

Chapter 1

Scrutiny of annual reports

1.1 The Parliamentary Joint Committee on Corporations and Financial Services is established by Part 14 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). Section 243 specifies the committee's duties, which include:

(b) to examine each annual report that is prepared by a body established by this Act and of which a copy has been laid before a House, and to report to both Houses on matters that appear in, or arise out of, that annual report and to which, in the Parliamentary Committee's opinion, the Parliament's attention should be directed...

1.2 This report is presented in fulfilment of the committee's duties under subsection 243(b).

1.3 The ASIC Act establishes 10 bodies, namely:

- Auditing and Assurance Standards Board (AUASB);
- Australian Accounting Standards Board (AASB);
- Australian Securities and Investments Commission (ASIC);
- Companies Auditors and Liquidators Disciplinary Board (CALDB);
- Corporations and Markets Advisory Committee (CAMAC);
- Financial Reporting Council (FRC);
- Financial Reporting Panel (FRP);
- Office of the Australian Accounting Standards Board (Office of the AASB);
- Office of the Auditing and Assurance Standards Board (Office of the AUASB); and
- Takeovers Panel.

1.4 Collectively, these bodies form the 'administrative organs' of the national financial services regulatory scheme established by the ASIC Act and the *Corporations Act 2001*.¹

1 Mr Lionel Bowen, Attorney-General, *House of Representatives Hansard*, Second Reading Speech, Australian Securities Commission Bill 1988, 25 May 1988, p. 2991. The ASIC Act predominantly replicates the administrative structure established in the *Australian Securities Commission Act 1989*. Section 261 of the ASIC Act directs that bodies established under the Australian Securities Commission Act continue in existence as if they had been established under the ASIC Act.

1.5 While ten bodies are established under the ASIC Act, only eight annual reports are prepared. The ASIC Act directs that one annual report will cover both the AASB and the Office of the AASB.² Similarly, the AUASB is required to prepare an annual report that addresses its activities and the activities of the Office of the AUASB.³

1.6 The annual reports of ASIC and the Takeovers Panel are not considered in this report. The committee routinely examines the annual reports prepared by ASIC as part of the committee's ongoing oversight of the Commission. The 2010–11 annual report of the Takeovers Panel will be considered as part of the committee's oversight of that Panel.

1.7 Accordingly, this report examines the 2010–11 annual reports of the AASB, the AUASB, CALDB, CAMAC, the FRC and the FRP.

1.8 The committee notes that the annual reports of bodies established under the ASIC Act are also the subject of scrutiny by the Senate Economics Legislation Committee. Senate Standing Order 25(20) requires the Economics Committee to:

- (a) Examine each annual report referred to it and report to the Senate whether the report is apparently satisfactory.
- (b) Consider in more detail, and report to the Senate on, each annual report which is not apparently satisfactory, and on the other annual reports which it selects for more detailed consideration.
- (c) Investigate and report to the Senate on any lateness in the presentation of annual reports.
- (d) In considering an annual report, take into account any relevant remarks about the report made in debate in the Senate.
- (e) If the committee so determines, consider annual reports of departments and budget-related agencies in conjunction with examination of estimates.
- (f) Report on annual reports tabled by 31 October each year by the tenth sitting day of the following year, and on annual reports tabled by 30 April each year by the tenth sitting day after 30 June of that year.
- (g) Draw to the attention of the Senate any significant matters relating to the operations and performance of the bodies furnishing the annual reports.
- (h) Report to the Senate each year whether there are any bodies which do not present annual reports to the Senate and which should present such reports.

1.9 Therefore, in conducting its review of the annual reports of bodies established under the ASIC Act, the committee will focus on operational matters of key interest and raise urgent matters that in the committee's opinion Parliament should consider.

2 ASIC Act 2001, s. 235J.

3 ASIC Act 2001, s. 236DG.

Chapter two examines the annual reports of CALDB, CAMAC and the FRP is in chapter two. Chapter three assesses the annual reports of the three agencies established by Part 12 of the ASIC Act to oversee the administration of the financial services: the AASB, the AUASB and the FRC.

1.10 In reviewing the annual reports, the committee will also consider whether there are opportunities to strengthen the operation of the corporations legislation. One such opportunity is discussed in chapter four.

1.11 The committee did not hold any public hearings or seek written submissions during the preparation of this report. Assistance was provided by Ms Moira Coombs, Senior Researcher, Law and Bills Digest Section of the Research Branch of the Parliamentary Library. The committee thanks Ms Coombs and the Parliamentary Library for their assistance.

