

PROTOCOL FOR CO-OPERATION BETWEEN:

THE AUSTRALIAN ACCOUNTING STANDARDS BOARD,

**THE AUSTRALIAN AUDITING AND ASSURANCE
STANDARDS BOARD,**

**THE AUSTRALIAN FINANCIAL REPORTING COUNCIL,
AND**

THE NEW ZEALAND EXTERNAL REPORTING BOARD

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Background

In January 2004, the governments of Australia and New Zealand announced their commitment to explore a long-term vision for a seamless trans-Tasman business environment of a Single Economic Market.

Under the Single Economic Market concept, the Australian and New Zealand Governments aimed to remove regulatory barriers to trans-Tasman trade and entities operating in both markets. Prime Ministers Rudd and Keys' joint statement of intent¹ (20 August 2009) identified a single economic market outcomes framework and suggested the following financial reporting and audit and assurance policy outcomes:

- for-profit entities are able to use a single set of accounting standards and prepare only one set of financial statements as a short-term goal
- not-for-profit (NFP) entities are able to use a single set of accounting standards and prepare only one set of financial statements as a medium-term goal
- financial reporting standards bodies in Australia and New Zealand have functional equivalence as a medium-term goal
- auditors registered in one country can operate in the other country
- trans-Tasman companies have to prepare only one set of financial statements to one set of standards as a short-term goal.

The adoption of international accounting and auditing and assurance standards by both Australia and New Zealand as a base for national standards provides an opportunity for the accounting and auditing and assurance standard-setting boards of both countries to work together to reduce the transactional costs of entities operating in both Australian and New Zealand markets and achieve other common goals.

The participants

The Australian responsible entities – the Financial Reporting Council (FRC), the Australian Accounting Standards Board (AASB), the Auditing and Assurance Standards Board (AUASB) – and the New Zealand responsible entity – the External Reporting Board (XRB) – are referred to jointly as the 'Participants'.

Australian responsible entities

The FRC is the statutory body responsible for overseeing the effectiveness of the financial reporting framework in Australia. Its key functions include the oversight of the accounting and auditing standard-setting processes for the public and private sectors and it is the oversight body of the AASB and the AUASB.

¹ <http://archive.treasury.gov.au/contentitem.asp?ContentID=1605>

The AASB is an independent non-corporate Australian Government entity responsible for developing, issuing and maintaining financial reporting standards. The AUASB is an independent non-corporate Australian Government entity responsible for developing, issuing and maintaining auditing and assurance standards.

New Zealand responsible entities

The XRB is an independent Crown Entity responsible for the:

- general governance of the XRB organisation
- overall financial reporting strategy and standards strategy
- development and issuance of accounting and auditing and assurance standards in New Zealand.

The XRB has oversight of its two sub-committees (or sub-boards):

1. the New Zealand Accounting Standards Board (NZASB)
2. the New Zealand Auditing and Assurance Standards Board (NZAuASB).

The NZASB has delegated authority from the XRB Board to develop or adopt and issue accounting standards for general purpose financial reporting in New Zealand. The NZAuASB has delegated authority from the XRB Board to develop or adopt and issue auditing and assurance standards (including professional and ethical standards for assurance practitioners) and has legal authority to issue 'Other Assurance Standards'. Both the NZASB and NZAuASB must operate within the financial reporting strategy established by the XRB Board.

Benefits of co-operation

The Participants note they share the view that co-operation and co-ordination between the standard setting bodies is mutually beneficial in order to:

- a) reduce the transactional costs of entities operating in both Australian and New Zealand markets, through having to understand and apply only one set of standards for accounting (if a for-profit entity with 'public accountability')² and one set of standards for auditing and assurance.
- b) reduce the cost of capital for Australian and New Zealand entities operating globally, through basing Australian and New Zealand accounting and auditing standards on international standards, to enhance the confidence of international users in the jurisdictions' financial reporting.

² Public accountability is defined in [AASB 1053 Application of Tiers of Australian Accounting Standards](#) / XRB A1 Application of the [Accounting Standards Framework](#)

- c) influence the development of international accounting and auditing standards.
- d) further the development and adoption of a single set of international accounting standards and a single set of international auditing standards.

The Participants agree it is important to take into account legitimate differences arising from different legal systems and unique local conditions in Australia and New Zealand. In particular, as Australia bases its NFP accounting standard setting on International Financial Reporting Standards (IFRS) and New Zealand bases its equivalent public benefit entity accounting standard setting on International Public Sector Accounting Standards (IPSASB) there is less opportunity for reducing the transactional costs of such entities operating in both Australia and New Zealand.

Purpose of co-operation

The accounting and auditing and assurance standard setting bodies agree to use their best endeavours to achieve the following outcomes:

- (a) Minimise the differences between accounting standards issued in Australia and New Zealand for for-profit entities and keep each other informed of developments regarding NFP/private benefit entities. In general, both Boards adopt IFRS for for-profit entities with 'public accountability' and those voluntarily applying Tier 1 (full recognition, measurement and disclosure) as set out in the Australian For-profit Standard Setting Framework³ and the New Zealand Accounting Standards Framework⁴.

