

## 2005-06 - FINANCIAL REPORTING COUNCIL - ACTIVITY STOCKTAKE AGAINST AGREED FUNCTIONS

(‘Section’ refers to provisions in the *Australian Securities and Investments Commission Act 2001*)

Functional requirement	Section	Point	How addressed
<b>1. General functions</b>			
Providing broad oversight of the process for setting accounting and auditing standards and ministerial reports.	s225 (1) (a)(b)	1.1	The FRC has overseen the accounting and auditing standard setting arrangements by (i) appointing members (other than the Chairs, who are appointed by the Treasurer) to the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AUASB); (ii) approving and monitoring AASB and AUASB priorities, business plans, budget and staffing arrangements; (iii) determining the broad strategic directions of the AASB and the AUASB; (iv) providing directions, advice or feedback on matters of general policy and its procedures to the AASB and the AUASB; and (v) monitoring the effectiveness of the AASB and the AUASB consultative arrangements.
Monitoring the effectiveness of auditor independence requirements in Australia	s225(1)(c)	1.2	To facilitate the performance of its auditor independence functions, the FRC has an Auditor Independence Subcommittee which met on eight occasions during 2005-06. In addition, the consultant appointed by the FRC in December 2004 (Mr William Bartlett) continued to assist the FRC perform this function. In April 2006, the FRC engaged three short-term consultancies to provide services in the areas of quality review, disciplinary procedures and teaching of ethics.
		1.3	At the start of 2004-05, the FRC signed MOUs with the three professional accounting bodies, ASX, APRA and ASIC and exchanged letters of understanding with the CALDB (collectively, the MOU bodies) for the purpose of facilitating the exchange of information between the MOU bodies and the FRC. These arrangements were continued during 2005-06.
		1.4	During 2005-06, the consultants and representatives of the Subcommittee met with the MOU bodies, the four major accounting firms and one mid-tier firm, to obtain information about the manner in which they are regulating, or ensuring compliance with, the requirements of the Corporations Act.
Required reports	s225(1)(d)	1.5	The FRC/AASB annual report for 2004-05 containing a comprehensive overview of the main operations and achievements of the FRC, AASB and AUASB, was approved at the FRC meeting held on 16 September 2005, forwarded to the Treasurer and tabled in parliament in October 2005.
		1.6	In October 2005, following consultation with stakeholders and discussion of the matter at the FRC meeting held in September 2005, the FRC Chairman wrote to the Treasurer updating him on the implementation of International Financial Reporting Standards (IFRS) in Australia, including emerging issues of which the Council had become aware.
		1.7	The FRC Chairman met with the Parliamentary Secretary to the Treasurer early in 2006 to discuss a

range of issues associated with the FRC's performance of its statutory functions.

Establishing appropriate consultative mechanisms

s225(1)(f)

- 1.8 During 2005-06 the FRC Chairman has had an active role in conveying to the public key FRC decisions, including by approving Bulletins and the minutes of meetings for publication and speaking at various fora including conferences and meetings. The FRC Chairman engaged in discussions with a range of organisations including professional accounting bodies and accounting firms.
- 1.9 The FRC Chairman met with the professional accounting bodies, regulatory bodies including ASIC and APRA, other stakeholders including the Group of 100 and the newly-established Audit Quality Review Board (AQRB). The FRC Chairman also met with the Secretary of the Australian Treasury and Chair of the Heads of Commonwealth and State Treasuries to discuss public sector accounting issues. Following these meetings, the FRC Chairman conveyed the results of those meetings to the Council.
- 1.10 The FRC Chairman addressed the IFRS Regional Policy Forum held in Sydney in October 2005 under the auspices of the Trans-Tasman Accounting Standards Advisory Group (TTASAG). This was followed up by meetings with relevant parties in Japan, China and Singapore in June 2006.
- 1.11 The FRC Chairman attended a joint Financial Stability Forum / International Accounting Standards Board / International Federation of Accountants Roundtable on Financial Reporting and Auditing held on 16-17 February 2006 in Paris.
- 1.12 Consultation by FRC members with stakeholders is facilitated by receiving copies of FRC agenda papers one week prior to the meeting. At FRC meetings members are able to provide regular updates on issues of interest to their respective stakeholders via a standing agenda item.
- 1.13 Guests are invited to attend FRC meetings, for the full meeting or relevant agenda items only. Guests may come from stakeholder organisations that are not directly represented on the Council, such as APRA. Members of the AUASB attended part of the FRC meeting held in June 2006.
- 1.14 Bulletins reporting on the main outcomes of each of the five regular FRC meetings and the special FRC meeting held in 2005-06 were posted on the FRC website within a few days of the meeting. The cleared minutes from the previous FRC meeting were also posted on the FRC website at the same time.
- 1.15 Consultants employed by the FRC, including those engaged in work on auditor independence issues, and the consultant researching sector neutral standards, met with a range of stakeholders. Formal meetings are convened with stakeholders with whom the FRC has Memoranda of Understanding to exchange information on auditor independence issues.

