

The FRC considered the following in its consideration of, and changes to, the SWOT analysis:

1. Weaknesses

Three of the four weaknesses in the 2011-2012 are repeated in 2012-2013, albeit with some slight differences in wording reflecting more specific observations and/or the work of the FRC in 2012-2013 in surveying the financial literacy of directors and investors.

The weakness not repeated from 2011 -2012 is “exclusive focus on financial reporting, neglecting to some extent the wider context in which economic entities operate”. This omission reflects considerations by the FRC during 2012-2013, most specifically its contribution to the work of the International Integrated Reporting Council (IIRC) and the increased focus that the work of the IIRC received during the year.

The new weakness identified in 2012-2013 – “the outcome of the financial reporting system may not be appropriately serving the diverse needs of investors and other stakeholders” – again reflects the work of the FRC during 2011-2013, most specifically the work it did on managing complexity in financial reports.

2. Threats

Three threats have been repeated from 2011-2012, albeit with some slight word changes to be more specific about the threat.

The other two threats in 2011-2012 – “failure of a big 4 accounting firm, potentially leading to a lack of competition in the audit market” and “complexity caused byfinancial reporting for not-for-profit entities” – have been replaced with a new threat “as financial reporting develops further around the world, Australia’s influence could be diluted.” This change reflects a re-prioritisation of the threats, and in particular in relation to the risk of Big 4 failure the steadily reducing impact of the events around the GFC; the functions of the FRC; and the increase in the number of jurisdictions that have now adopted International Financial Reporting Standards (IFRS).

I trust this information is of assistance to the PJC. Please let us know if you have any additional questions. If you do have a question next week then please contact _____ as I will be on leave. Treasury has a shutdown period after that until 2 January when I will again be available to assist.

Kind regards

Secretary

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