



# MINUTES

**DATE:** Tuesday 6 June 2017

**TIME:** 10:00am – 3:30pm

**LOCATION:** KPMG Sydney

ITEM	AGENDA ITEM																				
<b>1</b>	<b>INTRODUCTION</b>																				
	<p>The Chair:</p> <ul style="list-style-type: none"> <li>introduced Stephen Powell from the Treasury</li> <li>noted that the next FRC meeting will be held at ASIC in Melbourne with Minister O’Dwyer in attendance.</li> </ul> <p>Members discussed whether FRC papers should be circulated to stakeholders but agreed that there is no need as relevant information is shared via the FRC Communiqué.</p>																				
<b>1.A</b>	<b>ATTENDEES AND APOLOGIES</b>																				
	<table border="1"> <thead> <tr> <th>Members in attendance:</th> <th>Observers:</th> </tr> </thead> <tbody> <tr> <td>Bill Edge - Chair</td> <td>John Price - ASIC</td> </tr> <tr> <td>Kris Peach - AASB Chair</td> <td>Stephen Powell - Treasury</td> </tr> <tr> <td>Roger Simnett - AUASB Chair</td> <td>Richard Grant, Alyce Reid – FRC Secretariat</td> </tr> <tr> <td>Kevin Lewis - ASX</td> <td>Warren Allen - XRB</td> </tr> <tr> <td>Jackie Callaway</td> <td>Lynn Wood – IFRS Foundation Trustees (2pm)</td> </tr> <tr> <td>Judith Downes - Bank Australia</td> <td></td> </tr> <tr> <td>Stein Helgeby - Department of Finance</td> <td><b>Apologies:</b></td> </tr> <tr> <td>Noelle Kelleher - Vision Super</td> <td>David Nicol - HoTARAC</td> </tr> <tr> <td>Graeme Mitchell - XRB</td> <td></td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge - Chair	John Price - ASIC	Kris Peach - AASB Chair	Stephen Powell - Treasury	Roger Simnett - AUASB Chair	Richard Grant, Alyce Reid – FRC Secretariat	Kevin Lewis - ASX	Warren Allen - XRB	Jackie Callaway	Lynn Wood – IFRS Foundation Trustees (2pm)	Judith Downes - Bank Australia		Stein Helgeby - Department of Finance	<b>Apologies:</b>	Noelle Kelleher - Vision Super	David Nicol - HoTARAC	Graeme Mitchell - XRB	
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<b>1.B</b>	<b>DECLARATIONS OF INTEREST</b>																				
	<p>Graeme Mitchell advised that he is no longer the Chair of the Insolvency Group or a member of the Trans-Tasman Accounting and Auditing Standards Advisory Group.</p> <p>Judith Downes noted that her position as Director of ImpediMed Limited should be included as a listed entity affiliation.</p> <p>Roger Simnett noted that he is a member of the New Zealand Auditing Standards Board, not the New Zealand Accounting Standards Board.</p>																				
<b>2</b>	<b>MATTERS FOR APPROVAL</b>																				

2.A	<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>Members had approved the March FRC minutes out-of-session. However, Graeme Mitchell requested that the third bullet point on page five of the March FRC minutes be changed from 'Integrated Reporting' to 'extended external reporting'. This amendment was accepted.</p>
2.B	<p><b>MATTERS ARISING</b></p> <p>Bill Edge noted that the following items would be deferred to the September FRC meeting:</p> <ul style="list-style-type: none"> <li>• FRC peer review;</li> <li>• update on public sector accounting issues.</li> </ul> <p>All other matters arising from the March meeting had been complete or were due to be dealt with at this meeting.</p>
3	<p><b>FRC STRATEGIC PLANNING</b></p>
3.A	<p><b>FRC STRATEGIC PLAN 2017-20</b></p> <p>A draft FRC Strategic Plan 2017-20 was tabled at the FRC Meeting on 28 March 2017. Changes were suggested and a second draft with suggested changes marked up was distributed to members on 20 April 2017.</p> <p>Members made minor changes to the wording of the Strategic Priorities and agreed to approve the final FRC Strategic Plan 2017-20 out-of-session.</p>
4.	<p><b>OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING)</b></p>
4.A	<p><b>ACCOUNTING STANDARDS</b></p> <p>Kris Peach provided an update on the AASB's key achievements and priorities from March to June 2017. She highlighted that:</p> <ul style="list-style-type: none"> <li>• AASB worked with the Board of Taxation to issue draft guidance on voluntary tax disclosures in May 2017. Early feedback suggested that it is meeting client needs.</li> <li>• IASB issued IFRS 17 <i>Insurance Contracts</i> in May 2017.</li> <li>• AASB considered draft project plans for a number of projects, based on feedback from constituents on its Invitation to Comment on ITC 34 <i>AASB Agenda Consultation 2017-2019</i> and findings from targeted outreach.</li> <li>• AASB published a paper titled <i>Modifications to Australian Accounting Standards for Not-for-Profit Entities</i> in May 2017.</li> </ul> <p>Kris Peach noted that the AASB continued to be a key member of the IASB's Accounting Standards Advisory Forum (ASAF) and the Asian-Oceanian Standards-Setters Group (AOSSG). Members discussed AOSSG governance and supported the creation of a permanent secretariat to support the AOSSG Chair.</p> <p>Graeme Mitchell noted that Australia and New Zealand share the ASAF role and complemented Australia for including New Zealand as a partner in this relationship.</p>