## 2. Specific accounting standards functions

Appointing AASB members

s225(2)(a)

- 2.1 The FRC Nominations Committee held three formal meetings during 2005-06, and conducted interviews with a number of candidates for membership to the AASB. The FRC agreed to the appointment of three new members and the reappointment of another three members to the AASB, including the reappointment of the New Zealand representative on the advice of the Trans-Tasman Accounting

			Standards Advisory Group.
		2.2	The Nominations Committee reported on the peer evaluations of AASB members at the FRC meeting held on 16 December 2005.
Approving and monitor AASB priorities, business plan, budget and staffing arrangements.	s225(2)(b)	2.3	At its meeting held on 1 July 2005 the FRC approved the priorities, business plan, budget and staffing arrangements of the AASB for 2005-06.
		2.4	The FRC Finance Committee met four times during 2005-06. On the recommendation of the Finance Committee, the FRC:  approved the AASB's Financial Statements for 2004-05 (September 2005 meeting);  approved the revised AASB Budget for 2005-06 (December 2005 meeting); and  approved the priorities, business plan, budget and staffing arrangements of the AASB for 2006-07 (June 2006 meeting).
- Standing FRC item on AASB		2.5	The AASB Chairman provided an update on the progress of AASB activities and work priorities at each FRC meeting.
- Half-yearly report from AASB		2.6	A mid-year review by the AASB was considered by the FRC Finance Committee on 5 December 2005, and reported to the FRC meeting on 16 December 2005 via the FRC Finance Committee Chairman's report.
- Priority setting and feedback		2.7	The 2004-05 annual report, approved by the FRC at its meeting on 16 September 2005, outlined progress on the AASB's work programme in 2004-05, and set out its work programme for 2005-06. Feedback on accounting standards and related policy issues was sought by the AASB through the regular reports to FRC meetings by the AASB Chairman.
- Required business plan content		2.8	The AASB business plan for 2006-07 describes how the AASB intends to address set priorities with a detailed work programme. The FRC Finance Committee reviewed the AASB's annual business plan for 2006-07 prior to its consideration and approval by the Council at its meeting in June 2006.
- Budget and staffing process		2.9	The 2006-07 AASB business plan outlines the number and composition of AASB staff and secondments. The FRC is satisfied that the AASB has adopted responsible commercial business techniques in preparing the Board's budget and staffing arrangements.
Determining the AASB's broad strategic direction	s225(2)(c)	2.10	On 28 June 2002, the FRC issued a strategic direction that formally endorsed the planned adoption of IASB standards (ie IFRS) and IFRIC interpretations from 1 January 2005. During 2005-06, FRC members conveyed the views of their stakeholders on issues relating to the implementation of the strategic direction.
		2.11	The FRC Chairman held meetings with a number of stakeholders and reported on these meetings to the

