

Justice Owen backs move to international accounting standards

The man behind the Royal Commission into the collapse of general insurer HIH, Justice Neville Owen, is backing Australia's move to international accounting standards.

In a recommendation in his report sent to the Federal Government on April 4 Justice Owen states his support for Australian participation in the development and ultimate adoption of a single body of financial reporting standards.

The Royal Commissioner also says he believes more attention needs to be paid to the legal manner in which the standards are likely to be interpreted when the relevant accounting pronouncements are first being drafted.

"One reason why some accounting standards lack clarity is because the current consultative process of standard setting may involve compromise and inconsistency," Justice Owen says. "Another reason might be the origins of the standards, which started out as guidelines rather than delegated legislation. In my view, poorly-worded standards that are subject to wide or inconsistent interpretation are incompatible with a system that gives them the force of law as the present standards have under the Corporations Act."

He says the International Accounting Standards Board and not just the AASB should concern itself with drafting standards that can be enforced in jurisdictions that make them law.

"I consider that the accounting standard setters, the AASB and the International Accounting Standards Board, need to pay close attention to clarity and ease of interpretation of standards as they are developed," Justice Owen states.

"I understand, for example, that when drafting new standards, the AASB is now looking to draw on legal drafting experience. This should be encouraged. Indeed, given that accounting standards are in effect delegated legislation and are of critical importance the utilisation of specialist legal assistance is imperative."

The Royal Commissioner also states his belief Australia needs to maintain its own interpretative capacity as well as allow for the development of more stringent accounting standards in Australia that are not inconsistent with international accounting standards.

"Adopting international standards may entail the application of those standards without amendment or addition. Or it may involve adopting the standards with some alteration for Australian conditions," Justice Owen says. "In my view the standards adopted should reflect the full requirements of the international standards, but Australia should reserve the right to extend the standards in certain areas (without affecting their application), for example in areas of disclosure."

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.