



MINUTES

DATE: Tuesday 28 March 2017

TIME: 10:00am – 4:00pm

LOCATION: AASB/AUASB Offices
TEQSA Board Room
Level 14, 530 Collins Street
Melbourne

| ITEM | AGENDA ITEM | | | | | | | | | | | | | | | | | | |
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| 1 | INTRODUCTION | | | | | | | | | | | | | | | | | | |
| | <p>The Chair, Bill Edge welcomed Roger Simnett, incoming Chair of the Auditing and Assurance Standards Board (AUASB) and noted the reappointment of members Kevin Lewis and David Nicol to the FRC. He also noted that Kate Phipps had replaced Diane Brown as the Senior Treasury observer and Richard Grant would be managing the Financial Reporting Council (FRC) Secretariat until further notice.</p> <p>The Australian Accounting Standards Board (AASB) Chair, Kris Peach noted that National Director, Justin Lachal had left the organisation and Chris Gillman would fill the National Director position for six months. She also noted that Anne Tarca had been appointed as the AASB Research Director and that her position on the AASB Board would need to be filled. The AUASB Chair, Merran Kelsall noted that Matthew Zappulla had been appointed as the AUASB Technical Director.</p> <p>Bill Edge reported that he met with the Minister of Revenue and Financial Services in December 2016.</p> <p>Bill Edge noted that he would liaise with members out-of-session to complete work on audit quality and strategic planning but would not form specific committees to do so.</p> <p>The FRC Secretariat reminded members to use their new email address FRCSecretariat@treasury.gov.au for all correspondence with the FRC Secretariat.</p> | | | | | | | | | | | | | | | | | | |
| 1.A | ATTENDEES AND APOLOGIES | | | | | | | | | | | | | | | | | | |
| | <table> <tr> <th>Members</th><th>Observers</th></tr> <tr> <td>Bill Edge - Chair</td><td>Chris Gillman - AASB</td></tr> <tr> <td>Kris Peach - AASB Chair</td><td>Roger Simnett – incoming AUASB Chair</td></tr> <tr> <td>Merran Kelsall - AUASB Chair</td><td>Matthew Zappulla - AUASB</td></tr> <tr> <td>David Nicol - ACT Treasury</td><td>John Price - ASIC</td></tr> <tr> <td>Kevin Lewis - ASX</td><td>Jan McCahey – Global Public Policy Committee</td></tr> <tr> <td>Jackie Callaway - Brambles</td><td>Lynn Wood – IFRS Foundation Trustees</td></tr> <tr> <td>Judith Downes - Bank Australia</td><td>Kate Phipps - Treasury</td></tr> <tr> <td>Stein Helgeby - Department of Finance</td><td>Richard Grant, Alyce Reid, Samantha Pajaczkowski – FRC Secretariat</td></tr> </table> | Members | Observers | Bill Edge - Chair | Chris Gillman - AASB | Kris Peach - AASB Chair | Roger Simnett – incoming AUASB Chair | Merran Kelsall - AUASB Chair | Matthew Zappulla - AUASB | David Nicol - ACT Treasury | John Price - ASIC | Kevin Lewis - ASX | Jan McCahey – Global Public Policy Committee | Jackie Callaway - Brambles | Lynn Wood – IFRS Foundation Trustees | Judith Downes - Bank Australia | Kate Phipps - Treasury | Stein Helgeby - Department of Finance | Richard Grant, Alyce Reid, Samantha Pajaczkowski – FRC Secretariat |
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| Bill Edge - Chair | Chris Gillman - AASB | | | | | | | | | | | | | | | | | | |
| Kris Peach - AASB Chair | Roger Simnett – incoming AUASB Chair | | | | | | | | | | | | | | | | | | |
| Merran Kelsall - AUASB Chair | Matthew Zappulla - AUASB | | | | | | | | | | | | | | | | | | |
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| Kevin Lewis - ASX | Jan McCahey – Global Public Policy Committee | | | | | | | | | | | | | | | | | | |
| Jackie Callaway - Brambles | Lynn Wood – IFRS Foundation Trustees | | | | | | | | | | | | | | | | | | |
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| | Noelle Kelleher - Vision Super | Warren Allen - XRB |
| | Graeme Mitchell - XRB | |
| 1.B | DECLARATIONS OF INTEREST Jackie Callaway declared that she is now a member of the Australian Institute of Company Directors. | |
| 2 | MATTERS FOR APPROVAL | |
| 2.A | MINUTES OF THE PREVIOUS MEETING The November meeting minutes were approved out-of-session but Merran Kelsall requested a change to the wording of item 3b. Members approved the change. Bill Edge noted that the FRC would circulate a communique as the main communication with stakeholders going forward but the minutes would continue to be published on the FRC website. | |
| 2.B | MATTERS ARISING All matters from the November meeting had been marked as complete or were on this agenda. | |
| 3 | FRC STRATEGIC PLANNING | |
| 3.A | FRC STRATEGIC PLAN 2017-20 Bill Edge, Kevin Lewis and Noelle Kelleher drafted the FRC Strategic Plan 2017-20 out-of-session and presented it to members for comment. Members suggested adding more information about monitoring audit quality in Section 1, removing the Strength, Weaknesses, Threats and Opportunities (SWOT) Analysis from Section 2 and rewording several of the Strategic Priorities in Section 3. Bill Edge, Kevin Lewis and Noelle Kelleher agreed to incorporate the suggested changes to the Strategic Plan and re-circulate it to members out-of-session, then present a final version for approval at the June FRC meeting. | |
| 3.B | PERFORMANCE OF FRC STATUTORY FUNCTIONS Bill Edge noted that the 'Performance of Statutory Functions' page on the FRC website had been recently updated. | |
| 4. | OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING) | |
| 4.A | ACCOUNTING STANDARDS Kris Peach gave an update on the AASB's key achievements and priorities for 2016-17. Members noted the 'KPI's to achieve Strategies' document and suggested directional arrows to highlight trends, as well as highlighting major changes in the Chair's cover page. Kris Peach sought feedback on the AASB newsletter. Members suggested simplifying technical language to suit readers' needs and adding a calendar of events. | |
| 4.B | AUDITING STANDARDS Merran Kelsall introduced Roger Simnett, incoming Chair of the AUASB, and reported that they had | |