		FRC. IFRS implementation issues were discussed in detail at the FRC meeting held on 16 September 2005.
		2.12 On 12 December 2002, the FRC issued a strategic direction to the AASB to pursue, as an urgent priority, the harmonisation of Government Finance Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting. During 2005-06, the AASB made substantial progress in implementing this direction. The FRC monitored progress, particularly in respect of the consultation with stakeholders undertaken by the AASB.
		2.13 In November 2005 the FRC appointed a consultant, Mr Kevin Simpkins, to advise it on the merits of accounting standards that were 'sector neutral'. Mr Simpkins' report was received by the FRC at its meeting in June 2006. The FRC agreed to make the report public and seek comment on the issues raised.
Giving the AASB direction or feedback on general policy or procedures	s225(2)(d)	2.14 The AASB annual business plan and forward work programmes reflect the strategic policy directions set by the FRC. The AASB Chairman provided reports at each FRC meeting, allowing the FRC to provide feedback on general policy and procedures.
		2.15 At its meeting in March 2006, the Council noted the new interpretations model proposed by the AASB as a replacement for the Urgent Issues Group. The Council subsequently provided feedback to the AASB on the model. Actions taken by the Board as a consequence of Council's feedback were brought back to the Council in June for noting and endorsement.
		2.16 The FRC monitored the AASB's procedures for transparency, appropriate consultation and due process for developing accounting standards.
Monitoring international accounting standards, further a single set of international standards, promote best practice in Australia	s225(2) (e)(f)(g)	2.17 The resource allocation for the adoption of the Australian equivalents of IFRS is outlined in the AASB business plan and budget for 2006-07, which was reviewed and approved by the FRC on 22 June 2005. Significant projects which the AASB is running on behalf of the IASB, or participating in, are indicated in the business plan. The FRC encouraged the AASB to continue to influence the development internationally of a single set of accounting standards.
		2.18 The FRC Chairman attended a joint Financial Stability Forum / International Accounting Standards Board / International Federation of Accountants Roundtable on Financial Reporting and Auditing held on 16-17 February 2006 in Paris. Issues considered were implementation of international accounting standards, an update on convergence, fair value accounting and risk and vulnerabilities in the financial reporting process.
		2.19 The Australian representative on the IASB, Mr Warren McGregor, has a standing invitation to all FRC meetings as well as AASB meetings. The FRC allocated funds to enable an Australian member of the IASB's Standards Advisory Council, Ms Judith Downes, to attend meetings and report back to the FRC.
		2.20 The FRC provided funding to assist with the running of the IFRS Regional Policy Forum held in Sydney

			in October 2005 under the auspices of TTASAG. The FRC Chairman addressed the meeting.
		2.21	The FRC Chairman led a visit for discussions with a range of standard setting, regulatory and professional accounting bodies in New York, Toronto, Washington, London, Brussels and Paris in November 2005. The FRC Chairman also had meetings with relevant parties in Japan, China and Singapore in June 2006, following on from the IFRS Regional Policy Forum.
		2.22	The FRC Secretariat provided a regular mailout on international developments to FRC members and an agenda paper on international developments at each FRC meeting.
Monitoring the operation and effectiveness of Australian accounting standards and consultative arrangements	s225(2)(h)(i)(ii)	2.23	The AASB Chairman reported on the operation and effectiveness of Australian accounting standards and consultative arrangements at FRC meetings, and in the AASB Annual Report for 2004-05.
		2.24	The FRC Secretariat reported to the FRC on communications received from the business community, public sector and not-for-profit sector about the impact and effectiveness of accounting standards in meeting the objectives of Part 12 of the ASIC Act. The major issue reported was implementation of the Australian standards based on IFRS.
		2.25	The FRC Chairman and members consulted with their constituent bodies on this matter, and a standing item for FRC meetings, 'stakeholder issues', provided an opportunity to convey the information gained from these consultations to other FRC members.
		2.26	The FRC encouraged the AASB to have extensive consultation and communication processes with stakeholders. The AASB reports on its consultation measures and due process on its website, at FRC meetings and in its annual report.
Seeking contributions for the cost of Australian accounting standard setting	s225(2)(i)	2.27	For a number of years, the FRC employed a tri-partite funding model which has included contributions from the Commonwealth, State and Territory Governments, the professional accounting bodies, and the corporate sector. As a result of the extra responsibilities endowed to the FRC under CLERP 9, the Commonwealth announced substantial extra funding for the FRC and standard setting activities in the 2004-05 Budget, and there is no longer an appeal for voluntary contributions from the corporate sector. Firm commitments for funding support have been received from the professional accounting bodies and from the States and Territories through to 2008-09.
Monitoring and reviewing the level of funding and funding arrangements for the AASB	s225(2)(j)	2.28	The AASB budget and business plan was prepared by the AASB Chairman and Administration Director and reviewed by both the AASB Audit Committee and the FRC Finance Committee. At its meeting on 22 June 2006 the FRC approved the AASB budget and business plan for 2006-07.
<b>3. Specific auditing standards functions</b>			
Appointing of AUASB members	s225(2A)(a)	3.1	The FRC Nominations Committee held three formal meetings during 2005-06, and conducted interviews with a number of candidates for membership to the AUASB. On the recommendation of the Nominations Committee the FRC agreed to the appointment of five new members and the reappointment

