

# FINANCIAL REPORTING COUNCIL

Minutes of 66<sup>th</sup> Meeting

5 December 2012

Outcomes of the meeting held on 5 December 2012 at the offices of the Australian Accounting Standards Board, Level 7, 600 Bourke Street, Melbourne. The meeting commenced at 9:00 am and concluded at 3:05 pm.

## Attendance

### *FRC Members*

Ms Lynn Wood (Chairman)  
Mr Michael Coleman (Deputy Chairman)  
Mr Ross Barker  
Mr Roger Burrows  
Mr Mark Coughlin (until 2:35 pm)  
Mr Andrew Fleming  
Ms Belinda Gibson (from 10:30 am) – by telephone  
Mr Grant Hehir  
Ms Noelle Kelleher  
Ms Merran Kelsall  
Mr Vas Kolesnikoff  
Mr Ian Laughlin  
Mr Kevin Lewis  
Mr Jim Murphy  
Mr Ian Purchas  
Mr Kevin Simpkins  
Mr Kevin Stevenson

### *Invitees*

Professor Mervyn King (Chairman, International Integrated Reporting Council), agenda item 5(a)  
Mr Doug Niven (Australian Securities and Investments Commission) – by telephone, agenda item 9(d)  
Mr Geoff Miller (Australian Treasury), agenda item 6  
Ms Judith Downes (IFRS Advisory Council) – by telephone, agenda item 10(b)

### *FRC Secretariat*

Mr Bruce Paine  
Mr Bruce Donald (Secretary)  
Ms Jane Cheung

### *Apologies*

Dr Stein Helgeby  
Ms Jan West AM  
Mr Jeffrey Lucy AM (IFRS Trustees)

## **Item 1 – Introduction**

### (a) Apologies

See attendance list for details.

### (b) Declarations of Interest

The Declarations of Interest of FRC Members was updated before the meeting. At the meeting Ms Gibson also noted an additional entry.

## **Item 2 – Matters for approval**

### (a) Minutes of previous meeting and out of session votes

The Minutes of the 65<sup>th</sup> Meeting, held in Sydney on 28 August 2012, were approved. No out-of-session votes were held prior to the meeting.

### (b) Matters arising

There were a large number of matters arising from the 65<sup>th</sup> Meeting, and the actions taken in respect of them, were noted as follows:

1. The Chairman updated the FRC on the revised strategic plan under agenda Item 4.
2. The Audit Quality Task Force has been replaced by the Audit Quality Committee, and a new Charter agreed. The Audit Quality Committee met for the first time on 19 November.
3. The FRC Secretariat advised that the existing MOUs agreed with the FRC tend to have broad information sharing value, and advised that, as such would be better modified than eliminated following the termination of the FRC's audit independence reporting function. The Secretariat will report on this in March 2013.
4. The Secretariat is to report back on the achievement of the new Performance of Functions in March 2013.
5. The results of the Board Education Task Force (BETF) survey on the financial literacy of directors in Australia were released on 5 September 2012.
6. The Australian Securities and Investments Commission (ASIC) wrote to the FRC Secretariat on 22 October 2012 requesting assistance in collating information on training bodies and courses, following up the recommendations of the BETF. The Secretariat contacted stakeholder bodies on 2 November 2012 requesting they provide this information, which has been collated for the meeting.
7. The Managing Complexity Task Force's (MCTF) paper on findings from the consultation process and a press release were released on 3 October 2012.
8. The submissions on the MCTF's paper and a press release were placed on the FRC website.
9. Thank you letters were sent from the FRC Chairman to those who made submissions on the MCTF paper.
10. The results of the survey of Australian Shareholder Association members were finalised and circulated to FRC members.
11. The FRC made a submission to the International Auditing and Assurance Standards Board's (IAASB) *Invitation to Comment on Auditor Reporting* on 12 October 2012.

