

Chapter 1

Scrutiny of annual reports

1.1 The Parliamentary Joint Committee on Corporations and Financial Services (the committee) is established by Part 14 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Section 243 specifies the committee's duties, which include:

(b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed...¹

1.2 This report is prepared in fulfilment of the committee's duties under subsection 243(b).

1.3 The ASIC Act establishes nine bodies which are listed below:

- Auditing and Assurance Standards Board (AUASB);
- Australian Accounting Standards Board (AASB);
- Australian Securities and Investments Commission (ASIC);
- Companies Auditors and Liquidators Disciplinary Board (CALDB);
- Corporations and Markets Advisory Committee (CAMAC);
- Financial Reporting Council (FRC);
- Office of the Australian Accounting Standards Board (Office of the AASB);
- Office of the Auditing and Assurance Standards Board (Office of the AUASB); and
- The Takeovers Panel.²

1.4 Collectively, these bodies form the 'administrative organs' of the national financial services regulatory scheme established by the ASIC Act and the *Corporations Act 2001* (Corporations Act).³

1 *ASIC Act 2001*, s. 243 (b).

2 The Financial Reporting Panel was previously established under the ASIC Act, however it ceased operation on 1 October 2012 following amendments to the Corporations Act and ASIC Act.

1.5 While nine bodies are established under the ASIC Act, only seven annual reports are prepared. The ASIC Act directs that one annual report will cover both the AASB and the Office of the AASB.⁴ Similarly, the AUASB is required to prepare an annual report that addresses its activities and the activities of the Office of the AUASB.⁵

1.6 The annual report of ASIC is not considered in this report. The committee routinely examines the annual reports prepared by ASIC as part of the committee's ongoing oversight of ASIC. Accordingly, this report examines the 2012–13 annual reports of the AASB, the AUASB, CALDB, CAMAC, the FRC and the Takeovers Panel.

1.7 From 1 October 2012, provisions in the ASIC Act and the Corporations Act that established the Financial Reporting Panel (FRP) were repealed. As the FRP had neither funding nor activity to report for 2012–13, all operations were covered in its final 2011–12 report.⁶ A footnote on page 134 of the Treasury 2012–13 annual report notes the wind up of the Panel. The committee considered the final annual report for the FRP in its previous report on annual reports.⁷

1.8 The committee notes that the annual reports of bodies established under the ASIC Act are also the subject of scrutiny by the Senate Economics Legislation Committee. Senate Standing Order 25(20) requires the Economics Committee to:

- (a) Examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory.
- (b) Consider in more detail, and report to the Senate on, each annual report which is not apparently satisfactory, and on the other annual reports which it selects for more detailed consideration.
- (c) Investigate and report to the Senate on any lateness in the presentation of annual reports.
- (d) In considering an annual report, take into account any relevant remarks about the report made in debate in the Senate.

3 The Hon Lionel Bowen MP, Attorney-General, *House of Representatives Hansard*, Second Reading Speech, Australian Securities Commission Bill 1988, 25 May 1988, p. 2991. The ASIC Act predominantly replicates the administrative structure established in the *Australian Securities and Investments Commission Act 1989*. Section 261 of the *ASIC Act 2001* directs that bodies established under the Australian Securities Commission Act continue in existence as if they had been established under the *ASIC Act 2001*.

4 *ASIC Act 2001*, s. 235J.

5 *ASIC Act 2001*, s. 236DG.

6 The 2011–12 annual report forecasted staffing levels as zero for the 2012–13 year.

7 Parliamentary Joint Committee on Corporations and Financial Services, *Report on the 2011–12 annual reports of bodies established under the ASIC Act*, February 2013, p. 12.

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- (e) If the committee so determines, consider annual reports of departments and budget-related agencies in conjunction with examination of estimates.
 - (f) Report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year.
 - (g) Draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports.
 - (h) Report to the Senate each year whether there are any bodies which do not present annual reports to the Senate and which should present such reports.⁸

1.9 Therefore, in conducting its review of the annual reports of bodies established under the ASIC Act, the committee will focus on operational matters of key interest and raise other matters that in the committee's opinion Parliament should consider. Chapter two examines the annual reports of the bodies established under Parts 9–11 of the ASIC Act; CALDB, CAMAC and the Takeovers Panel. Chapter three examines the annual reports of the three agencies established by Part 12 of the ASIC Act to oversee the financial reporting framework: the AASB, the AUASB and the FRC.

1.10 In reviewing the annual reports, the committee also considers whether there are opportunities to strengthen the operation of the corporations legislation, however the committee is not proposing any changes at this time. The committee did not hold any public hearings or seek written submissions during the preparation of this report.

8 The Senate, *Standing Orders and other orders of the Senate*, June 2009, p. 28.