			of another member to the AUASB.
		3.2	The Nominations Committee reported on the peer evaluations of AUASB members at the FRC meeting held on 16 December 2005.
Approving and monitor AUASB priorities, business plan, budget and staffing arrangements.	s225(2A)(b)	3.3	At its meeting held on 1 July 2005 the FRC approved the priorities, business plan, budget and staffing arrangements of the AUASB for 2005-06.
		3.4	The FRC Finance Committee met four times during 2005-06. On the recommendation of the Finance Committee, the FRC:  approved the AUASB's Financial Statements for 2004-05 (September 2005 meeting);  approved the revised AUASB Budget for 2005-06 (December 2005 meeting); and  approved the priorities, business plan, budget and staffing arrangements of the AUASB for 2006-07 (June 2006 meeting).
- Standing FRC item on AUASB		3.5	The AUASB Chairman provided an update on the progress of AUASB activities and work priorities at each FRC meeting.
- Half-yearly report from AUASB		3.6	A mid-year review by the AUASB was considered by the FRC Finance Committee on 5 December 2005, and reported to the FRC meeting on 16 December 2005 via the FRC Finance Committee Chairman's report.
- Priority setting and feedback		3.7	The AUASB's priorities in 2005-06 were largely dictated by the need to issue legally-binding standards by the end of 2005-06, and by the strategic direction issued by the FRC in April 2005.
		3.8	The 2004-05 annual report, approved by the FRC at its meeting on 16 September 2005, outlined progress on the AUASB's work programme in 2004-05, and set out its work programme for 2005-06. Feedback on progress with making legally-binding auditing standards and related policy issues was sought via the regular reports to FRC meetings by the AUASB Chairman.
- Required business plan content		3.9	The AUASB business plan for 2006-07 describes how the AUASB intends to address set priorities with a detailed work programme. The FRC Finance Committee reviewed the AUASB's annual business plan for 2006-07 prior to its consideration and approval by the Council at its meeting in June 2006.
- Budget and staffing process		3.10	The AUASB business plan outlines the number and composition of AUASB staff. The FRC is satisfied that the AUASB has adopted responsible commercial business techniques in preparing the Board's budget and staffing arrangements.
Determining AUASB's broad strategic direction	s225(2A)(c)	3.11	The FRC issued a strategic direction to the AUASB on 4 April 2005, requiring the AUASB to develop standards that have primarily a clear public interest focus, and to use as a base the International Standards on Auditing developed by the International Auditing and Assurance Standards Board.