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| | <p>been working together closely to ensure a smooth handover.</p> <p>Merran Kelsall provided an update on AUASB's key achievements. She noted that the AUASB Strategy needed work and welcomed suggestions from members ahead of the April AUASB Board meeting where it would be reviewed.</p> <p>John Price noted that no one was monitoring superannuation entity reports to ensure they were meeting financial reporting standards and suggested extending ASIC's remit to cover them, noting that extra resources would be required to do so. Kris Peach said she would raise the issue with Minister O'Dwyer.</p> |
| 4.C | <p>REVIEW OF PUBLIC SECTOR ISSUES</p> <p>David Nicol and Stein Helgeby presented a report on the issues confronting the public sector in relation to frameworks and standards (both accounting and auditing).</p> <p>David Nicol, Stein Helgeby, Roger Simnett and Kris Peach agreed to form a working group offline to review the issues. They will report back on their findings at the June FRC meeting. They welcomed comments/views from other members via email.</p> |
| 4.D | <p>NOMINATIONS COMMITTEE REPORT</p> <p>Stein Helgeby provided an update on the recruitment process that was underway to replace Anne Tarca's position on the AASB Board. He commented on the high standard of the applications received and suggested that going directly to the heads of various Universities helped attain high calibre candidates. Members agreed that it was important to keep the unsuccessful applicants involved with the work of the AASB.</p> <p>Members discussed whether it is a conflict of interest for an AUASB Board member to be consulting to IAASB and agreed that they did not see this as a conflict of interest.</p> |
| 5. | OVERSIGHT OF AUDIT QUALITY |
| 5.A | <p>REVIEW PROGRAMS</p> <p>Bill Edge, Judith Downes and Jackie Callaway reported on a table summarising Australian Securities Investments Commission (ASIC), Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia and the Institute of Public Accountants (IPA) respective Financial Statement Audit Quality Review Programmes.</p> <p>Members discussed the information provided and agreed that Roger Simnett would join the working party to consider the next steps.</p> |
| 6. | MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS |
| 6.A | <p>STAKEHOLDER REPORTS</p> <p>Bill Edge contacted key FRC stakeholders prior to the meeting to discuss FRC Stakeholder Reports. Members discussed the Stakeholder Reports provided and noted that there were several comments regarding remuneration reporting. Members were supportive of the AASB doing work in this area to address issues arising across all sectors, including the public and not for profit private sectors. Members noted the "Welcome to EDITDA-DA land" article from the <i>Australian Financial Review</i> on 4 March 2017. Kris Peach advised that the IASB has a number of projects underway that</p> |

