



MINUTES

ITEM 2A – ATTACHMENT A

Date: Tuesday 22 March 2016

Time: 9:00am – 3:00pm

Location: ASIC Offices
Level 5, 100 Market St
SYDNEY NSW

Item	Agenda item																								
1	Introduction																								
	<p>The Chair declared the meeting open at 9:10 and noted that there were currently only 6 members and that some material discussed today may need to be revisited at the Council's next meeting.</p> <p>The Chair also noted that Lynn Wood will be attending to provide an update on international matters and that the meeting would be recorded for the benefit of the minutes.</p>																								
1.1	Attendees and apologies																								
	<table border="1"><thead><tr><th>Participants</th><th>Organisation</th></tr></thead><tbody><tr><td>Bill Edge (Chair)</td><td>CA ANZ</td></tr><tr><td>Kris Peach</td><td>AASB</td></tr><tr><td>Kevin Lewis</td><td>ASX</td></tr><tr><td>Merran Kelsall</td><td>AUASB</td></tr><tr><td>David Nicol</td><td>HoTARAC</td></tr><tr><td>Graeme Mitchell</td><td>XRB</td></tr><tr><td>Diane Brown Carmela Pavlic Searle Lucy Ohlmus</td><td>Treasury</td></tr><tr><td colspan="2">Guest</td></tr><tr><td>Lynn Wood</td><td>IFRS Foundation Trustees</td></tr><tr><td colspan="2">Observer</td></tr><tr><td>Warren Allen</td><td>XRB</td></tr></tbody></table>	Participants	Organisation	Bill Edge (Chair)	CA ANZ	Kris Peach	AASB	Kevin Lewis	ASX	Merran Kelsall	AUASB	David Nicol	HoTARAC	Graeme Mitchell	XRB	Diane Brown Carmela Pavlic Searle Lucy Ohlmus	Treasury	Guest		Lynn Wood	IFRS Foundation Trustees	Observer		Warren Allen	XRB
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1.2	<p>Declarations of interest</p> <p>There were no amendments to the declarations of interest.</p>
2	<p>Matters for approval</p>
2.a	<p>Minutes of the previous meeting</p> <p>The minutes of the November meeting were endorsed by FRC members.</p>
2.b	<p>Matters arising</p> <p>There were no unresolved matters.</p>
3	<p>Review of FRC role</p>
3	<p>FRC role and appointments</p> <p>Treasury noted that the appointment of FRC members, including a Chair, was in progress.</p> <p>Treasury noted the previous meeting’s discussion reconsidering the proper role and function of the FRC and a subsequent discussion between members (including the Deputy FRC Chair, Bill Edge; the AUASB Chair, Merran Kelsall; and the AASB Chair Kris Peach) and the Minister.</p> <p>Members noted the update on membership and agreed that discussion about subcommittee appointments should be held over until the scheduled June meeting. Members noted that the June meeting could be deferred if appointments had not been finalised. Members asked if the Secretariat could assist with preparing induction materials.</p> <p>Members discussed the possibility of the FRC hosting roundtable consultation sessions as a means of engaging stakeholders. Members discussed the purpose of the roundtable consultation sessions, including whether it was consistent with the FRC’s proper role and functions, and various alternatives for structuring the roundtable sessions.</p> <p>It was agreed that the Secretariat and the Chair should engage offline to suggest possible topics and audience groups for a round table for discussion at the next meeting.</p> <p>AASB noted that it was conducting roundtables in May/June and would invite FRC members. AASB will liaise with FRC to avoid duplication.</p> <p>Actions</p> <p><i>Secretariat to add ‘subcommittee membership’ to the agenda for the next meeting.</i></p> <p><i>Secretariat to assist with preparing induction materials to be reviewed at the next meeting.</i></p> <p><i>Secretariat and the Chair to engage offline to suggest possible topics and audience groups for a round table for discussion at the next meeting.</i></p> <p><i>AASB is conducting roundtables in May/June and will invite FRC members and will liaise with FRC to avoid duplication on topics.</i></p>
4.	<p>Appointment of AUASB Chair (Treasury)</p>
	<p>The Chair noted that Ms Kelsall’s term expires on 9 August this year and recruitment is underway for a new AUASB Chair. Treasury asked if members knew anyone suitable for the role could they please bring it to their attention.</p>

