PART II

TRANSPARENCY IN THE PRIVATE SECTOR

This Part discusses transparency issues relating to private companies in both the financial and non-financial sectors — a key element of Australia's corporate governance arrangements.

Corporate governance covers a wide range of matters involving the superintendence of the relationships between the owners, stakeholders, managers and auditors of a company. In its widest sense, it encompasses the rights of shareholders, the duties of directors and managers, and disclosure and transparency about the operations of a company. Corporate governance practices develop in response to competitive economic, commercial and international pressures, including the policy imperative to ensure a stable and predictable investment climate.

The following issues are considered in this Part.

- Consistent with the focus of this report, the first section discusses those aspects of Australia's corporate governance regime which relate to transparency and the efficient and effective dissemination of information to the market. The discussion is in terms of Australia's adherence to draft International Principles on Corporate Governance being developed by the Organisation for Economic Co-operation and Development (OECD). (A detailed discussion of Australia's adherence to the Principles is at Attachment D.)

- A key element of corporate transparency — the timely provision of relevant, accurate financial statements audited in accordance with agreed standards — is considered in greater detail in the second section. The section considers the compliance of the Australian private sector with national accounting standards independently set by the Australian Accounting Standards Board and with international audit standards issued by the International Auditing

Practices Committee of the International Federation of Accountants. (A detailed discussion of Australia's compliance with these standards is at Attachments E and F.)

- The third section discusses the consistency of Australia's corporate insolvency regime with key features and principles identified by the G22 Working Group on International Financial Crises as important to an effective insolvency regime. Although not strictly a transparency matter, an effective corporate insolvency regime is a key element of a country's corporate governance framework which can have an important bearing on investor confidence and financial stability. (A detailed discussion of Australia's adherence to the G22 key features and principles is at Attachment G.)

- The final section of this Part considers Australia's financial sector regulatory framework which requires financial sector participants to meet certain additional regulatory requirements, including disclosure standards, in order to ensure financial sector stability and protect investors. (A detailed discussion of Australia's adherence to the Basle Committee's *Core Principles for Effective Banking Supervision*, and the *Statement of Objectives and Principles of Securities Regulation* developed by the International Organization of Securities Commissions are at Attachments H and I respectively. As well as discussing monetary policy, Attachment B compares Australia's financial policy framework with the relevant principles contained in the draft of the proposed IMF *Code of Good Practices on Transparency in Monetary and Financial Policies*.)

While the emphasis of this report is on transparency and the dissemination of information to the market, it is important to acknowledge that transparency is only one aspect of good corporate governance, albeit a key one, and cannot be wholly effective unless other aspects of corporate governance are properly catered for in the legal, institutional and regulatory infrastructure of an economy.