

9 May 2008

Attention: Carmen Miragaya  
The LIA Review Secretariat  
c/- Attorney-General's Department  
Robert Garran Offices  
National Circuit  
BARTON ACT 2600

Via email: [lia.review@ag.gov.au](mailto:lia.review@ag.gov.au)

Dear Ms Miragaya

### **Legislation Instruments Act Review**

CPA Australia, the Institute of Chartered Accountants in Australia and the National Institute of Accountants, hereafter referred to as the 'joint accounting bodies', are pleased to have this opportunity to comment on the review of the Legislative Instruments Act 2003 (LIA).

The review of the Act is timely given the focus our profession has on ensuring Australian accounting and auditing standards are consistent with the directives of the Financial Reporting Council to the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) regarding Australia's use of the international standards as promulgated by the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB).

The remarks that follow are made in the context of our experience with the adoption and implementation of accounting pronouncements, unless otherwise indicated.

### **Disallowance of accounting standards**

Our present system of parliamentary review of accounting standards is similar to that in other jurisdictions, including the European Union. While the joint accounting bodies firmly believe that adoption of International Financial Reporting Standards (IFRS) is in the economic interests of Australia it is important that the Federal Parliament retains a mechanism for a review of legislative instruments. We note that there has only been one instance of disallowance under our Parliamentary system of an accounting standard but this occurred prior to the decision made by the Financial Reporting Council on the adoption of IFRS in Australia from 2005.

The joint accounting bodies, however, believe further consideration could be given to streamlining the current process as the present situation has led to some of our members expressing dissatisfaction with the period of time it takes to legislate accounting pronouncements. It can be several months before a pronouncement goes through the entire legislative chain. Notwithstanding that the accounting standards are law at the time they are made by the Australian Accounting Standards Board, the process of disallowance has created a sense of uncertainty amongst some of our members who are keen to implement new or revised standards early to ensure their compliance with international best practice.

**Representatives of the Australian Accounting Profession**



[cpaaustralia.com.au](http://cpaaustralia.com.au)



The Institute of  
Chartered Accountants  
in Australia

[charteredaccountants.com.au](http://charteredaccountants.com.au)



[nia.org.au](http://nia.org.au)

## **Exemption from publication of an instrument with legislative character**

The joint accounting bodies believe that the only time an instrument that has legislative characteristics should be exempted from publication is when another instrument incorporates the document by reference. Methods by which this can be done are:

- Incorporation by reference directly into a relevant Act; or,
- Incorporation via a legislative instrument.

The joint accounting bodies consider documents that are incorporated by reference should be made publicly available at all times. An example of this is the availability of interpretations on the web site of the AASB and their incorporation into the accounting standard known as AASB 1048 *Interpretation and Application of Standards*. That standard catalogues the interpretations and gives them legal effect in this form.

## **Development of instruments and consultation**

We are generally pleased with the consultation processes currently employed by the two boards (AASB and AUASB) responsible for making standards under the provisions of the LIA. There has been an increase in the varying types of forums used by both the accounting and auditing standard setters to assist them to understand the ramifications of the various proposals.

## **Regulatory Impact Statements**

Accounting and auditing standards that are issued in this jurisdiction that replicate or comply with international pronouncements should be exempted from any mandatory requirement for regulatory impact statements (RIS). The exercise of preparing a RIS fulfils no meaningful purpose in a context where Australia has already agreed to adopt (or base their standards on) international pronouncements which have already been subject to a rigorous due process prior to them being issued.

## **Compilations of legislative instruments**

The joint accounting bodies believe that compilations of legislative instruments should be made available on a regular basis rather than on an ad-hoc basis – each amendment could a maximum time frame for a compilation to be prepared, such as a six month time frame. This would clarify to preparers and users of accounts when such compilations will be available.

## **Database access**

The registrable database has been useful in the context of providing an additional means for people to access the accounting and auditing standards that have been made law in Australia. However, these documents are already published on the web sites of the standard setters responsible and as such the only real value for users of accounting and auditing standards is as a reference for documents that have been registered as instruments.

## **Commencement dates**

Accounting standards should be effective in legislation from the dates as set by the international bodies that develop them in the first instance, rather than the date the instrument is registered under LIA as is the current process. This is to facilitate the early adoption of accounting standards by global companies and their subsidiaries based in Australia.

## **Sunset periods**

Sunset periods for the review of documents that comply with (or are based on) international codes or sets of standards are unnecessary. No domestic review of these documents is required until such a time as the international authority responsible for issuing the document on which the local standard is based, does so.

It makes little sense for the Australian version to be subject to a sunset clause when the Australian product is dependent on the international pronouncement. Only those instruments that contain subject matter developed in Australia and are jurisdiction specific should have a sunset period apply to them.

Feel free to contact Mark Shying (CPA Australia) on 03 9606 3903, Kerry Hicks (the Institute) on 02 9290 5703 or Tom Ravlic (NIA) on 03 8665 3143 should you require further information.

Yours sincerely



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