

# DRAFT WORKING DOCUMENT

## FINANCIAL REPORTING COUNCIL

Draft Minutes of 71st Meeting

20 June 2014

Outcomes of the meeting held on 20 June 2014 at the offices of the AASB, Level 7, 600 Bourke St, Melbourne. The meeting commenced at 10:00 am and concluded at 3:20 pm.

### Attendance

#### *FRC Members*

Mr Michael Coleman (Chair)  
Mr Ross Barker  
Mr Roger Burrows  
Mr Mark Coughlin  
Mr Andrew Fleming  
Ms Noelle Kelleher  
Mr Ian Laughlin  
Mr Kevin Lewis  
Mr John Price  
Mr Ian Purchas  
Mr Kevin Stevenson  
Ms Jan West AM

#### *Invitees*

Mr Paul McCullough (Treasury), agenda item 3  
Mr Graeme Mitchell (XRB)  
Ms Lay Wee Ng (XRB) Observer  
Mr David Nicol (HoTARAC)  
Mr Richard Sandlant (Treasury), agenda item 3  
Mr Angus Thomson (AASB) Observer

#### *FRC Secretariat*

Mr Bruce Donald (Secretary)  
Ms Karen Tuckerman

#### *Apologies*

Ms Jan Harris  
Dr Stein Helgeby  
Ms Merran Kelsall

### Welcome

The Chairman welcomed Members to the Meeting, noting attendance by the XRB representatives, Graeme Mitchell and Lay Wee Ng, by the HoTARAC Chair David Nicol, and Angus Thomson (AASB) as an observer.

The Chair also acknowledged the work of the previous Chairman, Lynn Wood, who had done an exemplary job as chair, brought an enormous energy to the role, and a genuine desire to ensure the FRC's relevance. The creation of detailed Strategic Plans and the FRC taskforces would be seen as significant legacies of her term as Chairman.

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The Chair informed members of the dates of his term of appointment as FRC Chair (11 June – 10 September).

### Item 1 – Introduction

#### (a) Apologies and attendance

See attendance list for details. Ms Woods' term as Chairman finished on 10 June 2014.

#### (b) Declarations of Interest

The Declarations of Interest of FRC Members was updated before the meeting; and a few minor amendments were made at the meeting.

### Item 2 – Matters for approval

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

The Minutes of the 70<sup>th</sup> Meeting, held in Sydney on 11 April 2014, were approved.

#### (b) Matters arising

The matters arising from the 70<sup>th</sup> Meeting, and the actions taken in respect of them, were noted.

#### (c) References for international positions

The FRC discussed a table on which TTAASAG had based its role in monitoring the placement of Australians and New Zealanders in international financial reporting related roles. It was noted that it was important for the FRC to maintain a close dialogue with the professional accounting bodies which are the direct points of contact with IFAC for its international positions. It was also important for the FRC to focus on the international roles which were regarded as key for Australia and New Zealand to be represented. Given the role of the FRC to provide advice to the Minister, it was also important that emphasis was put on: the importance – in the long-run – of ensuring the independent funding of these standard setters; and on those cases when Government support would be important to placing Australians and New Zealanders on appropriate bodies.

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| Action Item | Ian Purchas to follow up re SMEs at the November FRC meeting              |
| Action Item | Michael Coleman to meet with accounting bodies re International Positions |

#### (d) MOUs

The FRC discussed a proposed letter between the FRC and the three accounting bodies. Questions were raised as to the manner in which the FRC could satisfy itself about the privacy and other matters on which the FRC made endeavours in the draft. It was also asked whether the draft had been circulated to the Minister's office. It was suggested that "where appropriate" text

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would be well followed with examples. Additional information was requested about whether the FRC had sought legal advice, and the potential liability of FRC members.

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| Action Item | FRC Secretary to check with Ms Diane Brown in regards to the draft MOUs |
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### Item 3 – Government’s Deregulation Agenda

Mr McCullough outlined the Government’s proposed methodology for reaching its deregulation objectives and referred to the document circulated prior to the meeting entitled: The Treasury, Stocktake And Audit of Regulation, Consultation Document for the Financial Reporting Council (Ministerial Advisory Council), Friday, 20 June 2014.