Giving AUASB direction or feedback on general policy or procedures	s225(2A)(d)	<p>3.12 On 1 May 2006 the AUASB Chair announced the issue of the AUASB's set of revised Australian Auditing Standards, which will be legally enforceable under the <i>Corporations Act 2001</i>.</p> <p>3.13 The AUASB annual business plan and forward work programmes reflect the strategic policy directions set by the FRC in April 2005. The AUASB Chairman provided reports at each FRC meeting, allowing the FRC to provide feedback on general policy and procedures.</p> <p>3.14 The FRC monitored the AUASB's procedures for transparency, appropriate consultation and due process for developing auditing standards.</p>
Monitoring international auditing standards, further a single set of international standards, promote best practice in Australia	s225(2A)(e) (f)(g)	<p>3.15 The resource allocation for the development of Australian auditing standards is outlined in the AUASB business plan and budget for 2006-07, which was reviewed and approved by the FRC on 22 June 2005. The AUASB budget allows it to actively liaise with the International Auditing and Assurance Standards Board (IAASB), to assist in adopting international best practice. The FRC encouraged the AUASB to continue to influence the development internationally of a single set of auditing standards.</p> <p>3.16 The FRC has allocated funds to enable the FRC to meet the costs of overseas travel by FRC representatives attending official international meetings and other Australians attending IAASB related activities where their travel costs are not met by stakeholder groups.</p> <p>3.17 The FRC Chairman led a visit for discussions with a range of standard setting, regulatory and professional accounting bodies in New York, Toronto, Washington, London, Brussels and Paris in November 2005. The FRC Chairman also had meetings with relevant parties in Japan, China and Singapore in June 2006.</p> <p>3.18 The FRC Secretariat provided a regular mailout on international developments to FRC members and an agenda paper on international developments at each FRC meeting.</p>
Monitoring the operation and effectiveness of Australian auditing standards and consultative arrangements	s225(2A)(h) (i)(ii)	<p>3.19 The AUASB Chairman reported on progress in re-making Australian auditing standards at FRC meetings. A comprehensive 'stocktake' of progress is included in each AUASB annual report. On 1 May 2006 the AUASB Chair announced the issue of the AUASB's set of revised Australian Auditing Standards, which will be legally enforceable under the <i>Corporations Act 2001</i>.</p> <p>3.20 The FRC Chairman and members consulted with their constituent bodies on this matter, and a standing item for FRC meetings, 'stakeholder issues', provided an opportunity to convey the information gained from these consultations to other FRC members.</p> <p>3.21 The FRC encourages the AUASB to have extensive consultation and communication processes with stakeholders. The AUASB uses its website for consultation on exposure drafts, and reports on its consultation arrangements in its annual reports.</p>
Seeking contributions to cost of Australian audit standard setting	s225(2A)(i)	<p>3.22 For a number of years, the FRC employed a tri-partite funding model which has included contributions from the Commonwealth, State and Territory Governments, the professional accounting bodies, and the corporate sector. As a result of the extra responsibilities endowed to the FRC under CLERP 9, the</p>

Commonwealth announced substantial extra funding for the FRC and standard setting activities in the 2004-05 Budget, and there is no longer an appeal for voluntary contributions from the corporate sector. Firm commitments for funding support have been received from the professional accounting bodies and from the States and Territories through to 2008-09.

Monitoring and review the level of funding and funding arrangements for the AUASB s225(2A)(j) 3.23

The AUASB budget and business plan was prepared by the AUASB Chairman and Principal Executive and reviewed by both the AUASB Audit Committee and the FRC Finance Committee. At its meeting on 22 June 2006 the FRC approved the AUASB budget and business plan for 2006-07.

#### 4. Specific auditor independence functions

Monitoring and assessing the nature and overall adequacy of: s225(2B)(a) 4.1

To facilitate the performance of its auditor independence functions, the FRC has an Audit Independence Subcommittee which met on eight occasions during 2005-06. In addition, the consultant appointed by the FRC in December 2004 (Mr William Bartlett) continued to assist the FRC perform the function.

