

3 April 2013

The Manager  
Policy Development Unit, Standard Business Reporting  
Infrastructure Division, The Treasury  
Langton Crescent  
PARKES ACT 2600

*By email*

Dear Sir

Re: Options Paper – Use of Standard Business Reporting (SBR) for Financial Reports

Westworth Kemp Consultants value the opportunity to provide feedback into the consultative process surrounding the proposed use of SBR in Australia. We are a boutique consultancy specialising in financial reporting, assurance and compliance issues, particularly in the context of litigation and dispute resolution ([www.westworthkemp.com.au](http://www.westworthkemp.com.au)). Our interest in this topic is part of our interest in the nature and quality of financial reporting information generally, as evidenced by our submissions to ASIC on the Operating and Financial Review

([http://www.westworthkemp.com.au/blog/News/post/Regulating\\_the\\_Operating\\_and\\_Financial\\_Review\\_%28OFR%29/](http://www.westworthkemp.com.au/blog/News/post/Regulating_the_Operating_and_Financial_Review_%28OFR%29/)) and the European Financial Reporting Advisory Group on *Towards a Disclosure Framework for the Notes*

([http://www.westworthkemp.com.au/blog/News/post/Tackling\\_complexity\\_by\\_a\\_disclosure\\_framework/](http://www.westworthkemp.com.au/blog/News/post/Tackling_complexity_by_a_disclosure_framework/)). Financial reporting now encompasses more than the statutory financial report and the integrity of the underlying information is vital if it is to be used in a variety of different communications. SBR could have an important role to play in the integrity and usability of this underlying information.

Current practice has demonstrated that SBR does not provide preparers of financial information with sufficient benefits to cause them to voluntarily adopt its use and so far analysts have not provided sufficient demand to cause preparers to adopt SBR. Presently the only likely pressure for the adoption of SBR will come from analysts (principally those with experience of its use in the UK and USA). If compulsion is seen as good policy, providing the means by which Australian companies maintain their access to global capital markets, then SBR should only be mandated for listed companies or companies seeking listing. There is presently no commercial rationale for the compulsory use of SBR by unlisted companies.

If the real drivers for the use of SBR are the efficient operation of government bodies, the only way to achieve adoption at present will be through compulsion. That compulsion needs to be aligned with the creation of software accessible and affordable to the range of businesses that will be affected by SBR based lodgement.

# WESTWORTH KEMP

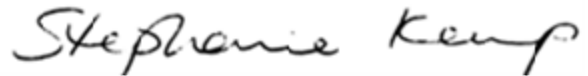
CONSULTANTS

Our answers to the questions for general stakeholders are attached. If you wish to discuss any of these matters further, please contact me at [chris@westworthkemp.com.au](mailto:chris@westworthkemp.com.au).

Yours faithfully



Chris Westworth, LLB, FCA, FAICD



Stephanie Kemp MA, FCA

## SECTION 2

*What impediments exist with the current use of financial reports in PDF/paper format?*

The lack of adoption of SBR hitherto indicates that the community does not perceive any impediment to the current use of financial reports in PDF/paper format. The potential benefits of SBR are currently unexplored as lodgement using SBR has hitherto been optional and few entities have chosen to use it. In the absence of any compulsion, entities appear satisfied with lodgement using paper or PDF and we do not perceive any impediments to the continuation of the current system.

We understand that there are potential benefits in terms of analysts and regulators being able to manipulate SBR information for the purposes of analysis and reporting. The community is not sufficiently aware of these potential benefits to perceive the current system as an impediment.

## SECTION 4, OPTION 1

*Do you agree/disagree with the benefits and costs listed above? Why?*

*Are there any other impacts associated with implementing this option?*

We agree with the explanation of the benefits and costs of Option 1 explained in the paper. The potential benefits are as yet unproven and the lack of adoption of the option to use SBR in the market place implies that the market does not value these potential benefits.

However, the availability of iXBRL will enable one filing that is human readable, rather than separate SBR and PDF filings as at present. Mandating XBRL, as opposed to iXBRL, would merely apply another load of regulation and costs to business, as the PDF lodgement would still have to be made.

There may also be long-term benefits to the Australian economy from businesses using a technology that is already in use overseas, thereby facilitating comparison with overseas competitors.

## SECTION 4, OPTION 2

*Do you agree/disagree with the benefits and costs listed above? Why?*

*Are there any other impacts associated with implementing this option?*

We agree with the explanation of the benefits and costs of Option 2 explained in the paper.

Use of SBR hitherto has been voluntary and the rate of adoption has been low. Without some sort of incentive and compulsion, the take-up rate is likely to continue to be low and the potential benefits are unlikely to eventuate.

## SECTION 4, OPTION 3 (STATUS QUO)

*Do you agree/disagree with the benefits and costs listed above? Why?*

*Are there any other impacts associated with implementing this option?*

We agree with the explanation of the benefits and costs of Option 3 explained in the paper.

*Please state you preferred option and/or provide any alternative options for the lodgement of financial reports via SBR?*

Our preferred option is Option 1, compulsory lodgement using SBR, as without compulsion, the technology is unlikely to gain acceptance and its potential benefits will not be realised. We suggest that Australia go straight to iXBRL adoption to remove the need for PDF lodgements and the need for a further change in technology when the more user friendly iXBRL becomes the norm.

Entities already have reporting systems in place that enable them to generate their financial report and other reports to regulators and see no need for change – SBR appears to be a solution to a problem that business does not yet perceive. Consequently, consideration should be given to publicising the benefits of SBR to the business community.

However, we suggest that mandatory application, at least initially, be restricted to larger entities (see below).

Because a retail shareholder will still be entitled to financial information, until there is simple universal accessibility to XBRL based data, other forms of communication will be necessary.

## SECTION 5

*Is there any justification for excluding certain entities from the mandatory requirement to lodge financial reports via SBR (option 1). Which entities should be excluded and why? Should this exclusion be temporary or permanent?*

We suggest that mandatory application of SBR apply initially to listed entities, as they are subject to greater financial analysis. Once the technology is widely available and understood, further consultation can take place as to whether its use should be extended.

*Please list the entities (see table 1) whose financial reports are most useful for investment analysis? Why?*

The financial reports most useful for investment analysis are listed public companies and listed registered schemes.

However, there may be merit in applying SBR to larger entities in the not-for-profit sector, as it may assist in streamlining reporting for grant acquittal and financial reporting purposes. There are already moves in that sector to implement a standard chart of accounts which may be able to be delivered in XBRL form.

*If SBR were mandated, what transitional period would be needed to ensure your business was ready to lodge financial reports. Why?*

*If SBR were mandated for financial report lodgment, would a staged approach be a better option? For example, applying the mandate initially to the top 300 listed entities first, with other entities covered by the mandate being phased in at a later date. Alternatively, is it preferable to set a single date from which all reports (for entities covered by the mandate) must be lodged using SBR. Why?*

We prefer a staged approach, whereby the initial implementation is done by organisations with sufficient internal resources to cope with such a change.