
FINANCIAL REPORTING COUNCIL

Minutes of 72nd Meeting

21 November 2014

Outcomes of the meeting held on 21 November 2014 at the Chartered Accountants ANZ, 33 Erskine Street, Sydney. The meeting commenced at 10:00 am and concluded at 3:30 pm.

Attendance

FRC Members

- Mr Michael Coleman (Chairman)
- Mr Ross Barker
- Mr Roger Burrows
- Mr Mark Coughlin (by teleconference)
- Mr Bill Edge
- Mr Stein Helgeby
- Ms Noelle Kelleher
- Ms Merran Kelsall
- Mr Ian Laughlin
- Mr Kevin Lewis
- Mr Graeme Mitchell
- Ms Kris Peach
- Mr John Price (by teleconference)
- Mr Ian Purchas (left at 1pm)

Invitees

- Ms Diane Brown (Treasury)
- Mr Brandon Khoo (APRA)
- Mr Tony Dale (XRB)

FRC Secretariat

- Ms Karen Tuckerman (Nominations Committee Secretary)

Apologies

- Ms Jan Harris
- Mr David Nicol

Welcome

The Chairman welcomed Members to the meeting and thanked former FRC members Jan West and Andrew Fleming for their valuable contributions to the FRC. The Chairman welcomed the incoming permanent AASB Chairman Ms Peach and acknowledged the efforts and contributions from the acting AASB Chairman Mr Angus Thomson.

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.

Item 2 – Matters for approval

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

The Minutes of the 71st Meeting, held in Melbourne on 20 June 2014, were approved.

(b) Matters arising

The matters arising from the 71st Meeting, and the actions taken in respect of them, were noted. In addition:

- Ms Brown noted she would seek legal advice to update the MoU's which still required further action.
- The Chairman advised the FRC that Mr Charles Macek's term on the International Advisory Committee will finish at the end of December and discussed the funding issues around replacing Mr Macek on the committee. The FRC discussed the challenges in maintaining Australia's involvement on international bodies.

Action Item	<ul style="list-style-type: none">• Ms Brown to follow up on MoU's for the March FRC in 2015.
Action Item	<ul style="list-style-type: none">• Mr Coleman to follow up with Ms Brown re budgeting and processes for International Appointments to Committees.

(c) FRC 2015 Meeting Dates

The Chairman outlined to FRC Members that a permanent FRC Chair had not yet been appointed and 3 formal FRC meetings had been proposed due to budgeting constraints rather than 4 meetings.

The FRC discussed the possibility of holding a 4th meeting in September via teleconference/video conference.

Ms Brown outlined the draft 2015 calendar of activities. The FRC discussed the proposed meeting dates for 2015 and approved the FRC meeting dates for 6 March and 5 June. Ms Peach and Ms Kelsall proposed that the November FRC meeting date be moved forward as there was a clash with an international meeting. Indicative dates have been set for most FRC committees meetings and will be approved out of session with the respective committee members.

Action Item	FRC Chairman to discuss with the FRC Secretariat the possibility of holding an additional relatively short 4 th FRC meeting via teleconference in September 2015.
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Action Item	FRC secretariat to poll members for an alternative date for the November 2015 FRC meeting.
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(d) Approval of AASB and AUASB appointments and Nominations Committee report

The Nominations Committee (NC) Chairman, Mr Coughlin, thanked the Committee for its intensive work since the previous meeting and thanked Ms Tuckerman for her efforts in assisting the committee and the appointment process. The NC Chairman acknowledged the valuable contributions made by the acting AASB Chairman, Mr Angus Thomson. The Nominations Committee noted in particular that:

- The peer reviews had revealed no significant problems with the operations of the two Boards and that the AASB and AUASB Chairman were comfortable with how the board members were performing; and
- Concern regarding resourcing levels for the offices of the AASB and AUASB was raised by board members in the peer reviews.

The FRC discussed the reduction in the number of members of the AUASB and Ms Kelsall confirmed the Board would still continue to operate well and continue the practice of engaging with advisory groups to obtain additional expertise.

Board Vacancies

Mr Coughlin reported to the FRC that the candidates who applied for the Board positions this year were of a high quality. However a lower quantum of applicants applied this year compared to previous years.

The FRC discussed reasons why there may have been fewer candidates apply for positions this year. The FRC supported the suggestion from Mr Edge that FRC members could be more proactive and encourage suitable candidates with appropriate skills sets to apply as a means of increasing the quantum of candidates in future years.

The FRC approved the following appointments:

To the AASB for three years each (from 1 January 2015):

- reappoint Carmen Ridley; and
- appoint:
 - Michael Blake;
 - Andrew Kearnan; and
 - Megan Wilson.

To the AUASB:

- reappoint:
 - Colin Murphy for a final three years from 1 January 2015; and
 - Nonna Martinov-Bennie for 3 years from 1 January 2015.

