securities and Investments Commission (ASIC) regulated trading entities will meet the proposed large proprietary company thresholds. Should Treasury consider it appropriate that the threshold be based on capturing approximately 0.5% of ASIC-regulated trading entities, articulating this would provide a clear and objective trigger to consider the thresholds again if there was a significant change in the number of trading entities reporting. The framework could also explain how the thresholds support proportionate reporting, and ensure the regulatory burden falls primarily on those with the greatest number of external users, public interest and economic significance.
 - b. **Impact of recent AAS on the asset threshold criterion** – we note that implementation of a number of new AAS in 2019/2020 will result in changes to the financial statements of companies. Specifically, implementation will likely result in recognition of more assets, and a greater level of total assets for the reporting period of, and periods after implementation of the proposed thresholds. For example, AASB 16 *Leases* in particular will result in more assets being recognised. Considering whether the relative proportion of the revenue and asset criteria takes into account the overall significant increase in total assets as a result of AAS changes since the last threshold review in 2007 is important in ensuring the objectives of the threshold review are achieved and remain sustainable in the near future.

³ Data based on the number of large proprietary companies lodging financial statements with ASIC using information sourced from [Illion Data Registries](#), which the AASB had purchased as part of its current research project on ASIC-regulated entities.

- c. **Thresholds based on a rolling average of more than one reporting period** – consistent with our submission to the ACNC legislative review, we note that achieving the objectives of the threshold review would be enhanced by entities having to exceed the thresholds in more than one consecutive reporting period. This would avoid the current “cliff” impact of an entity exceeding the thresholds at a particular point in time, and having to prepare financial reports when an unusual or one-off event occurs.
- d. **Submission of financial statements in a machine readable form** – publicly lodged financial information in a machine readable form is important for users and regulators (including the AASB) for decision-making. It would enable more effective data analysis across companies, industries etc. We note the current lack of lodged information in machine readable form because the use of XBRL is currently voluntary. Consistent with [our submission](#) to the [Modernising Business Registers and Director Identification Numbers legislation](#) consultation, we encourage consideration of whether raising reporting thresholds, either now or in the future, could be done in conjunction with mandating submission of machine readable financial statements with ASIC.

The AASB will continue to work closely with Treasury, ASIC, the Auditing and Assurance Standards Board (AUASB), in consultation with our stakeholders, to further improve the Australian Financial Reporting Framework to ensure that it is simple, proportionate, consistent and transparent.

If you have queries regarding any matters in this submission, please contact Kala Kandiah (kkandiah@asb.gov.au) or me.

Kind regards,



Kris Peach
AASB Chair