12. The Public Sector Task Force produced a package of information advocating better public sector financial reporting and it is planned that a summarized version of it be included on the FRC website. The new CPA [publication](#) on public sector reporting was also noted.
13. The paper *What do we mean by the term 'Financial Reporting' especially in relation to Integrated Reporting*, produced by the Integrated Reporting Task Force, has been placed on the FRC website. Comments on the paper have subsequently been sought from the International Integrated Reporting Council.
14. A list of acronyms used by the FRC has been circulated to members and was included in the financial reporting framework paper.

(c) Consideration of Deputy Chair reappointment

This item was deferred to the next meeting.

(d) Remuneration of AASB and AUASB members

The remuneration of AASB and AUASB members for 2013 was approved.

(e) Approval of AASB and AUASB appointments and Nominations Committee report

The Nominations Committee report and proposed appointments to the AASB and AUASB were approved. The Nominations Committee was requested to consider whether it was possible to update the skills matrix for each Board next year including, for the AUASB, representation of those subject to audit.

(f) FRC response to IFRS Foundation Proposal – Accounting Standards Advisory Forum (ASAF)

The draft FRC response to the IFRS Foundation proposal regarding an ASAF was approved subject to the words regarding the commitment of ASAF members to the adoption of IFRS being strengthened as much as possible.

**Item 3 – Report by FRC Secretary**

The meeting noted a report by the FRC Secretary which covered key events since the last FRC meeting and work scheduled to occur prior to the next Council meeting. Details were provided of the trip by the Chairman and Secretary to meet key international stakeholders in London and Brussels, 8-12 October 2012. It was requested that additional material on issues relevant to SMEs and the commentary of Andy Haldane (Bank of England) regarding financial sector financial reporting be circulated to members.

**Item 4 – FRC Strategic Plan**

The Chairman provided an update on the FRC Strategic Plan, and thanked Bruce Paine for his work in preparing a new draft. The key issues on which it will focus locally – in addition to international issues and harmonisation with New Zealand - are:

- Audit Quality - Since audit quality has become an important and continuing topic the Audit Quality Task Force has been reconstituted as the Audit Quality Committee.
- Integrated Reporting - the work of the Integrated Reporting Task Force is also continuing.
- Public Sector Financial Reporting - continuing the work of the Public Sector Task Force.
- Implementation of the recommendation of the Managing Complexity Report in relation to the financial reporting framework (Agenda item 8).

The revised 2013-2015 Strategic Plan will be circulated to members for approval before the next FRC meeting.

In response to a question regarding the Asian Century White Paper Mr Murphy noted that Australia would host an international symposium on Asia-Pacific Financial Market Development next year. The Secretariat will distribute to the FRC a summary document relating to the Asian Century White Paper.

## **Item 5 – Integrated Reporting**

### (a) International Integrated Reporting Council (IIRC) Update

Professor King described the background to, and purpose of, the founding of the IIRC. The IIRC has brought together Chairmen, Chief Executives and leaders from the international financial standard setting, regulatory, corporate and investment worlds, with experts from academia and civil society. Its purpose is to develop a new internationally accepted approach to reporting which provides information about the full range of an organisation's impacts and performance, past and future, in a clear, concise, consistent and comparable manner. These reports connect the governance, financial, environmental and social performance of the firm and flow from the organisation's overall strategy, enabling decision makers – principally investors - to make decisions based on enduring economic value.

The IIRC released its [Prototype Framework](#) in November 2012, and in January 2013 will release detailed papers on key elements of the framework: the capitals; value; materiality; connectivity and business model. In April 2013 a Consultation Paper on the Prototype Framework will be sent out for comment, and the first version of the framework is expected to be available in December 2013.

The growing pilot program includes NAB, bankmecu and Stockland in Australia. The feedback from those piloting the program is that in their first year they are not reporting a lot of new information, but that how it is being reported has changed significantly in particular with data being reported against strategic plans. A number of reports on the impacts of the pilot program are available on the [IIRC website](#). The IIRC's Investor Network, including the Australian Council of Superannuation Investors, AMP Capital, the Victorian Funds Management Group and Colonial First State, has created an investor testing group which will attempt to develop valuation models to analyse integrated reports.

