

HIH Royal Commission recommends

Recommendations in the HIH Royal Commission report on structural reforms to the setting of accounting standards and plain English audit certificates are bizarre and have nothing to do with the collapse of the general insurer, one of Australia's leading accounting experts said yesterday.

Stockford audit and assurance services head of accounting, Colin Parker, said Royal Commissioner Neville Owen has made a series of recommendations he finds puzzling because no recommendation affecting the structure of accounting standard setting has anything to do the \$5.3 billion collapse.

The Royal Commissioner made a string of suggestions for the reform to processes dealing with the setting of accounting standards, which includes expressing his desired outcome on specific accounting rules for general insurance.

The report recommends increasing the involvement of external constituents in the setting of accounting standards as well as the establishment of new procedures for speedy resolution of accounting conflicts.

Commissioner Owen also recommends placing into law a requirement that audit reports should be in plain English, and that management discussion and analysis be a mandatory and auditable feature of company accounts with shareholders.

"The structural issues in financial reporting have not bearing on the collapse of HIH. Neither have plain English audit reports," said Mr Parker, a former member of the interpretative body, the Urgent Issues Group.

"I find it difficult to reconcile to the findings with the recommendations. I just find those recommendations bizarre."

Mr Parker said he could not understand why there were only two recommendations on corporate governance flowing from the analysis of the collapse and more than 10 dealing with the accounting profession and accounting standard setting.

Some commentators are welcoming the suggestion that plain English audit reports be made mandatory.

The chairman of the Audit & Assurance Standards Board, Bill Edge, told The Age the recommendation is worthwhile and ties in with a current project of the AuASB project on plain English audit reporting.

Mr Edge's professional firm, PricewaterhouseCoopers, changed the format of its audit report last year in an attempt to express in plainer English what the audit opinion was and how much work the audit team did to arrive at the view.

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.