

ASIC GETS TOUGH

The Australian Securities and Investments Commission is expanding its surveillance of financial statements in an unprecedented attempt to review the annual reports of all listed companies.

An ASIC submission to the Joint Committee of Public Accounts and Audit (JCPAA) revealed that the extended scope of the latest surveillance project aimed to boost by more than 18 times the most recent surveillance of financial statements for the financial year ending June 30.

A review of 80 financial statements was undertaken by the commission late last year to determine whether companies were complying with accounting rules setting down new presentation requirements for the statements of financial performance and financial position.

The surveillance program, announced in July, will look at almost 1500 Australian listed entities, although the media release only specified chairpersons of listed company boards would receive letters encouraging them to ensure their companies complied with accounting standards.

Malcolm Rodgers, the ASIC's executive director of policy and markets regulation, told the JCPAA in the submission dated August 7 that the commission had been responsible for obtaining more than \$3.3 billion worth of adjustments to company accounts for the period between 1998 and 2002.

"Most recently [ASIC chairman David Knott] on 12 July 2002 announced a major accounting surveillance project directed to areas of accounting abuse of the type recently uncovered in the USA," Mr Rodgers said.

"This project will involve a review of the next round of financial reports for all Australian listed entities."

Accounting standards covering the presentation of the statement of financial performance, presentation of the statement of financial position, revenue recognition and accounting for consolidations will be the key documents against which financial statements will be benchmarked for compliance.

The latest review also involves the establishment of a special task force consisting of commission officers from the enforcement, capital markets and accounting divisions of the ASIC.

Preliminary findings related to the reviews of financial statements are expected from the taskforce by late December.

The chief executive of the Institute of Chartered Accountants in Australia, Stephen Harrison, said yesterday the profession could gain valuable insights from any problems or issues uncovered by the surveillance project.

"I think its important that annual financial statements are put under external scrutiny and I look forward to the findings of their surveillance program to see if there are any issues the profession needed to address with respect to the quality of financial statements going forward."

This article was supplied by Tom Ravlic. Tom is a financial journalist who has spent the past seven years covering the accounting profession, accounting and audit standard setting and corporate governance. His work has appeared in various publications including *Business Review Weekly*, *Personal Investment* (now *Personal Investor*), *The Age*, *CFO Magazine*, the *Australian CPA*, the *Company Director Journal* and the newsletters of the internationally renowned Lafferty Group. In addition to his freelance commitment to a wide range of publications, Tom has recently accepted an appointment to be editor of *Chartac Accountancy News*, published by Melbourne-based publisher Crown Content.