The IIRC estimates that approximately 1000 listed companies worldwide produce integrated reports. The need for such a framework has been growing as the proportion of the value of large listed companies explained by the matters covered in IFRS is estimated by the IIRC to be only around 20 per cent. Professor King expressed the view that younger generations were much more interested in these broader matters, and that it was incumbent on today's leaders to start preparing to report on those issues.

(b) Update on public sector sustainability reporting.

Dr Helgeby prepared a paper for the meeting that outlined progress of the work being undertaken by the Department of Finance and Deregulation (DoFD) to determine the feasibility of mandating integrated reporting for Australian Government entities. DoFD reported on initial steps taken to the FRC's Integrated Reporting Task Force in 2011, and will be better placed to report further once it has been able to fully evaluate its pilot.

The Australian Government has asked DoFD to determine the feasibility of mandating integrated reporting for Australian Government entities. A preliminary review determined that integrated reporting by Australian Government entities is feasible, has the potential to contribute to developments in performance and reporting more broadly and would encourage entities to focus on operational costs and efficiencies.

The Australian Government agencies involved with the pilot – Departments of Sustainability, Environment, Water, Population and Communities; Parliamentary services; Climate Change and Energy Efficiency, Education, Employment and Workplace Relations; DoFD; the Bureau of Meteorology and the Australian Institute of Aboriginal and Torres Strait Islander Studies - lodged their annual reports with Parliament and they are publicly available on their websites. DoFD is now evaluating the 2011-12 pilot, including consultations with participating agencies to understand issues encountered in developing and producing pilot reports, resourcing implications and the value gained from reporting. The outcomes of the evaluations, in combination with reviewing events in the external environment, in particular material issued by the IIRC and the Global Reporting Initiative, will determine the next steps.

**Item 6 – Standard Business Reporting (SBR)**

Mr Miller updated the FRC on the state of play with SBR. SBR is a Treasury-led initiative providing standardised electronic reporting to reduce the burden of business to government reporting. SBR was launched in July 2010 with three core capabilities:

- SBR Online gateway, which enables reports to pass between business and government (in both directions);
- SBR Taxonomy, a harmonised dictionary of common reporting terms; and
- The AUSkey credential, a single secure log on for business.

Mr Miller reported that an increasing number of agencies are utilising SBR, which makes the system more valuable for business. Developments include making SBR the standard platform for superannuation transactions under SuperStream, and the ATO fully adopting SBR technology to

rationalise online reporting channels by 1 July 2015. An increasing number of software providers are providing software incorporating SBR or able to use an SBR add-on.

Mr Miller also alerted the FRC to the recent Options Paper [Use of Standard Business Reporting \(SBR\) for Financial Reports](#). He outlined the key question in the paper as being, if the Government were to consider mandating SBR for financial reports in future, what would be the key issues to consider from stakeholders' perspectives and how would the mandating best be framed e.g. limited to certain kinds of reporters. Comments on the Options Paper close on 15 March 2013.

The initial views of Members varied on whether there should be a mandate or not, but there was a clear preference that, were there to be a mandate, adequate time (up to five years) should be allowed for an orderly transition, in order to ensure that the cost of the transition was as low as possible.

## **Item 7 – Oversight of Australian standards-setting arrangements**

### (a) Report of Australian Accounting Standards Board (AASB)

The FRC noted Mr Stevenson's report, which reports against the AASB's strategic plan. Mr Stevenson highlighted some key messages for the FRC:

- The AASB has largely achieved the level of international influence it desires through its involvement in the Asian-Oceanian Standard Setters Group (AOSSG), with the IASB and other bodies.
- The AOSSG is focussing on two key priorities:
  - Deliberating on the four core IASB projects – leases, revenue, insurance and financial instruments.
  - Mobilising the relevant AOSSG working groups to provide input from AOSSG members on potential IASB decisions on core topics. The output of these working groups has effectively raised the capacity of the AASB.