It was agreed that the FRC would not respond directly to the specifics in the Deregulation paper in committee. Rather, the FRC would provide a coordinated consensus response based on individual members’ and or stakeholders’ inputs. The work of the Financial Report Taskforce was noted and that it had found that there were many financial reporting requirements imposed on many entities, by many different pieces of legislation, both at the Commonwealth level, and the State and Territory level. The work of the FRC Managing Complexity Taskforce was also noted.

Specific issues for legislative reform identified included:

- The need to consider a proper rewrite of Chapter 7 of the Corporations Act, which has been the subject of numerous amending regulations and ASIC class orders that ought to be consolidated; and
- Remuneration reporting.

Outside the group of listed public companies there are many tests of whether entities need to report or not. To reform this area we need further research to see which entities currently prepare these reports and who relies on them.

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| Action Item | FRC Secretary and Chair to draft a template to send to FRC members   |
| Action Item | Deregulation Division to provide resources to assist collation of FRC responses, if necessary                      |
| Action Item | Jan West volunteered to coordinate joint FRC input, despite her term on the FRC coming to an end in late July 2014 |

### Item 4 – Monitoring of AASB and accounting standards

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

The FRC noted the AASB report, which reports against the AASB’s strategic plan. Mr Stevenson highlighted to the FRC:

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- The domestic standard for [superannuation entities](#) which may provide a framework for a potential IFRS;
- The recent Accounting Standards Advisory Forum (ASAF) discussion – led by the AASB - on the disclosure initiative; and
- Recently released IFRSs: insurance; revenue; and IFRS 9 (financial instruments); and a possible Discussion Paper on [Rate regulated activities](#).

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| Action Item | AASB to provide paper to FRC (and FRTF) on commitment to international standards and deregulation issues prior to November FRC meeting |
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### (b) Discussion

- Regarding IFRS 9 there was discussion of the fact that the banks would like early application, but the AASB cannot provide the early adoption because of the time required to go through the Office of Best Practice Regulation processes which treat revisions to accounting standards as adding to the stock of regulation.

## **Item 5 – International Update**

- (a) The meeting noted Ms Wood's request for input.

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| Action Item | FRC Secretary to request from the IFRS Trustees (through Lynn Wood) a copy of the paper presented by Kevin Stevenson to the IFRS Trustees in April 2014 for the FRC |
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- (b) The FRC heard a report from Mr Coleman on the latest meeting of the IFRS Advisory Council.

## **Item 6 – Monitoring of AUASB and auditing standards**

### (a) Report of Auditing and Assurance Standards Board

Ms Grayston reported on the AUASB key Business Plan strategies, and drew attention to a number of matters including:

- The AUASB's extensive work on the (IAASB's) Auditor Reporting project;
- International developments including the EU Audit directive and related regulation, operative from 16 June 2014 (giving the 28 EU member states until 17 June 2016 to adopt national laws that comply);
- An update on current work including:
  - On ASAE 3000 relating to assurance on review engagements which has implications for a number of Australian-only standards covering public sector engagements.
  - Progress on drafting a new Australian specific assurance standard on control (to replace existing AUS 810 Special Purpose Reports on the Effectiveness of Control Procedures).

**(b) Discussion**

Members discussed a number of issues relating to the report including: the AUASB budget; and the impact in Australia of prospective changes in the EU and elsewhere to audit regulation.

The FRC agreed to note its concern with the resources available to both the standard setting bodies (AASB and AUASB).

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| Action Item | The FRC asked the two bodies to report back to the next FRC meeting on whether they have sufficient resources to do their tasks, and undertake requisite industry specific work |
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**Item 7 – Reports by Stakeholders**

Matters raised by Members included:

**AICD:** Mr Coleman noted that the AICD was working on:

- director liability (especially as it relates to RG 247).

**ASX:** Mr Lewis drew attention to:

- Corporate governance changes going through regulatory approval.

**APRA:** Mr Laughlin updated the FRC on key developments relating to the deregulation agenda.

**ASIC:** Mr Price noted a number of issues affecting ASIC's work including:

- Organisational matters; and
- Matters relating to audits including its recent audit committee forums.

