



Australian Government
Financial Reporting Council

Media Release
2012 / 02 – 3 October 2012

Managing Complexity in Financial Reporting

Findings from the consultation process

The Financial Reporting Council (FRC) today released the findings drawn from the fifteen submissions received in response to its [*Managing Complexity in Financial Reporting report*](#). The submissions and these findings are available on the [FRC website](#).

The FRC is the peak body responsible for overseeing and advising the Government on the effectiveness of the financial reporting framework in Australia.

The report and results of submissions were prepared by the FRC's Managing Complexity Task Force, which was established to examine complexities in financial reporting in light of widespread concern.

The Task Force has carefully considered the submissions in response to its consultation process and has recommended that the FRC:

- examine how the current financial reporting regime for the various types of reporting entities in Australia can be best explained and understood, and if needed, seek rationalisation of the regime (for example, through further deregulation of who needs to report);
- support the Australian Accounting Standards Board's ongoing review and consideration of further enhancements to the reduced disclosure regime, including ongoing monitoring of developments in the International Financial Reporting Standards for Small and Medium-sized Entities standard;
- encourage a more coordinated approach between different agencies of government when considering accounting disclosure requirements;
- encourage preparers to make better use of developments in information technology in the delivery of financial reports;
- encourage the Australian Securities and Investments Commission to emphasise that, under accounting standards, only material disclosures are required (especially in communications such as the regular commentary about their areas of focus when reviewing financial reports);
- support the Australian Securities and Investments Commission's proposal to foster more meaningful Operating and Financial Reviews (sometimes referred to as Management Discussion and Analysis) in annual reports;

- note those submissions which suggest the use of the business judgement rule, or a safe harbour for decisions made by directors, to address the issue of over-disclosure in financial reports;
- support the Government's proposals to simplify the remuneration report;
- reinforce the need for board education on financial reporting;
- continue to monitor integrated reporting;
- continue to influence the International Accounting Standards Board to undertake reforms including rationalisation of disclosures; and
- continue to monitor the work of other jurisdictions in addressing the issue of complexity in financial reporting.

The Parliamentary Secretary to the Treasurer and the Minister responsible for the FRC, the Hon Bernie Ripoll MP, welcomed the report and commended the FRC and the Task Force for their work.

"Complexity in reporting has been an ongoing concern for both preparers and users of financial reports so I congratulate the FRC for taking steps to address this issue," Mr Ripoll said.

The FRC has agreed to progress the recommendations noted in the report.

Media inquiries

Name: Michael Coleman

Role: Chair of the Managing Complexity Task Force and Deputy Chairman of the FRC

Mobile: 0412 162 350

Email: mjc@mjcoleman.com.au

About the FRC

The Financial Reporting Council (FRC) is the peak body responsible for overseeing the effectiveness of the financial reporting framework in Australia. Its key functions include the oversight of the accounting and auditing standards setting processes for the public and private sectors, providing strategic advice in relation to the quality of audits conducted by Australian auditors, and advising the Minister on these and related matters to the extent that they affect the financial reporting framework in Australia.

The FRC monitors the development of international accounting and auditing standards, works to promote the development of a single set of accounting and auditing standards for worldwide use and promotes the adoption of these standards.

The Managing Complexity Report and the Results of Submissions were prepared by the FRC's Managing Complexity Task Force, which was one of the task forces established by the FRC to progress its 2011-2014 Strategic Plan.

Task Force membership

Mr Bruce Brook (Chairman – May 2011 to June 2012), Mr Michael Coleman (Member – May 2011 to June 2012, Chairman – June 2012 to September 2012); Ms Tanya Branwhite, Mr Michael Dwyer (May 2011 to March 2012), Ms Judith Downes, Mr Kevin Stevenson; Mr Les Pascoe (Secretary – May 2011 to June 2012), and Ms Jane Cheung (Secretary – June 2012 to September 2012).