	<p>The Chair asked about acting arrangements, handovers and what would happen if an election delayed the process.</p> <p>Actions</p> <p><i>The Secretariat will add an update on the appointment of the AUASB Chair to the agenda for the next meeting.</i></p>
5.	Financial Reporting & Auditing Simplification Project
	<p>Members discussed issues arising out of recent changes to reporting made to address issues relating to multinational tax avoidance. Members noted it had given rise to an important issue about who should be preparing general purpose financial reports. The AASB Chair noted this as an example of clarification consistent with the Simplification Project's intentions.</p> <p>Members noted problems with standards as they apply to public sector bodies, particularly Standard 1049. The AASB Chair noted this was a direct consequence of an FRC direction. The Chair inquired about whether the FRC should consider a change. The AASB Chair indicated that the FRC should await advice arising out of the current consultation process to be reported at the next meeting</p> <p>Members noted the release of the leasing standard, including the possibility of push back as it gets closer to 2019.</p> <p>HoTARAC noted that auditors and preparers in the public sector tend to be risk averse which leads to over-reporting. It was not clear whether this was the case in the private sector, but could be of concern if it was.</p> <p>Initiatives from G100 and Finance were noted in the financial simplification efforts.</p>
6.	Committee Reports
6.a	<p>Audit Quality Committee</p> <p>The Chair noted there was not a quorum on the Audit Quality Committee, but discussions on audit quality between the Chair and members were ongoing. The Chair noted his intention to progress related work until the Committee was reconstituted.</p> <p>Members discussed how to address the issue of audit quality in the FRC annual report and agreed to consider draft texts at the next FRC meeting.</p> <p>Actions</p> <p><i>The Secretariat will work with the Chair to put together materials for the audit quality part of the annual report.</i></p>
6.b	<p>Nominations Committee</p> <p>The Chair noted one meeting was held out of session to discuss Jane Meade's position on the AUASB in light of her change in employment and had agreed that she should remain on the board until the conclusion of the next recruitment process.</p> <p>Members noted and endorsed the supporting paper and minutes.</p>
7.	Monitoring of AASB and accounting standards
	AASB Chair noted that a paper concerning the domestic agenda of the AASB was out for

	<p>consultation with comments due back in April. The intention is to follow-up with roundtable consultation in May/June. AASB is keen to ensure that they are spending their limited resources in the most effective way.</p> <p>AASB is also benchmarking against international competitors. It has been 10 years since IFRS was implemented and the AASB is keen for feedback. AASB is proposing to hold roundtables in May/June and is working hard to make sure they get the right people attending.</p> <p>The AASB Chair will circulate the roundtable dates to the Secretariat.</p> <p>NZ representatives noted their interest in the topic of IFRS v IPSASB in the public sector.</p> <p>AAAB noted the substantially improved operational efficiency in implementing IFRS 16 relative to IFRS 9 (3 weeks relative to 6 months) owing to improved internal processes, including the new methodology for Regulatory Impact Statements.</p> <p>AASB is looking for shared services suitors to further reduce costs and will keep the FRC informed.</p> <p>AASB noted its successful relocation during the reporting period, realising significant costs savings.</p> <p>The AASB Chair called for feedback on draft KPIs and members resolved to make it a key agenda item for the next meeting.</p> <p>The AASB Chair asked whether the FRC wanted to be involved in the AASB Strategy Day and it was agreed that arrangements would be settled with the Secretariat offline.</p> <p>Action:</p> <p><i>AASB to present to next FRC meeting details on submissions regarding the AASB agenda.</i></p> <p><i>The AASB Chair will circulate the roundtable dates and the date of the Strategy Day to the Secretariat.</i></p> <p><i>AASB KPIs to be placed on the June FRC agenda.</i></p>
8.	Monitoring and AUASB and auditing standards
	<p>AUASB Chair noted the upcoming expiry of the AUASB Chair's term and noted that the Chair's appointment to the IAASB expires on 31st December, 2016.</p> <p>AUASB Chair noted that three senior people have left in the reporting period and a recruitment process is currently underway to fill two positions.</p> <p>AUASB Chair provided an update on the Auditor Reporting Project, noting continuing interest based on another auditor report (HSBC). AUASB noted that the industry has moved from some resistance and concerns to accepting that the changes are now reality and provide an opportunity for auditors to showcase the work that has been done.</p> <p>AUASB Chair noted that round tables had been held to provide input to the IAASB Invitation to Comment on the audit quality proposals addressing Quality Control, Group Audits and Professional Scepticism.</p> <p>AUASB Chair noted that the deadline for local projects will slip due to tight resourcing. This prompted the AUASB Chair to solicit feedback about the AUASB's priorities.</p> <p>The Chair asked about the process for adopting international standards. AUASB noted that they are now considering whether the process of adopting international standards could be</p>