The AOSSG is also piloting a *Centre of Excellence for IFRS in Developing Countries* in Nepal, and this initiative has already drawn keen interest from the IASB and World Bank.

- The AASB has been consulted by the IFRS Foundation regarding the Invitation to Comment on the *Proposal to Establish an Accounting Standards Advisory Forum* and also has a lead role in producing the AOSSG response to the proposal. Three out of twelve members of the proposed ASAF are expected to be invited from the Asia Oceania region standard setters.
- The AASB is continuing its research on the use of special purpose financial reports. The AASB will discuss a draft research report at its December 2012 meeting, and decide how to structure its view on the findings. The AASB encouraged the FRC to consider how it will want to respond to the publication, possibly in the first quarter of 2013. The AASB expects

that its recommendations will include observations about accounting by private companies and other Tier 2 reporters.

- The AASB intends to provide the FRC Public Sector Task Force with a report in the near future on the outcome of its work on GAAP/GFS harmonisation (Phase 2). In essence the report will indicate the AASB's view that it not proceed with Phase 2, except in relation to a forthcoming exposure draft dealing with disclosure of budgeted information. Phase 2 included considering how GAAP/GFS should be extended from whole of government financial reports to individual entities with the general government sector of the public sector. The Public Sector Task Force was requested to advise the FRC on the report.
- The AASB has serious concerns about recent amendments made by the IASB to require an investment entity to not consolidate its controlled entities, and to instead use fair value for investments in those entities. The AASB will expose a proposal to accept the IASB changes but to require additional disclosures.
  - The importance of Trans-Tasman coordination in terms of any disagreements with IFRSs was raised as well as the potential for future concerns about IFRS.
- The AASB's current staff resources are satisfactory, and the AASB likely to maintain an approximately constant number of staff over the coming year, with rebalancing to adapt to staff absences and secondments. There has been an increased focus on training for staff.

(b) Report of Auditing and Assurance Standards Board (AUASB)

Ms Kelsall reported on the AUASB's progress on its key Business Plan strategies, taking her reports as read, and drew attention in particular to:

Key international developments:

- The International Auditing and Assurance Standards Board (IAASB) is to hold a [meeting](#) the week of 10-14 December in New York. Major issues to be considered include:
  - Developing a response to the diverse views expressed on the auditor reporting Invitation to Comment to enable task forces to proceed with drafting proposed changes to standards;
  - Approval of the consultation paper *A Framework for Audit Quality*
  - Revised standard ISA 610 *Using the work of the [Internal Auditor](#)*, in relation to direct assistance – which is seen in the US as dealing with the effects of the Sarbanes-Oxley legislation.
- The International Ethics Standards Board for Accountants (IESBA), meeting concurrently, is to consider a number of issues including changing the definition of an [engagement team in order to accommodate direct assistance](#).

Australian developments:

- The AICD and AUASB jointly launched a revised edition of a guide on Audit Committees immediately following the August meeting of the FRC.
- The AUASB is working with APRA on issuing guidance on superannuation issues. It was noted that 40 – 50 per cent of AUASB staff time was spent on this type of domestic issue.
- The AUASB held a Consultative Meeting on 27 November which presented details of its activities for the past year, and sought input on current local and international projects. The FRC Chairman and Bruce Paine (FRC Secretariat) attended.
- The AUASB and the Water Accounting Standards Board ([WASB](#)) were issuing jointly a standard on accounting volumetrically for water.
- The AUASB had been briefed by ASIC Commissioner John Price, and ASIC staff member Doug Niven, at its November meeting on the ASIC Inspection Report of Firms, And its findings in relation to decreased compliance with standards.

## **Item 8 – Financial Reporting Framework**

The Chairman drew the FRC's attention to the FRC Managing Complexity Task Force report released in October, which recommended that the FRC examine how the current financial reporting regime for the various types of reporting entities in Australia can best be explained and understood, and if needed seek rationalisation of the regime (for example, through further deregulation of who needs to report).

