

FINANCIAL REPORTING COUNCIL

Minutes of 73rd Meeting

6 March 2015

Outcomes of the meeting held 6 March 2015 at the AASB offices, 600 Bourke St, Melbourne. The meeting commenced at 10:00am and concluded at 2:30pm.

ATTENDEES AND APOLOGIES

FRC Members	Organisation
Michael Coleman (Acting Chair and Deputy Chairman)	AICD
Richard Mifsud	AUASB
Merran Kelsall	AUASB (via teleconference)
Kris Peach	AASB
Noelle Kelleher	ASFA
John Price	ASIC
Kevin Lewis	ASX
Bill Edge	CA ANZ
Mark Coughlin	CPAA (via teleconference)
Roger Burrows	G100
David Nicol	HoTARAC
Ian Purchas	IPA
Graeme Mitchell	XRB
Invitees	
Brandan Khoo	APRA
Diane Brown	Treasury
Tony Dale	XRB
FRC Secretariat	
Carmela Pavlic Searle	Treasury
Lucy Ohlmus	Treasury
APOLOGIES	
Stein Helgeby	Finance
Jan Harris	Treasury
Ian Laughlin	APRA
Ross Barker	BCA

1) Introduction

a) Attendees and apologies

The Deputy Chair opened the meeting, noted apologies and also that Mark Coughlin and Merran Kelsall would be joining the meeting by teleconference.

b) Declarations of interest

The Deputy Chair noted the declarations of interest. Bill Edge confirmed The Institute of Chartered Accountants had been renamed Chartered Accountants Australia New Zealand (CA ANZ).

As a Chair had not been appointed, members agreed that Mr Coleman would act as Chair of the meeting.

2) Matters for approval

a) Minutes of previous meeting 21 November 2014

FRC members endorsed the minutes of the previous meeting.

b) Matters arising from previous meeting

Secretariat noted that the majority of action items had been completed.

c) FRC meeting dates for 2015

The Deputy Chair suggested that, in addition to the face to face meetings for the year, a shorter teleconference be held in September. Members moved to confirm the proposed November meeting date.

Resolution: Members endorsed an additional videoconference to be scheduled in September.

d) Memorandum of Understanding (MoU)

The paper on the revised MoU with the accounting professional bodies was discussed. Members discussed the FRC obligations and what confidentiality protections applied to information provided at the FRC. The discussion considered possible amendments including the provisions for keeping materials in accordance with the *Archives Act 1983* and the extent that qualified privilege exists and its application to certain types of information.

Resolution: FRC members endorsed the MoU and for Mr Coleman to sign off on the letters as Deputy Chair.

3) Report back – sub-committee on regulatory impact statements (RIS)

Members noted the attached minutes of the meetings of the sub-committee on 21 January 2015 and 6 February 2015 and the subsequent discussions of the Australian Accounting Standards Board

(AASB) Chair, Treasury and the Office of Best Practice Regulation (OBPR) around compliance with RIS requirements for international standards.

The FRC noted it had been agreed it was not necessary to prepare a RIS for international standards and that the Chairs could certify that a RIS like process had been followed. However it was noted that the AASB and AUASB would still need to perform a cost calculation and that this methodology must be agreed with the OBPR, preferably at an early stage such as the international exposure draft stage. As a consequence there should be no impediment to having international standards issued promptly in Australia. The AASB and AUASB also expected to be able to follow a similar process for domestic standards.

Resolution: FRC members noted the report and thanked Treasury and OBPR for their assistance.

4) Monitoring of AASB and accounting standards

a) Report by AASB Chairman on work plan and proposed consultations

The AASB reported that two of their key strategic objectives are to encourage and facilitate active involvement by all interested parties in the development of domestic and international accounting standards and to improve the AASB's ability to influence international outcomes. The AASB noted that a great deal of their consultations on standard setting involved developing relationships within the allied bodies, particularly in international arenas.

The AASB is seeking new ways of encouraging such participation, including facilitating and contributing to direct conversations with Australian constituents and International Accounting Standards Board (IASB) members and staff. Members then discussed Australia's participation on various bodies including Asian-Oceania Standard-Setters Group (AOSSG), Accounting Standards Advisory Forum (ASAF) and International Financial Accounting Standard Setters (IFASS). It was noted that the term of the Deputy Chair of AOSSG was ending soon. The AASB Chair noted that new ways of influencing internationally developed standards needed to be identified and that key relationships needed to be developed and maintained. FRC members were requested to think about existing international relationships that could be leveraged by the AASB.

The FRC also discussed upcoming nominations on the AASB boards and raised the issue of various AASB appointments all ending at one time. The Secretariat agreed to look at Part 12 of the *Australian Securities and Investments Commission Act 2001* to see what powers and procedures could be enacted to alleviate the problem.

The AASB Chair reported that the AASB had identified five strategic directions with attendant objectives and key performance indicators (KPIs) which would be presented at the next meeting.

b) Members' observations on report and operation of accounting standards

The Deputy Chair noted the comments on Government Finance Statistics (GFS). The AASB advised that in response to queries by Treasury and a review of the reporting framework in the public sector it would be requesting information on accounting standard AASB 1049 *Whole of Government and General Government Sector*. HoTaRAC suggested it could work with AASB on this issue out of session.

Consistent with the FRC Financial Reporting Taskforce recommendations to simplify the Australian financial reporting framework, the AASB noted it would take a leadership role. The AASB also reported on its proposed further work in relation to Tier 2 reduced disclosure requirements (RDR) and requested that members provide any feedback that their nominating bodies might have on how to improve RDR, tiers of reporting requirements and who should be required to prepare and/or lodge general purpose financial statements. The intention was to work with Treasury and use this as a blueprint for further work with the States and Territories and other bodies that currently set accounting requirements.

