

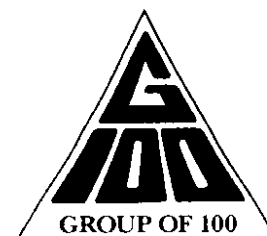
GROUP OF 100 Inc.

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An association of Australia's senior Finance Executives
from the nation's business enterprises

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17 November 2003

The Secretary
Parliamentary Joint Committee on Corporations & Financial Services
Room SG.64
Parliament House
CANBERRA ACT 2600

Dear Sir/Madam

CLERP 9 (Audit Reform & Corporate Disclosure) Bill

The Group of 100 (G100) is pleased to comment on the CLERP9 Bill. However, we are concerned at the short time between issue of the proposals and the comment date particularly where organisations need to consult with their members.

Operating & Financial Review

While the G100 welcomes the proposal to require an operating and financial review (OFR) by listed entities, we believe that as an OFR is now required by the listing rules, inclusion in the Corporations Act involves some duplication. The G100 proposes that the OFR should be required in the annual reports of a much broader class of entities. The G100 believes that the legislation should require that the OFR be presented in the annual report but not necessarily specify that it is part of the directors' report which contains a range of other disclosures.

In addition we strongly believe that Section 314 (2) of the Corporations Act should be amended to require that the OFR be a part of the concise report. Under current arrangements AASB 1039 *Concise Financial Reports* requires discussion and analysis to be provided as part of a concise financial report and, as such, is subject to audit. The presence of this audit requirement limits the extent and nature of the discussion and analysis that is presently included in concise financial reports.

The G100 believes that a consequence of amending Section 314 (2) as recommended would be that the AASB could remove the discussion and analysis requirement from AASB 1039 *Concise Financial Reports*. This would avoid unnecessary duplication of requirements and the need for discussion and analysis to be audited.

Financial Reporting Council

The G100 supports the extension of the FRC's role. However, we believe that in view of its increased responsibilities, the size, composition and qualities for membership must be reviewed. We believe that the FRC should be established with its own Secretariat, independent of the Treasury and that its membership should continue to comprise independent and eminent persons, appointed in their own right not having ties with professional organisations or lobby groups. As such, a mix of business and professional people and those from broader disciplines concerned with the public interest would be appropriate, particularly in view of its expanded functions.

The G100 also believes that responsibilities for the Financial Reporting Panel (FRP) should also be included in the FRC's expanded functions. We believe that given the nature of its activities it would be undesirable for the FRP to have any links to the Australian Securities and Investments Commission.

Financial Reporting Panel

The G100 supports the establishment of a Financial Reporting Panel (FRP) to deal with issues between the regulator and a company including its auditors. However, the G100 strongly opposes the proposals that ASIC and only ASIC has the power to refer items to the FRP. This is a lop-sided arrangement and takes no account of companies or other parties wishing to refer items to the FRP. The G100 strongly believes that there should not be any restriction on the parties who can make references to the FRP. The G100 strongly believes that there should not be any restriction on the parties who can make references to the FRP.

In addition, the G100 believes that the FRP could perform an important role by providing guidance on company-specific controversial issues (having potential regulatory consequences) before a company determines its accounting policy.

True and Fair

The G100 supports the proposals.

Continuous Disclosure

The G100 considers that the proposals that ASIC has the power to act as 'judge', jury and executioner' in respect of the imposition of a fines regime is completely unacceptable and manifestly unfair. We are particularly concerned at the manner in which ASIC might use these additional powers. Once a fine is imposed a company must then establish that it is not in breach of the requirements. For example, given the costs and distractions associated with contesting/challenging ASIC imposed fines a company may, even though it believes it has not breached the rules, pay the fine to avoid the accompanying distractions.

Director and Executive Remuneration

- a. The G100 believes that the proposals should harmonise with those required in Accounting Standards. It is inefficient and potentially misleading and confusing to users where there are differences between the scope and detail of the disclosures and the basis of measurement required in the directors' report and those made in compliance with Accounting Standards.

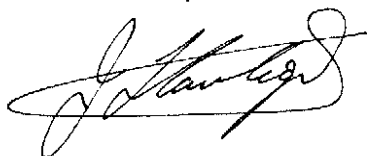
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- b. The G100 does not consider that the case for non-binding shareholder resolutions in respect of director and executive remuneration has been established or that its implementation would add value to the process of determining and disclosing remuneration. Issues relating to director and executive remuneration are currently subject to significant debate and comment at annual meetings and it is difficult to determine how such resolutions will add to the process.

Auditing Proposals

- a. Rotation: It is not clear from the proposals whether the requirements in respect of auditor rotation relate to parent entities and subsidiaries and whether they relate only to the signing partner or to other partners involved in the audit.
- b. Non-audit Services: The G100 believes that across large groups it is often difficult and judgemental to determine amounts for non-audit services. The detail and specificity of the disclosures in respect of non-audit services should be subject to materiality. The G100 believes that the total amount of fees paid for non-audit services and the material components should be disclosed.

Yours sincerely



John V Stanhope
National President