She also noted that the AASB was requesting that the FRC prepare for the results of its review into Special Purpose Financial Reporting.

In this light the FRC Secretariat, with some assistance from the AASB, had produced a draft document which sets out some of the complexity inherent in the current Corporations Act framework, which might be extended in similar form for other frameworks e.g. for charities. Members were requested to send the FRC Secretariat comments on the draft including reference to any legislation with requirements for specific financial reports.

It was noted that the FRC planned to set up a Financial Report Task Force to advise the FRC on this project and that the Chairman and the FRC Secretariat had updated the Parliamentary Secretary to the Treasurer (PST) on the FRC's work the previous week, including this project. It was suggested that the PST be advised in writing of the setting up of this Task Force.

## **Item 9 – Matters for Discussion**

### (a) Follow up from Board Education and Managing Complexity Task Force Reports

A document with many of the stakeholder body outcomes relating to the recommendations of these reports had been collated by the Secretariat and circulated to members. The Chairman thanked members for the work their organisations had done in following up on recommendations in the reports and providing the information. She briefed the FRC on a summary by



recommendation that had been prepared for possible media use. In particular she thanked ASIC for its comprehensive and prompt response. A number of external organisations had expressed interest in the reports, and the IASB will use the Managing Complexity Task Force work as part of the background for its upcoming Disclosure Forum in London in January 2013 considering the issue of disclosure overload.

The summary of follow ups to the reports' recommendations will be circulated to Members.

(b) Audit Quality Committee report

Mr Coleman reported that since the Audit Quality Committee (AQC) had replaced the Audit Quality Task Force, following the previous FRC meeting, it had held one meeting on 19 November. It has scheduled meetings for the 2013 year. He also noted that the AQC had gained two members, Roger Burrows and Ian Laughlin, while Noelle Kelleher had transferred to the Integrated Reporting Task Force. The AQC developed a [submission](#) for the FRC to the IAASB Invitation to Comment on improving auditor reporting, which utilised the online survey of Australian Shareholders Association members. The FRC also made a [submission](#) to a Canadian consultation on Enhancing Audit Quality.

Going forward the AQC will carefully monitor developments overseas, and in particular will examine the results of the ASIC Audit Inspection Report closely. Possible issues for the AQC to focus on were discussed. There has been interest in ascertaining whether there are any common links between recent business failures and audit failure in Australia.

The AQC Charter will be released on the FRC website.

(c) Ken Spencer Memorial Lecture 2013

The Chairman discussed the possibility of getting M. Michel Barnier, European Commissioner for Internal Market and Services, to deliver the 2013 Ken Spencer Memorial Lecture during his proposed trip to Australia in 2013. An invitation has been extended to him. However given the absence of a response from the EC at this point, the FRC is also considering alternative names. Suggestions include speakers invited by ASIC to an IOSCO meeting to be held at the end of March.

(d) ASIC Audit Inspection report

Mr Doug Niven (ASIC) briefed the meeting on the recently released ASIC [Audit Inspection Report](#) for the 18 month period to 30 June 2012. A key finding was that ASIC's risk-based reviews have shown an increase in instances where auditors did not perform all of the procedures necessary to obtain reasonable assurance that the audited financial report was not materially misstated. He emphasised that the results of concern were also being found internationally, and continued a recent trend seen in Australia, such as has been found in a recent ICAA report. He said that ASIC's focus was very much on working with the firms, to improve the results for the next report and to improve audit quality. He emphasised that (audit) firms are responsible for audit quality and they need to take ownership.

In response to questions he stressed that while there may well be differences between the results for small and large firms, it was not solely a matter of problems with smaller firms. While firms should not take on audits that are too complex for their capacity, ASIC is careful to emphasise that it wants companies to be able to have a choice of auditor and does not want small firms to drop out of the marketplace.