- the systems and processes used by Australian auditors to ensure compliance with auditor independence requirements;
- the systems and processes used by professional accounting bodies for planning and performing quality assurance reviews of audit work undertaken by Australian auditors to the extent to which those reviews relate to auditor independence requirements;
- the action that Australian auditors who have been subject to such quality assurance reviews have taken in response to the reports prepared as a result of those reviews;
- the action taken by professional accounting bodies ensure that Australian auditors who have been subject to such quality assurance reviews respond appropriately to the reports prepared as a result of those reviews.
- the investigation and disciplinary procedures of professional accounting bodies as those procedures apply to Australian auditors;

4.2 At the start of 2004-05, the FRC signed MOUs with the three professional accounting bodies, ASX, APRA and ASIC and exchanged letters of understanding with the CALDB (collectively, the MOU

bodies) for the purpose of facilitating the exchange of information between the MOU bodies and the FRC. These arrangements were continued during 2005-06 and meetings were held with, and information obtained from, all MOU bodies during the year.

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|   |             | 4.3 | On 18 June 2004, the FRC decided that it would perform its auditor independence functions by obtaining high level information from the parties with which its has entered into MOUs and by conducting tests through selective contacts with individual accounting firms. This approach was re-affirmed by the Subcommittee.   |
|   |             | 4.4 | In keeping with this decision, information was obtained from ASIC about the systems and processes used by Australian auditors. In addition, representatives of the FRC met with the four major accounting firms about the manner in which the firms operated and the systems and processes they had in place to ensure compliance with the auditor independence requirements.   |
|   |             | 4.5 | For the purpose of monitoring and assessing the nature and overall adequacy of the systems and processes of Australia's professional accounting bodies, representatives of the FRC met with the three bodies for the purpose of obtaining information about the bodies' quality review and disciplinary processes, as well as other matters (eg the teaching of ethics) coming within the scope of the FRC's auditor independence functions. Subsequently, the bodies provided the FRC with written material documenting their quality review and disciplinary procedures. In addition, in April 2006 the FRC engaged two short-term consultants to provide consultancy services in respect of the quality review programmes and disciplinary procedures of the professional accounting bodies. |
|   |             | 4.6 | The FRC's assessment of the systems and processes used by Australian auditors and the professional accounting bodies will be included in the audit independence reporting being prepared pursuant to section 235BA of the ASIC Act.   |
| Monitoring the overall compliance by companies, registered schemes and disclosing entities with the audit-related disclosure requirements of the Corporations Act and the accounting standards; | s225(2B)(b) | 4.7 | The FRC's MOU with ASIC provides for ASIC to give the FRC regular reports identifying matters arising from its financial reporting or auditor surveillance activities in relation to compliance by companies and auditors with the independence disclosure requirements in Part 2M.3 of the Corporations Act.   |
| Giving the Minister reports and advice about the matters referred to in paragraphs (a) and (b) of section 225(2B) of the ASIC Act; and  | s225(2B)(c) | 4.8 | For 2005-06, the FRC's reports and advice to the Minister are contained in the audit independence report prepared under section 235BA. The FRC did not note any independence issues requiring the preparation of supplementary reports or advice.   |
| Giving professional accounting bodies reports and advice about the matters referred to in subparagraphs (a)(ii)(iii)(iv) and (v).   | s225(2B)(d) | 4.9 | The FRC provided feedback and advice to the professional accounting bodies during 2005-06 in the context of the regular MOU meetings established with them and as referred to in the FRC report on auditor independence for 2005-06.  |

