

# **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). This report is prepared in fulfilment of the committee's duties under subsection 243(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...the Parliament's attention should be directed.<sup>1</sup>

1.2 The ASIC Act establishes the nine bodies listed below:

- Auditing and Assurance Standards Board (AUASB);
- Australian Accounting Standards Board (AASB);
- Australian Securities and Investments Commission (ASIC);
- Companies Auditors Disciplinary Board (CADB) (formerly Companies Auditors and Liquidators Disciplinary Board);
- 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 (the Panel).<sup>2</sup>

1.3 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).<sup>3</sup>

1.4 While nine bodies are established under the ASIC Act, only six annual reports have been prepared for 2016–17. The ASIC Act directs that one annual report will cover both the AASB and the Office of the AASB. Similarly, the AUASB is required

---

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

2 *ASIC Act 2001*, Parts 2, 9–12.

3 The Hon Lionel Bowen MP, Attorney-General, House of Representatives Hansard, Second Reading Speech, Australian Securities Commission Bill 1988, 25 May 1988, pp. 2990–2991. 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 and Investments Commission Act 1989* continue in existence as if they had been established under the ASIC Act 2001.

to prepare an annual report that addresses its activities and the activities of the Office of the AUASB. CAMAC has not prepared an annual report since 2013–14 as it has ceased operation pending passage of the Australian Securities and Investments Commission Amendment (Corporations and Markets Advisory Committee Abolition) Bill 2014. Accordingly, this report examines the 2016–17 annual reports of the AUASB, the AASB, ASIC, CADB, the FRC and the Takeovers Panel.

1.5 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 Legislation 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.
- (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.

1.6 Therefore, in conducting its review of the annual reports of bodies established under the ASIC Act, the committee will focus on the statutory requirements under the ASIC Act, pertinent operational matters, and other matters that in the committee's opinion Parliament should consider.

## **Report structure**

1.7 Chapter two examines the annual reports of the bodies established under Parts 9–11 of the ASIC Act: CADB and the Takeovers Panel.

1.8 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.

1.9 Chapter four examines ASIC's annual report.

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 has not done so in this report.

**Mr Greg Medcraft**

1.11 Mr Greg Medcraft concluded his service as Chairman of ASIC in November 2017. The committee acknowledges Mr Medcraft's contribution to the agency in his six years and seven months as Chairman.

1.12 The committee recognises Mr Medcraft's focus on the need to improve the conduct, culture, and accountability of participants in the financial services sector including the vital role that Boards play in setting the 'tone from the top'. The committee thanks Mr Medcraft for his cooperation with the committee.