In response to questions as to the drivers of the deteriorating results, he mentioned the increased focus on costs by the firms, and a shift away from audit procedures involving a check of detail toward predicting figures in financial reports which, while a valid methodology, was something that required a high degree of skill from an audit team.

In response to a question as to whether the introduction of Clarity standards had been a reason for a decline in audit quality, ASIC was confident this was not a cause in Australia. The AUASB had moved to its own Clarity standards before the IAASB, and that ASIC believes the shift had been positive.

## **Item 10 – Reports by stakeholders**

### IFRS Advisory Council Report

Ms Downes, Member of the [IFRS Advisory Council](#), informed FRC Members of recent developments. She noted that her report covered her last meeting of the IFRS Advisory Council, and that the G100 nominee to replace her had not been appointed. Mr Charles Macek (Vice Chairman IFRS Advisory Council) has been invited to provide briefings to future FRC meetings. [Ms Downes noted that for Australian firms to maintain influence it is important that they engage as international accounting standards are developed.](#) In response to a question regarding the roles of the IFRS Advisory Council and the proposed Accounting Standards Advisory Forum she replied that she viewed the distinctions between them as quite sharp: the ASAF was composed of technical experts and had a technical input (with an aim of avoiding carve-outs and non-adoption), while the Advisory Council was not technical, and would continue to provide more strategic and industry-focussed input.

Members thanked Judith for keeping the FRC up to date with IFRS Advisory Council work and helping to represent FRC views to the Council.

### Report on CAMAC

An overview of recent Corporations and Markets Advisory Committee (CAMAC) work on annual general meetings (AGMs) was prepared for the meeting. CAMAC issued a discussion paper [The AGM and Shareholder Engagement](#) in September 2012 and an [updated version](#) issued in November 2012. Chapter 4 of the discussion paper covers the annual report, and seeks comments on a number of issues:

- (i) Should there be legislative or other changes to any aspects of the annual reporting requirements and, if so, the reasons?
- (ii) Do the current reporting requirements produce any unnecessary information (“clutter”) in annual reports and, if so, how might this be reduced?

- (iii) Should the reporting requirements be redesigned in any respect, including along any of the lines adopted, or under consideration, in overseas jurisdictions, such as having a strategic report and an annual directors' statement?
- (iv) What, if any, issues of liability might arise in the event of changes to the reporting requirements, particularly in relation to forward-looking statements, and how might the matter be dealt with?
- (v) How might technology best be employed to increase the accessibility of annual reports?
- (vi) What, if any initiatives might be introduced to cater for future innovations in reporting (for instance, would it be beneficial to establish the equivalent of a Financial Reporting Laboratory)?

CAMAC is seeking written submissions by Friday, 21 December 2012. CAMAC also anticipates holding a roundtable in 2013 with major stakeholder groups.

#### Members' items that require action by FRC

Matters raised by Members included:

**AICD:** Mr Coleman indicated that the Australian Institute of Company Directors (AICD) was interested in CAMAC's AGM discussion paper; was making a submission to EFRAG's [Disclosure Framework](#) paper; the AICD is reconsidering its 2009 underlying profits [paper](#) in light of ASIC's regulatory guide; the Reporting Committee was considering the ASX Corporate Governance Code Guidelines (Principals 7, 8); and have made a submission to ASIC on its Operating and Financial Review [proposed guidelines](#).

**APRA:** Mr Laughlin noted that APRA was at the tail end of a lot of policy development work. The Basel III requirements come into effect at the start of 2013, as do new capital standards on Life and General Insurance. A suite of new prudential standards for Superannuation takes effect in mid-2013.

**ASFA:** Ms Kelleher indicated that ASFA had raised some concerns with APRA re the timing of new regulatory standards regarding superannuation. She highlighted the existence of two sets of reporting systems and advocated the implementation of SBR data standards prior to APRA reporting requirements requiring auditing.

