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8 December 2011

The Manager
Corporate Reporting and Accountability Unit
Corporations and Capital Markets Division
The Treasury
Langton Crescent
PARKES ACT 2600

Attention: Ms Ronita Ram

By email: frpdiscussionpaper@treasury.gov.au

Future of the Financial Reporting Panel – KPMG Submission

Dear Ms Ram

KPMG is pleased to provide its written submission on the Treasury discussion paper, "Future of the Financial Reporting Panel".

Retention of the FRP

KPMG supports the retention of the Financial Reporting Panel (**FRP**). It provides a cost-effective and timely process for the resolution of disputes over the application of accounting standards between ASIC and financial reporting entities. The process acts as a circuit breaker between the parties and minimises the need for judicial proceedings. Reporting entities are unlikely to challenge ASIC's interpretation in court. Therefore, without the FRP it is likely that ASIC's interpretation will be adopted. A consequence of this outcome is the possibility of inconsistency between Australian financial reporting and financial reporting globally.

Whilst the discussion paper cites possible reasons for the low incidence of utilisation of the FRP, KPMG does not consider the low level of referrals is of particular concern. The FRP is seen as a last resort mechanism if material disputes are unable to be resolved between ASIC and the reporting entities within a reasonable timeframe and the parties have exhausted other avenues for mediation. Less time critical matters should be referred to the International Financial Reporting Interpretations Committee or the Australian Accounting Standards Board (**AASB**) in its interpretive capacity, if an Australian specific issue.

Size and composition of membership of the FRP

It is anticipated that matters appropriate for referral to the FRP are limited to those which are difficult, material and time critical. As a result they will require the application of considerable current subject matter expertise. For the benefit of global consistency, it is important that FRP members have access to current international thought leadership as well as practical application of IFRS. We note that appointments to the UK Financial Reporting Review Panel include technical representatives from larger accounting firms. In this context, we consider it

appropriate to re-evaluate the size and composition of the pool of FRP resources to maintain the appropriate balance between technical knowledge and independence of members allocated to adjudicate a particular matter.

In supporting the retention of the FRP, KPMG acknowledges the role it plays in the overall framework on the application of accounting standards. Although the AASB has primary responsibility for interpreting accounting standards, the FRP's published determinations on whether or not an entity has correctly applied accounting standards form part of the Australian hierarchy of generally accepted accounting principles and must also be considered by entities. Financial reporting matters that are subject of dispute between ASIC and a reporting entity are likely to have wider application to other entities in similar circumstances. Therefore, it is important any issues being adjudicated by the FRP consider that wider impact on the industry and consistency with international practice.

KPMG considers that regular review of the FRP membership, regular interactions with the AASB for access to the latest thinking on the interpretation of accounting standards and clear FRP statements that any determinations are based only on the specific fact pattern provided, are important mechanisms to ensure that FRP determinations are not seen globally as introducing unacceptable IFRS interpretations.

Referral of matters to the FRP

KPMG considers individual entities should be allowed to refer matters to the FRP without ASIC's prior consent. The requirement for ASIC's consent to access the FRP creates the potential for perceived conflict when it is ASIC's view that the entity disputes.

Therefore the initiation of referrals should be open to both parties, consistent with the approach taken by the Takeovers Panel. It is emphasised that KPMG considers the FRP should be used as a measure of last resort after ASIC and the reporting entity have exhausted all other opportunities for agreement.

Should you wish to discuss any of these points further, please contact me on 02 9335 7630.

Yours faithfully



Martin McGrath
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Department of Professional Practice