The FRC thanked the retiring AASB members for their contributions: Messrs McPhee, O’Grady and Rix.

Action Item	FRC to progress and finalise the appointments/re-appointments.
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(e) Remuneration of AASB and AUASB members

The FRC noted the 2014 Review of Remuneration for Holders of Public Office. It was agreed that sitting fees for AASB and AUASB members (other than the Chairs) would remain at the current rate of \$945 per day.

Item 3 – Australian Government’s Deregulation Agenda Summary

The Chairman thanked FRC members for their contributions to identifying deregulatory priorities.

The FRC discussed the document circulated prior to the meeting entitled: ‘Stocktake and Audit Regulation- Interim Compliance Costs Report’. The FRC concluded that any review of regulatory costs also needed to consider the risks that the regulation was trying to mitigate.

The FRC also discussed the application of aspects of the Government’s best practice regulation requirements to the AASB and AUASB in relation to the adoption of international standards. In particular, the FRC was concerned that the need to prepare regulation impact statements or have regulatory offsets did not delay the adoption of such standards, especially as the policy requirement to comply with IFRS and International Auditing Standards has been in place for some time.

The FRC agreed to form a sub-committee, comprising of Mr Coleman, Ms Peach and Mr Burrows, to investigate this issue further and report back to the FRC at its next meeting.

Action Item	The FRC Secretariat to organise a meeting of the sub-committee with Mr Paul McCullough, General Manager, Deregulation Division, Treasury.
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Item 4 – Monitoring of AASB and accounting standards

a) Report of Australian Accounting Standards Board (AASB)

The FRC noted the AASB report, which reports against the AASB’s strategic plan.

Ms Peach discussed the need to continue to liaise and engage international bodies in order to influence the future work priorities of such bodies. Ms Peach also discussed the concerns of the AASB in relation to ED 256: Removal of Cross References from Financial Statements to Other Documents as inconsistent with work being done to streamline financial reports.

Action Item	Ms Peach to advise the Chairman of the process for making appointments to the International
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Item 5 – Monitoring of AUASB and accounting standards

a) Report of Auditing Assurance Accounting Standards Board (AUASB)

The FRC noted the AUASB report, which reports against the AUASB’s strategic plan.

Ms Kelsall reiterated the AUASB’s commitment to engaging early with industry to obtain their views on proposed international standards and advised that the AUASB was also engaging with directors and users on the IAASB’s new auditor reporting standards.

Item 6- International Update

(a) IFRS Trustees, IASB

The FRC heard a summary from Mr Coleman on the latest activities of the IFRS Trustees.

The meeting noted Ms Lynn Wood’s offer to forward comments to the IFRS Trustees.

(b) IFRS Advisory Council

The FRC heard a summary from the Chairman on the latest meeting of the IFRS Advisory Council and highlighted the importance of continued engagement on the IFRS Advisory Council. The FRC discussed issues around replacing Mr Charles Macek on the IFRS Advisory Council.

Item 7 –Stakeholder Reports and Chairs activities

a) Stakeholder Reports

The reports were taken as read. Matters raised by Members included:

AICD: The Chairman highlighted work on:

- Effective disclosure in the Operating and Financial Review and the International Integrated Reporting Framework.

ASX: Mr Lewis noted that ASX were working on;

- Deregulation;
- Updating the ASX share trading policies; and
- Updating the guidance note on continuous disclosure to respond to increasingly common practice of companies publishing consensus forecasts.

APRA: The FRC noted the report as read.

ASIC: Mr Price highlighted a number of aspects of ASIC’s work including:

- ASIC will release the top focus areas for directors and auditors for financial reporting (31 December 2014) which will include a particular focus on impairment of assets; and

- ASIC will release findings from reviews of financial reports for 30 June 2014 in December 2014.

ASFA: The FRC noted the report as read.

BCA: Mr Barker reported that BCA are particularly interested in regulator performance reviews.

Chartered Accountants ANZ: Mr Edge noted that the Annual Quality Review program had been released.

CPA Australia: The FRC Chairman noted CPA Australia’s work on the operating and financing review (OFR) and its relevance to the Integrated Reporting Framework.

New Zealand XRB: Mr Mitchell highlighted work of the XRB including:

- PBE standards for not-for-profit entities issued;
- Roadshows: Accounting requirements for Registered Charities; and
- Roundtables: Long Association of Personnel with an Audit or Assurance Client.

Department of Finance:

Mr Helgeby reported that the Department of Finance is currently working on:

- The simplification of financial statements for Commonwealth entities.

FSC: The FRC noted the paper as read.

G100: Mr Burrows drew attention to:

- Discount Rates- The G100, in conjunction with the Australian Institute of Actuaries and PwC, is preparing a guidance document on estimating a corporate bond rate for use in Australia in determining employee benefit liabilities; and
- Streamlining Financial Reporting- The G100, in conjunction with PwC, held a roundtable in Perth on 11 November 2014. Finance executives from Wesfarmers discussed their experience in streamlining their annual report.