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| | <p>address this issue.</p> <p>Members also discussed posting stakeholder publications on the FRC website. They agreed to include links to these publications on the FRC Communique instead.</p> |
| 6.B | <p>STAKEHOLDER ENGAGEMENT</p> <p>Bill Edge circulated a list of stakeholders with whom he met in 2016 and stated that he planned to do another round of stakeholder meetings in May/June 2017.</p> |
| 6.C | <p>REPORT BY XRB</p> <p>Graeme Mitchell reported that Bill Edge was now an official member of the XRB.</p> <p>Graeme Mitchell highlighted some of the XRB's current work including:</p> <ul style="list-style-type: none"> • a survey of alternative performance measures • a Research Project – 'Researching Financial Information and Assurance Needs of Users of For-Profit Tier 2 Entity Reports' • a survey on Integrated Reporting • a Joint Board Strategy Day on Wednesday 5 April - FRC, AASB and AUASB Chairs attending |
| 7. | MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS |
| 7.A | <p>INTERNATIONAL REPORTS</p> <p>Jan McCahey, Chair of the Global Public Policy Committee and Lynn Wood, IFRS Foundation Trustees spoke to the FRC regarding global issues.</p> |
| 7.B | <p>INTERNATIONAL APPOINTMENTS</p> <p>The Chair reminded members to consider suitable applications for international appointments.</p> |
| 8. | OTHER BUSINESS |
| 8.A | <p>PEER REVIEW PROCESSES</p> <p><u>AASB/AUASB:</u></p> <p>Members discussed the timing of the AASB/AUASB peer review process. Members suggested having the process later in the year but acknowledged that it would need to happen ahead of the AASB/AUASB recruitment process for 2018.</p> <p><u>XRB:</u></p> <p>Graeme Mitchell noted that the XRB are currently undertaking a peer review.</p> <p><u>FRC:</u></p> <p>Bill Edge proposed that the FRC conduct a peer review process in the second half of 2017. Members endorsed this proposal.</p> |
| 8.B | <p>FRC COMMUNIQUE</p> <p>Bill Edge presented a mock FRC Communique which he proposed would be used as the main form of communication with FRC stakeholders. He explained that the FRC Communique would be 'high level', highlighting the major points of interest following meetings or major events.</p> <p>Members approved the concept of an FRC Communique and suggested preparing a paragraph for</p> |

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| | the FRC Communique in FRC meeting cover pages when appropriate. |
| 8.C | <p>FRC WEBSITE</p> <p>Bill Edge highlighted areas of the FRC website that had recently been updated and sought suggestions on how to make the website more useful and interactive.</p> |
| 9. | NEXT MEETING |
| 9.A | <p>MEETING DATES FOR 2017</p> <p>Members noted the 2017 meeting dates:</p> <ul style="list-style-type: none"> • Tuesday 6 June – Sydney • Friday 8 September – Melbourne • Friday 10 November – Melbourne <p>David Nicol noted that he will be an apology for the June meeting. Bill Edge reminded members to consider videoconference when they cannot attend in person.</p> |