FRC members were also requested to provide feedback on how the AASB is currently being perceived in practice and what areas of concern constituents currently had with practical accounting issues.

Resolution: FRC members agreed to work with AASB on further developing the Australian financial reporting framework.

5) Monitoring of AUASB and auditing standards

a) Report by AUASB Chair on work plan and proposed consultations

The AUASB highlighted the auditor reporting project and noted that roundtables with stakeholders were being organised for Sydney and Melbourne.

Members discussed directors' community roundtables also being held in the coming weeks to discuss auditor reporting and the AUASB suggested FRC members could attend in their state.

New Zealand and Australia had agreed to December 2016 as the date for adoption of the enhanced Auditor Report standard.

The Deputy Chair noted that changes to audit reports in the UK had been generally well accepted. However, in the UK, the amended Auditor Reporting framework was part of a wider change that also required the Board Audit Committee to prepare a report that commented, inter alia, on going concern. This differed significantly from the international standard.

CA ANZ reported that previous feedback from the UK on the new system had been positive and a new report had been recently released. A summary would be included in their next report to FRC.

Members discussed the use of experts on auditing panels and noted issues with a lack of professional scepticism in examining expert's information.

b) Members observations on report and operation of auditing standards

ASIC advised that IFIAR had released the results of its 2014 Survey of Regulators Audit Inspection Report and it was noted that the IFIAR report was consistent with ASIC's findings.

6) Upcoming appointments

a) International appointments

The FRC discussed its role in furthering the development of a single set of accounting and auditing standards for world-wide use. It was agreed that the FRC should play a greater role in ensuring that international bodies are composed of the best possible members.

b) Nominations Committee

Members discussed the identification of desirable skillsets or skills gaps in members of the AASB and AUASB in order to ensure that candidate pools for the AASB and AUASB boards are comprehensive. Concerns were expressed about continuity given that six AASB memberships were due for renewal in 2016. Treasury agreed to examine options for the staggering of AASB board appointments.

c) FRC

The Deputy Chair noted two current vacancies and membership renewals that would soon be due. Members considered the future composition of the FRC and advised they would be willing to commence discussions with their own bodies in relation to re-appointments, to assist with a smooth transition.

7) International Update

a) IFRS Foundation

Secretariat circulated the IFRS Foundation monthly report to FRC members and agreed to send the email summary to members prior to meetings.

b) IFRS Advisory Council

The Deputy Chair advised that there had been no report from the previous meeting. Members were asked to consider the best method of providing information to the IFRS Advisory Council.

8) Stakeholder reports

a) Discussion of issues arising from reports

ASX: The ASX advised that it had released a consultation paper *Enhanced Derivatives Account Segregation and Portability – Consultation on amendments to the Operating Rules of ASX Clear and ASX Clear (Futures)*.

MINUTES

The ASX highlighted that market commentary by some stakeholders stating that sustainability reports had to be prepared and that all corporate reports had to be signed off by auditors under the new edition of the ASX Corporate Governance Council's Principles and Recommendations were not correct.

APRA: APRA highlighted developments in IFRS standards at a global level. A paper had been circulated by the Basel Group on accounting for expected losses and would be finalised by end of year.

There had also been international interest in Australia as one of its banks was adopting IFRS 9 Financial Instruments early.

ASIC: ASIC highlighted its directors' quiz which had received over 700 completions with an average score of 4/10. The intent of the quiz was to raise awareness of financial literacy.

ASIC's six-monthly review of financial reports had raised issues regarding impairment and accounting policy choices. The AASB noted there was currently an IASB project considering whether goodwill should be amortised rather than only subject to an impairment test, and whether the impairment could be simplified and improved.

ASFA: The FRC noted the report as read.

BCA: The FRC noted the report as read.

CA ANZ: The FRC noted the report as read and that professional scepticism was a key issue.

CPA Australia: The FRC noted the report as read. CPA would present at the next AQC meeting.

Dep of Finance: The FRC noted the update on government finance statistics.

XRB: New Zealand highlighted its disclosure project and discussion around the introduction of new auditor reporting standards. Results of the XRB research reports on the information needs of users of New Zealand capital Market Entity Financial Reports would soon be released. FRC members expressed interest in viewing the research results.

G100: The G100 biannual congress had been scheduled in Sydney on 20 May.

The work of the G100 on developing discount bond rates was discussed with G100 advising that a rate would likely be applied by 30 June 2015. The AASB offered to promote the document to assist with consistency Australia wide.

Action Item	<ul style="list-style-type: none"><i>G100 to report back to next FRC meeting on progress regarding corporate bond rates.</i>
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Treasury: Treasury provided an update of current work. Ms Brown advised that the Corporations and Markets Advisory Committee Abolition) Bill 2014 abolishing the Corporations and Markets Advisory Committee (CAMAC) had not yet passed in Parliament. A discussion paper on crowd source equity funding had been released.

9) Committee Reports

a) Audit Quality Committee report

The Chair reported that a meeting had been held on 23 February 2015. Discussion topics included:

- the auditor reporting standard and consultation program;
- requests by the auditing profession for further transparency around decisions by ASIC;
- CA ANZ quality review;
- Consistency of transparency reports.

Members noted the report.

10) Other Business

The FRC noted that it would like stakeholder reports and those from the AASB and AUASB to enable discussion on the key strategic issues facing the accounting and auditing professions.

11) Next meeting and close

The meeting was closed at 2.30pm.