	<p>streamlined. Changes to international standards are only made on a case by case basis where there is a compelling reason to change, based on an assessment of the cost of making each change relative to the benefits from an audit quality perspective.</p> <p>AUASB and AASB Chairs noted that the process for amending and incorporating international standards for auditing and accounting differ, but will be jointly reviewed.</p>
9.	Governance
9.a	<p>Membership of committees</p> <p>The Chair noted that a reconstitution of the Nomination Committee would result in all current FRC members being on the committee. This could be reconsidered if the Minister made further appointments.</p> <p>The Chair also noted that there is no minimum number for the FRC to have a quorum.</p> <p>The Chair noted that new committees could be constituted if appointments were made in the near term.</p> <p>Actions</p> <p><i>Nominations Committee membership to be confirmed when a meeting becomes necessary.</i></p>
9.b	<p>Annual report 2016</p> <p>The Chair introduced a discussion about the 2016 annual report, noting that most of the information has historically come from the three accounting bodies and ASIC. Members, together with the Secretariat, then discussed the historical approach.</p> <p>The AASB Chair suggested asking stakeholders to report the key initiatives impacting capital markets and members agreed on the need to tie stakeholder reports and the annual report together.</p> <p>Members discussed potential audiences for the annual report.</p> <p>Actions</p> <p><i>Secretariat to begin work with the Chair on the annual report.</i></p>
9.c	<p>Changes to Nominations Committee Charter – international engagement and to the AASB/AUASB guidelines</p> <p>Members endorsed the following changes to the guidelines for appointments to the AASB and AUASB:</p> <p>Members are appointed on merit, have a good technical knowledge of accounting and come from a variety of backgrounds to encompass users as well as preparers of financial reports. As well as technical expertise, members will usually have experience in business or government, a broad policy perspective, and a full understanding of the practical business or government environments in which accounting/auditing standards are applied. Members will also bring a keen public interest perspective to the Board. Appointments seek to reflect the diversity of the sector and should aim for a balance of gender, public and private sector expertise representing different market segments.</p> <p>Members endorsed adding the following to the list of functions in the Nominations Committee charter:</p> <p>To review international appointments and provide advice to the FRC on appropriate</p>

	<p>appointments to ensure Australia has influence on the development of international standards so they are appropriate in the Australian context and to ensure Australians have an opportunity to be appointed to international boards.</p> <p>Actions</p> <p><i>Secretariat to update the guidelines and charter and publish on the FRC website.</i></p>
9.d	<p>Sitting fees and travel arrangements</p> <p>The Secretariat noted uncertainty around entitlements in the past and noted that this would form part of the induction pack for new members.</p> <p>Clarification was sought from members about short-term vehicle hire.</p> <p>The AASB Chair highlighted the points around preparation time and suggested that it should be clarified in the induction material.</p>
10.	International update
10.a	<p>International appointments table</p> <p>The Chair asked whether Ms Wood had any input to the international appointments table and noted we would be grateful for input she could provide outside of the meeting. Ms Wood noted that the last time this issue was considered there were insufficient funds available to cover a position on the IASB's Advisory Council. The Chair responded saying that we need to identify the top critical positions and then clarify funding arrangements for them.</p> <p>The Chair offered to come back to the next meeting with a shortlist of critical positions and an updated table.</p> <p>The AASB Chair noted that we should not expect to get a member on these bodies every time, but we should at least try. She also noted the importance of the technical advisor positions.</p> <p>Members noted that the quality of nominees and the performance of individuals in roles impact the chances of getting future roles. Members noted the importance of briefing and obtaining feedback in this context.</p> <p>Actions</p> <p><i>The Chair will report back to the next meeting with a shortlist of critical positions and an updated international appointments table.</i></p>
10.b	<p>IFRS Foundation</p> <p>The Chair welcomed Lynn Wood.</p> <p>Ms Wood reported the findings of the invitation to comment on the role of the IFRS Foundation.</p> <p>Ms Wood indicated that responses suggested that while stakeholders were broadly satisfied with the existing governance arrangements, transparency could be increased.</p> <p>Members had a discussion about the links between funding, adoption of standards and representation on international bodies and the possibility of divergent standards emerging in the US vis-à-vis the rest of the world</p> <p>The AASB Chair asked about recruitment for the IASB vice-chair. A discussion about suitable</p>

	Australian candidates ensued.
10.c	PwC Regulatory briefing The Chair commended the PwC regulatory report as an excellent resource on international developments.
11.	Stakeholder reports
	Members discussed the purpose and contents of the stakeholder reports and suggested that these should be clarified. Actions <i>Secretariat to add stakeholder report clarification as a discussion item to the next agenda.</i>
12.	Other business
	Nil.
13.	Next meeting
	Proposed: 7 June 2016 – to possibly change if new members are appointed.

Signed as a correct record.

Bill Edge
Chair
21 April 2016