The consequences of not adopting an IFRS requirement means for-profit entities with public accountability would not be able to claim IFRS compliance and would be less able to compete effectively for international capital. Where appropriate, to address jurisdictional specific issues, additions are made to IFRS for for-profit Tier 1 entities, subject to these entities being able to simultaneously comply with IFRS and make an unreserved statement of compliance with IFRS.

Both Boards adopt IFRS recognition and measurement criteria for for-profit Tier 2 entities, but may have different disclosures, taking into account user needs and cost/benefit considerations.

Harmonisation is achieved by adopting additions made to the IFRS Standard by one country that have relevance and application in the other country.

- (b) Minimise the differences between auditing and assurance standards issued in Australia and New Zealand. Both boards adopt the International Auditing and Assurance Standards Board (IAASB) Standards unless there is a compelling reason not to do so.

³ https://www.aasb.gov.au/admin/file/content102/c3/AASB_FP_StdSetting_Fwk_final.pdf

⁴ <https://www.xrb.govt.nz/assets/DMSTemporaryUploads/Updated-Accounting-Standards-Framework-Dec-2015-185538.1.pdf>

Where appropriate, modifications are made to an IAASB Standard to account for legislative requirements and any other reason that will result in significant improvement to audit/assurance quality. Harmonisation is achieved by adopting modifications made to the IAASB standard by one country that have relevance and application in the other country.

- (c) maximise the contribution to, and thus the influence of the AASB and the NZASB upon the International Accounting Standards Board (IASB), and where appropriate other relevant international standard setters such as the International Public Sector Accounting Standards Board (IPSASB), including by collaboration with other national standard setters.
- (d) Maximise the contribution to, and thus the influence of the AUASB and the NZAuASB upon the IAASB and, where appropriate, the International Ethics Standards Board for Accountants (IESBA), including by collaboration with other national standard setters.
- (e) Utilise staff resources effectively and efficiently on projects of joint interest, to the extent practicable and possible.

The Participants acknowledge that so long as there are legal and structural differences in the standard-setting processes in each of their respective countries, the accounting standards and the auditing and assurance standards cannot be identical for all entities.

Notification of standard setting activities

Each standard-setting board will keep its counterpart informed on a timely basis of its standard-setting activities which may affect the other standard-setting board's activities.

Each standard-setting board will advise its counterpart of any proposal to issue a standard, in sufficient time for the other board to consider the consequences and to provide input into the development of that standard.

Cross appointments

Members of the AASB (other than the Chair) and members of the AUASB (other than the Chair) are appointed by the FRC. Members of the NZASB and the NZAuASB are appointed by the XRB. The FRC and the XRB have agreed the Chairs of the AASB and the NZASB respectively shall be appointed to the other Board, and the Chair of the AUASB and the NZAuASB respectively shall be appointed to the other Board.

Work program

The standard-setting boards will, to the greatest extent possible, coordinate their work programs with each other annually in order to plan for the sharing of staff resources on

common significant projects, to the extent that such resource-sharing is practicable, and in order to schedule the performance of such projects on similar time-frames.

Exchange of information

The standard-setting boards will, where appropriate, freely exchange information including strategies, business plans, policy decisions, meeting agenda papers and minutes of meetings, in order to facilitate the production of similar standards and to facilitate consistent approaches.

Such exchange of information is to be carried out directly between the staff and Chairs of the standard-setting boards, as necessary.

Meetings

In addition to the reciprocal attendance at board meetings (see Cross Appointments) the Participants' standard-setting boards will meet their counterparts, where practicable, at a joint board meeting, subject to any resource constraints.

Communications under this arrangement

Communications about this Arrangement will be carried out by direct communication between the Participants. Each Participant will designate a communications authority, changes to which will be notified in writing to the other Participants.

The communications authorities are:

The Chair
Australian Accounting Standards Board
Podium Level
Level 14, 530 Collins Street
Melbourne Vic 3000, Australia

The Chair
Auditing and Assurance Standards Board
Podium Level
Level 14, 530 Collins Street
Melbourne Vic 3000, Australia

The Chairman
External Reporting Board
PO BOX 11250, Manners Street Central
Wellington 6142, New Zealand

The Chair
Financial Reporting Council
c/o The Treasury
Langton Crescent
Canberra Act 2600, Australia

Entry into effect and termination

This Arrangement will come into effect when signed by the Participants.

This Arrangement will remain in effect until terminated by one or more of the Participants.

Any Participant may terminate the Arrangement by providing 60 days written notice to the other Participants.

The Participants will endeavour to periodically review the operation of this Arrangement with a view to assessing ways in which it could be improved.

This Arrangement may be amended by a written arrangement between Participants.

For the Australian Accounting Standards Board:



SIGNED at Sydney

on 7 November 2019

Kris Peach
Chair

For the Auditing and Assurance Standards Board:



SIGNED at Sydney

on 7 November 2019

Roger Simnett
Chair

For the External Reporting Board:



SIGNED at Wellington

on 29 October 2019

Michele Embling
Chair

For the Financial Reporting Council:



SIGNED at Melbourne

on 7 November 2019

Bill Edge
Chair
