

**Senate Standing Committee on Economics**

**ANSWERS TO QUESTIONS ON NOTICE**

**Treasury Portfolio**

Additional Estimates 14 – 15 February 2007

**Question:** aet134 (FRC)

**Topic:** Funding from the Non-Government sector

**Hansard Page:** E87-88

**Senator WONG asked:**

I note here that the ASX is providing annual funding of a \$100,000 for a further three years. What is your current government funding?

**Mr Macek**—We have a number of sources of funding. In terms of Commonwealth government funding, some \$4.8 million comes in effectively directly through the Treasury. Then there is an additional \$1.6 million that comes directly from ASIC to the AASB. That is total quantum of Commonwealth government funding. There is also an additional half a million dollars per annum from the states and territories, and there are further amounts that come from the three professional accounting bodies which last year aggregated to \$1.75 million, but they will be reducing in the coming years, and there is a modest amount from the ASX itself.

**Senator WONG**—On notice could you give me the details over the last couple of financial years for the non-government sector? Why are they reducing over the next three years? Why is that contribution reducing?

**Mr Macek**—There are two principal reasons. They both reflect the changing structure for standard setting. You may recall that prior to the establishment of the AASB and the FRC with oversight and then the subsequent changes where the FRC was given oversight of the AUASB, the accounting profession itself had responsibility for making standards. They now are taking the view that the standards are effectively law and that the making of law is the responsibility of government. Largely because of that diminution of control, they feel that the burden that they have been shouldering should be reduced.

**Senator WONG**—I think you talked about the accounting bodies. Is that the only component that you anticipate reducing?

**Mr Macek**—The other reason I think they gave us is that they have significant responsibilities to maintain their services to members and, like any member-based organisation, there are constraints.

**Senator WONG**—Yes. You misunderstood my question. Is it only the accounting bodies' contribution which you are anticipating will reduce?

**Mr Macek**—Yes, it is only the aggregate of the three professional accounting bodies.

**Senator WONG**—You are aware of the extent to which it will reduce over the next financial year?

**Mr Macek**—Yes. There is an agreed reduction over the next three years.

**Senator WONG**—Could you provide that on notice?

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**Mr Macek**—Yes.

**Answer**— As advised by the Chief Executive Officers of the three professional accounting bodies, CPA Australia, The Institute of Chartered Accountants in Australia and the National Institute of Accountants in their joint letter of 17 May 2006, their proposed contributions to the FRC were being reduced from their level of \$1,750,000 in 2005-06 to the following levels:

2006-07	\$1,500,000
2007-08	\$1,250,000
2008-09	\$1,000,000

As background to their decision, the accounting bodies noted that they were devoting increased resources to the accounting and auditing areas and had also been called upon to invest more resources in quality control and disciplinary areas to ensure their programs were consistent with international best practice and to meet increased community expectations. In this regard, they also noted the recent establishment of the Accounting Professional and Ethical Standards Board, which had resulted in significant additional funding requirements from them.