**ASIC:** Ms Gibson informed the meeting of the following ASIC initiatives:

- Following the consultation paper on the Operating and Financial Review a final guide will be issued in March 2013.
- In addition to the Audit Inspection Report there was a [report](#) on financial report inspections issued in November concluding:
  - Preparers of financial reports should continue to focus on reporting performance particularly in challenging economic circumstances. Focus areas include recognition of revenue and expenses, asset values and going concern.

- SMSF competency standard regulation to be issued by 1 July 2013.
- ASIC is doing work on Financial Literacy and Dark Pools.
- ASIC has written to the AUASB regarding a possible standard for managed investment schemes (MIS) compliance.

**ASX:** Mr Lewis noted the ASX Corporate Governance Council is proposing to release a third edition of its Corporate Governance Principles and Recommendations for consultation in mid-2013 in which if adopted will apply for financial years commencing on or after 1 January 2014. It had also received Ministerial approval for its new reporting rules for mining, oil and gas companies.

**BCA:** Mr Barker suggested that the CAMAC work on AGMs could extend to MIS. He noted that the Economic Policy Committee was publicly commenting on the need to pursue measures to promote growth; the Efficient Regulation Committee was looking at the impact of regulation and cost-benefit analyses; and stressed the need to be pursuing productivity improvements.

**FSC:** Mr Fleming indicated that the Financial Services Council was considering board diversity; High Frequency Trading (HFT) with ASIC; clearing and settlement issues; PDS rollovers; the disclosure of portfolio holdings and voting; and the ASX Corporate Governance Council Corporate Governance Principles and Recommendations.

**G100:** Mr Burrows indicated that the G100 had made a submission to ASIC on its Operating and Financial Review [proposed guidelines](#); was actively discussing audit issues; has High Frequency Trading on its agenda and is likely to provide input to the ASX on this topic; and questioned whether the framework to balance the costs and benefits of regulations was still in operation.

**IPA:** Mr Purchas noted the IPA is concerned that Integrated Reporting will likely have a ‘flow-on’ effect with respect to resource and cost ramifications for SMEs (which already face considerable compliance challenges). He also noted the IPA is engaged in discussion with a number of parties regarding the formation of a partnership for a dedicated SME research and policy centre. The centre will prepare issues briefings and policy papers having an SME focus in taxation, governance and the corporations law, self-managed superannuation and financial services and small business regulation generally. In addition it will work with the IPA on more substantial issues of relevance to SMEs; viz: the reporting entity concept and its application to the sector. The IPA has committed in excess of \$200,000 to the centre. Finally, he noted the IPA has been active in seeking government funding through AusIndustry for initiatives designed to provide assistance to small business in rural and remote areas through a tailored education program which addresses financial literacy and business planning, although this initiative has not received support to date.

**XRB:** Mr Simpkins informed the meeting that the first phase of implementing the new NZ Accounting Standards Framework had been completed. This phase includes a Reduced Disclosure regime for for-profit entities which aligns reporting requirements between

Australia and New Zealand for Tier 2 entities (Tier 1 for-profit entities are already aligned). The Financial Reporting Bill to implement the New Zealand government's proposed changes to reporting and assurance requirements of all entities had had its first reading in Parliament; and exposure drafts of reporting requirements for Tier 3 and 4 public benefit entities had been or would shortly be issued for comment. The XRB Board and its two standard-setting boards held a joint strategy day in November which had been productive and the input of Australian members and staff had been appreciated.

#### **Item 11 – Other Business**

No matters of other business were raised at the meeting.

#### **Item 12 – Next meeting**

The next meeting of the FRC is scheduled to be held on Wednesday 27 March 2013 at the offices of the Institute of Chartered Accountants Australia, Sydney commencing at 9:00 am. The dates for 2013 are currently the subject of a poll of FRC members, and this date may be altered. In the meantime Members should keep currently scheduled dates in their diaries. The Chairman noted that the PST has expressed interest in coming to future meetings where possible and will be invited to attend.