Monitoring international developments in auditor independence, assessing the adequacy of the Australian auditor independence requirements provided for in:	s225(2B)(e)	4.10	The FRC monitored international developments through consideration of publicly-available inspection reports issued by overseas oversight bodies, other material placed on the internet websites of these bodies and general media reports about audit independence issues.
- the Corporations Act; and - codes of professional conduct;			
in the light of those developments and giving the Minister, and professional accounting bodies, reports and advice on any additional measures needed to enhance the independence of Australian auditors;			
		4.11	At the FRC's request, Commonwealth Treasury is undertaking a comparative study of Australia's auditor independence requirements and the equivalent requirements in a number of major overseas jurisdictions.
		4.12	Subject to the outcome of the work being undertaken by Treasury, during the year the FRC has not become aware of any international developments in the area of audit independence that suggested Australia's new requirements are in need of revision or further enhancement.
Promoting, and monitoring the adequacy of, the teaching of professional and business ethics by, or on behalf of, professional accounting bodies to the extent to which the teaching of those subjects relates to auditor independence.	s225(2B)(f)	4.13	During 2004-05, the three professional accounting bodies provided the FRC with detailed information about their courses on business and professional ethics.
		4.14	In April 2006 the FRC engaged a short-term consultant to provide consultancy services in respect of the teaching of professional and business ethics or, or on behalf of, the professional accounting bodies.
FRC's information gathering powers	S225A	4.15	The <i>Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004</i> amended the ASIC Act to enable the FRC Chairman, acting on behalf of the FRC, to give a professional accounting body a written notice requiring the body to provide the FRC with information concerning its professional codes of conduct, quality assurance reviews, or investigation and disciplinary procedures. Information can also be sought from an Australian auditor with respect to auditor independence matters.
		4.16	The FRC's formal information gathering powers were not used during 2005-06. However, the FRC did gather information from the MOU bodies in accordance with the terms of the respective MOUs.

## 5. Annual reports

<p>As soon as practicable after 30 June in each year, and in any event before 31 October, the FRC must give the Minister a report on:</p>	<p>s235B(1)(a) (i)(ii)(iii)(b)</p>	<p>5.1</p>	<p>The FRC/AASB annual report for 2004-05 contained a comprehensive overview of the main operations and achievements of the FRC, AASB and AUASB.</p>
<ul style="list-style-type: none"> <li>- the operations of: the FRC and its committees and advisory groups; the AASB and AUASB and its committees, advisory panels, and consultative groups.</li> <li>- the achievement of the objects set out in section 224; during the year that ended on 30 June in that year.</li> </ul>		<p>5.2</p>	<p>The FRC approved the FRC / AASB / AUASB annual report, incorporating the financial accounts, for 2004-05 at its meeting on 16 September 2005.</p>
		<p>5.3</p>	<p>In accordance with the requirements under subsection 9(1) of the <i>Commonwealth Authorities and Companies Act 1997</i> (CAC Act) the directors of the AASB and AUASB provided the 2004-05 annual report to the Minister by 15 October 2005.</p>
<p>The annual report must include details of any changes to the AASB's or AUASB's priorities or business plans that were made as a result of action taken by the FRC.</p>	<p>s235B(2) and (2A)</p>	<p>5.4</p>	<p>The FRC / AASB / AUASB annual report for 2004-05 included an up-to-date work programme for the AASB and AUASB that outlined amendments to their priorities.</p>
<p>As soon as practicable after 30 June in each year, and in any event before 31 October, the FRC must give the Minister a report on:</p>	<p>s235BA(1)</p>	<p>5.5</p>	<p>The first report on the FRC's auditor independence functions (for 2004-05) was provided to the Minister in conjunction with the annual reports for the FRC, AASB and AUASB in accordance with the required timetable under the legislation.</p>
<ul style="list-style-type: none"> <li>-the performance by the FRC, during the year that ended on 30 June in that year, of its functions under subsection 225(2B) of the ASIC Act (the auditor independence functions);</li> <li>- the findings and conclusions that the FRC reached in performing those functions; and</li> <li>- the actions (if any) that were taken by the FRC in respect of those findings and conclusions.</li> </ul>			
<p>The report may be given to the Minister separately or included in the report given to</p>			

the Minister under section 235B.

5.6 The FRC has decided that the 2005-06 auditor independence report, which is currently being prepared, should be given to the Minister as a separate document from the annual report of the FRC, AASB and AUASB.

5.7 The deadline for providing the report to the Minister is 31 October 2006.

## **6. Confidentiality**

FRC, AASB and AUASB to protect confidential information

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6.1 The FRC complied with the confidentiality requirements in its Rules of Procedure. The FRC Secretariat was bound by the Commonwealth Department of Treasury security guidelines, which requires the evoking of security classifications for all sensitive material.