

FRC considering public meetings

The Financial Reporting Council is to consider opening its meetings to public scrutiny and a redrafting of its public sector directive following a federal parliamentary estimates committee hearing held in Canberra in the past fortnight.

A commitment from Jeff Lucy, the FRC chairman, to take the issue of public meetings and a reconsideration of the public sector accounting directive back to the council came after questions over the exercise of the council's legislative powers posed by Senator Stephen Conroy.

The estimates committee received a detailed explanation of the process undertaken by the FRC to inform itself of the public sector issues before arriving at its 12 December decision on the strategic direction for public sector financial reporting.

Lucy told Senator Conroy he would take the issue back to the council and seek clarification of the public sector strategic direction.

"There has been informal dialogue between the FRC and the AASB seeking the clarification that you are referring to. I think that has done a lot to assuage any concerns that Mr Alfredson and his staff have," Lucy told the estimates committee.

"I think it is appropriate that we take that back through the FRC process and bring it on to the table. That is one of the reasons why I am attending the AASB today, at Keith's invitation, to talk through those issues. I have no disagreement with you wanting to make that more formal."

Senator Conroy said he was concerned the FRC had gone beyond its legislative mandate by spelling out in its strategic direction that generally accepted accounting principles for the public sector should include the key features of the framework for government finance statistics (GFS).

The GFS framework has its own manual of standards produced by the International Monetary Fund – downloadable from the IMF's web site www.imf.org – that sets out how finance statistics should be presented.

Senator Conroy said he believed the FRC had specified technical content for accounting standards because the strategic direction as attached to the December FRC Bulletin specified that 'the strategic direction agreed by the FRC involves including within Australian GAAP applicable to the public sector, the key features of the GFS framework'.

He said he would prefer to see a public statement of a change in the wording of the strategic direction by the council to clarify that the strategic direction was not meant to interfere with technical content.

“I appreciate that you have had a robust discussion, but this is the document that has been circulated publicly by the FRC. I would be more comfortable if the FRC clarified that in a public statement through its next bulletin or through a letter,” Senator Conroy said.

“Mr Lucy, are you prepared to go back and clarify with the FRC this issue of the fact that you have made a choice?”

The oversight body will also consider opening its meetings to the public at its next meeting, Lucy told Senator Conroy following an exchange related to the ‘in camera’ nature of council deliberations.

FRC meetings are presently held ‘in camera’ in their entirety, but in response to a statement from the FRC chairman that there was support for transparency in the standard setting process Senator Conroy said he looked forward to the council passing a resolution in favor of public meetings.

Lucy, however, said there were matters such as deliberations on suitable appointments to the AASB that should remain in camera.

“Indeed, frankly, I think that much of the debate that has gone between the AASB and the FRC on this public sector would have been a lot more productive had it been between us in a manner in which we could have been fully open with each other rather than have issues aired in the financial press. There are times when, to advance issues, there needs to be the opportunity for private dialogue,” said Lucy, a former national president of the Institute of Chartered Accountants in Australia.

While Senator Conroy said he understood there might be some issues that would need ‘in camera’ treatment, but he felt the FRC chairman was being contradictory by saying he would like transparency but “there are all these other things where you want to get behind closed doors”.

Lucy explained the AASB presently meets in public for most things although policy matters have been dealt with in camera, such as the policy discussions had in the past week on the public sector strategy determined by the council last December.

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.