**ASFA:** Ms Kelleher noted that ASFA was:

- Examining the new AAS on superannuation entities; but not the complexities raised by its interaction with APRA prudential regulation standards.

**BCA:** Mr Barker noted that the BCA:

- Has engaged with the government on deregulation, including the costs of doing business in Australia.

**CPA Australia:** Mr Coughlin noted CPA Australia has projects relating to:

- Integrated reporting and the operating and financial review; and
- Its recently released guide to understanding the Australian Government's financial reports.

**New Zealand XRB:** Mr Mitchell reported that:

- XRB staff have been running a series of nation-wide public seminars to explain changes in auditing and assurance standards;
- The XRB and NZASB and NZAuASB are developing Strategic Plans for 2014-19; and
- The XRB had appointed new members to the NZASB and NZAuASB.

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**Department of Finance:** Mr Helgeby provided a paper that informed members:

- From 1 July the introduction of the Public Governance, Performance and Accountability Act, which inter alia requires compliance with relevant accounting standards in relation to annual financial statements and annual consolidated financial statements; the Finance Minister's Orders are also being reviewed.
- The government is reviewing the reporting requirements for smaller public entities, including RDR.

**G100:** Mr Burrows informed the FRC about G100 work on:

- Deregulation matters;

**ICAA:** Ms West highlighted research on:

- The appointment of auditors outside Corporations Act 2001 requirements; and
- Auditor scepticism.

**IPA:** Mr Purchas highlighted interest in:

- Deregulation matters.

**Treasury:** Mr Donald noted:

- Release of the exposure Draft on the Corporations Legislation (Deregulatory and Other Measures) Amendment Bill; and
- Resource constraints facing Treasury.

### Item 8 – Committee Reports

#### (a) Audit Quality Committee (AQC) report

Mr Coleman updated the FRC on AQC developments from its 14 May meeting, including:

- Likely significant changes to the layout and wording of the auditor's report following the release of the IAASB ED;
- Agreed to consider forward indicators of audit quality at its October meeting; and
- Noted the impending release by ASIC of its 2012-13 [Audit Inspection report](#).

#### (b) Nominations Committee

Mr Coughlin informed the meeting of the outcomes of the 5 May NC meeting. The updated Nominations Committee charter was approved.

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| Action Item | FRC Secretariat to post approved charter on FRC website  |
| Action Item | Nomination Committee to approach Rachael Grimes from IFAC in regards to presenting at November FRC meeting |

### Item 9 – Taskforce reports

#### (a) Financial Report Taskforce (FRTF) report

Mr Barker reported that the FRTF had met 23 May, noting the large spreadsheet pulled together by PwC for the taskforce. The two principal issues at the FRTF meeting had been:

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### *Taskforce's work*

- The Taskforce noted that it may be appropriate to publicly release the mapping work done for the taskforce once the taskforce's work was completed;
- It was agreed that the Taskforce would now take the material and examples it has already collected and commence work on a draft report to the FRC.
  - It was agreed that the focus of the Taskforce's mapping work was primarily on the information requirements of users.
  - It was also agreed the Taskforce would come back to the FRC with any possible topics requiring further research e.g. by the CIFR.

### *AASB Special Purpose Financial Reporting report*

- the AASB Report would be released soon; and
- To help frame the FRC position regarding the matters raised in the Report there would be benefit from further research to understand the reasons for companies using SPFR, possibly to be undertaken by the CIFR.

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| Action item | Chairs of Audit Quality Committee, Nomination Committee and Financial Report Taskforce to provide a one page report to the FRC Secretariat for the annual report |
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## **Item 10 – Matters for Noting**

### (a) Secretary's Report

The FRC noted a report on the recent activities of the previous FRC chairman and composition of the FRC and taskforces.

It was noted that it was the last FRC meeting for Kevin Stevenson, Jan West, and Andrew Fleming. FRC members thanked the three of them for their contributions to the FRC.

### (b) FRC Annual Report

Inputs to the 2013-14 FRC Annual Report were discussed.

## **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 Friday, 21 November 2014, in Sydney at the offices of Chartered Accountants – Australia and New Zealand, commencing at 10:00 am and finishing at 4:00 pm.