

9 August 2007

Mr Peter Hallahan
Secretary
Senate Standing Committee on Economics
PO Box 6100
Parliament House
Canberra ACT 2600
E-mail: economics.senate@aph.gov.au

Dear Mr Hallahan

Re: Private Equity Inquiry

The National Institute of Accountants (NIA) is providing this supplementary submission to provide the committee with further information relating to evidence given by representatives of our organisation to the Senate Economics Committee. We consider the following facts important in understanding the background of our initial submission to the committee.

In addition to consulting with senior members of our organisation on the general scope of financial reporting the issues of reporting requirements for entities engaging in private equity dealings were discussed with practitioners in the major accounting firms. At times practitioners within accounting firms raise issues with members of our policy team in confidence in the hope we can raise these issues without prejudicing or jeopardising their positions with employers. This was one such occasion where individuals that were directly involved in the provision of advice had highlighted concerns about the potential for a lack of transparency in the disclosure of financial position and financial performance. It was primarily the experience and background of the individuals involved in these firms that led to our organisation preparing a submission on the narrow issue of financial reporting obligations.

The key issue raised by these individuals – a concern that we also hold – is the potential for a lack of financial information being provided about entities in which there is a legitimate public interest once entities are subsumed within a private equity structure. This may be the case where an entity sits beneath a trust or a partnership for which there are not the same reporting requirements as there are for entities reporting under the *Corporations Act 2001*. We note the same concerns are raised by the chairman of the Australian Accounting Standards Board in a submission to the committee.

Feel free to contact me should you require further information in relation to the above.

Kindest regards



Andrew Conway
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National Institute of Accountants

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