Institute of Public Accountants: The FRC Chairman drew attention to the proposed ISA 720 noting that the IPA did not support the expansion of an auditor’s responsibility as proposed in ISA 720.

Treasury: Ms Brown noted that Treasury is working on:

- The Corporations Regulation (Remuneration Disclosures) Amendment 2014 and that proposed regulation amendments will be released for consultation by 18 December 2014.

Action Item	Stakeholder reports to be kept to one page for future FRC meetings as previously requested by the FRC.
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7b) Chairman's Activities

The FRC noted the Chairman's activities since the June FRC meeting. The FRC Chairman noted further meetings he attended which included:

- Various meetings and teleconferences re Integrated Reporting, with BLRF: 22 July (including KPMG discussion forum), 25 August, 16 September 2014;
- Meeting Amir Ghandar, CPA Australia (3 September) re Audit Quality and planning for joint CPA/Macquarie University seminar;
- Meeting with AAAPC 10 September 2014;
- AICD discussion on shareholder activism (16 September);
- Meeting Jan McCahey (PwC) (16 September) re audit quality and accounting standard issues;
- Meeting EY (including Global Vice Chair Professional Practice) 7 October;
- KPMG Reporting and Governance Issues Seminar 15 October;
- FRC Audit Quality Committee 16 October;
- PwC discussion forum with Global Head of Assurance on 21 October;
- Roundtable led by Nicola Roxon, Chair APESB on 21 October;
- Roundtable on Assurance for Integrated Reporting (AUASB & ICAA) on 23 October;
- Presented to CPA/Macquarie University Seminar on the Role of Audit Committees on 24 October;
- Discussion Lynn Wood re IFRS Trustee meetings on 4 November; and
- Attendance at governance seminar re AGMs at Baker McKenzie 12 November.

Item 8 -Committee Reports

(a) Audit Quality Committee (AQC) report

The chairman updated the FRC on AQC developments including:

- How the FRC can facilitate engagement and understanding on the new auditor reporting requirement and;
- The awareness of the availability of Transparency Reports produced by large audit firms.

(c) Nominations Committee (NC) report

- The NC report was included under item 2(d).

Item 9- Taskforce Reports

(a) Financial Report Task Force (FRTF) report

Mr Barker thanked Mr Angus Thomson for his contributions to the Financial Report Task Force and PwC for its considerable assistance in furthering the work of the FRTF. Mr Barker highlighted the following recommendations in the report:

- That the Financial Reporting Council authorise the release of the mapping document and make provision for it to be kept up to date;
- That the Financial Reporting Council recommend that the Federal Government makes arrangements to establish an online **One-stop-shop** reporting requirements portal, including the mapping document which outlines the possible reporting and assurance obligations to consider when determining requirements and which makes recommendations for different types of entities (including outlining tiers of reporting), and potentially cross-references back to current legislative requirements;
- That the Financial Reporting Council perform a further exercise benchmarking the requirements of Australia against other jurisdictions; for example, New Zealand, Singapore, the US and Canada in determining reporting requirements for non-listed entities, to further inform the following recommendations;
- As a short term project, to improve clarity and consistency of requirements, the Federal Government consider the current small/large thresholds with a view to determining the appropriate threshold level at which such entities should be required to lodge publicly available financial reports and would be required to prepare GPFs; and
- As a longer term project in order to respond to the existing complexity of the financial reporting arrangements that the Federal and State Governments jointly (possibly through a COAG process) be asked to undertake a project to consider what entities need to lodge financial reports on the public record and on what basis such reports should be prepared.

The FRC discussed the recommendations of the report and agreed that it contained valuable information that would assist policy makers to make legislative reporting requirements more internally consistent across all the entities that may be required to prepare financial reports.

The FRC also discussed who should be required to prepare financial reports and the basis on which such reports should be prepared if they are lodged on a public register. Ms Peach indicated that the AASB would be doing further work on this in the future.

Ms Peach offered that the AASB could also undertake the recommended benchmarking exercise of Australian requirements against other jurisdictions in relation to the reporting requirements for non-listed entities.

Action Item	FRC Secretariat to post the FRTF report on the FRC website.
Action Item	Mr Edge to ask accounting bodies if they are able to keep the mapping document up to date
Action Item	AASB to undertake the recommended further benchmarking exercise

Action Item	Ms Peach to keep the FRC informed of any future work undertaken by the AASB on the basis on which reports should be prepared.
Action Item	Ms Brown to examine what mechanisms are available by which the Government could progress the other recommendations of the report.

Item 10 – Matters for Noting

FRC members noted that the 2013-14 FRC Annual Report was tabled in Parliament on 31 October 2014.

Item 11- Other Business

There was no other business.

Next meeting

The next meeting of the FRC is scheduled to be held on Friday, 6 March 2015 at 10:00am, AASB, Level 7, 600 Bourke Street, Melbourne.