	<p>Kris Peach also stated that recruitment for an AASB and AUASB National Director will commence shortly and encouraged members to reach out to potential candidates.</p>
4.B	<p><b>AUDITING STANDARDS</b></p> <p>Roger Simnett provided an update on the AUASB’s key achievements and priorities from March to June 2017. He highlighted that:</p> <ul style="list-style-type: none"> <li>• IASB released a new exposure draft in April 2017, ED ISA 540 <i>Auditing Accounting Estimates</i>. AUASB stated that it would prepare a submission in response to the exposure draft and sought FRC member feedback.</li> <li>• ASA 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> was approved at the May 2017 AUASB meeting. The standard has been updated to include updates to APES 110 <i>Code of Ethics for Professional Accountants</i>. Finalisation of these standards was undertaken in close cooperation with the APESB.</li> <li>• AUASB approved the release of new Auditor’s Responsibilities Statements in May 2017.</li> </ul>
4.C	<p><b>JOINT STRATEGY DAY</b></p> <p>A joint AASB and AUASB Board and Staff Strategy Day was held on Monday 29 May. FRC members, Bill Edge and Stein Helgeby, and XRB CEO, Warren Allen, attended. Significant outcomes included:</p> <ul style="list-style-type: none"> <li>• a recognition that both the AASB and the AUASB play a role in facilitating the Australian economy; and</li> <li>• agreement that the two Boards can work together and add value by aligning strategies to the extent possible.</li> </ul> <p>FRC members reinforced the benefits of AASB and AUASB aligning strategically.</p> <p>The AASB and AUASB Chairs sought FRC feedback on the first joint AASB/AUASB Board Charter and the draft Protocol for Co-operation Between AASB, AUASB, FRC and XRB.</p> <p>FRC members supported the desirability of having such arrangements in place and agreed to send their suggestions to the Chairs out-of-session.</p>
5.	<p><b>NOMINATIONS COMMITTEE UPDATE</b></p>
5.A	<p><b>UPDATE ON AASB RECRUITMENT PROCESS</b></p> <p>It was noted that FRC members had approved the appointment of Stephen Taylor to the AASB Board out-of-session. Mr Taylor commenced with the AASB on 1 June 2017.</p>
5.B	<p><b>2017 PEER REVIEW PROCESS</b></p> <p>Members agreed on timelines for completion of the AASB/AUASB Board peer reviews and subsequent recruitment process.</p> <p>Members agreed to postpone the FRC peer review until after the September FRC meeting.</p>

5.C	<p><b>NOMINATIONS COMMITTEE CHARTER</b></p> <p>Members approved the Nominations Committee Charter, noting that it will be reviewed every two years.</p>
6.	<p><b>OVERSIGHT OF AUDIT QUALITY</b></p>
6.A	<p><b>REVIEW PROGRAMS</b></p> <p>A sub group comprising Bill Edge, Roger Simnett, Judith Downes and Jackie Callaway provided an update on their examination of the Audit Quality Review Programs conducted by the accounting bodies, noting that they met with CA ANZ and CPA Australia in May and were in the process of confirming a meeting with IPA.</p> <p>It was agreed that the Chair should attempt to convene a joint meeting of all accounting bodies together to discuss opportunities for coordination.</p>
7.	<p><b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b></p>
7.A	<p><b>STAKEHOLDER REPORTS</b></p> <p>The FRC reviewed reports from 14 different stakeholders to ensure key issues and initiatives receive due consideration by the FRC. Issues of note included:</p> <ul style="list-style-type: none"> <li>• remuneration reporting;</li> <li>• proposed changes to rotation requirements for audit partners; and</li> <li>• the accounting standards on insurance, superannuation and financial instruments.</li> </ul>
7.B	<p><b>REPORT BY XRB</b></p> <p>Graeme Mitchell provided an update on the XRB focusing on the outcome of XRB's Strategy Day which was held on 5 April 2017.</p> <p>Graeme highlighted the close alignment of the FRC and XRB and noted the similarities between the two boards' strategic priorities.</p>
8.	<p><b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b></p>
8.A	<p><b>INTERNATIONAL REPORTS</b></p> <p>Lynn Wood provided an update on the IFRS Foundation Trustees.</p> <p>Members discussed FRC's financial contribution to the IFRS Foundation and agreed to continue to monitor its appropriateness and sufficiency.</p>
8.B	<p><b>INTERNATIONAL APPOINTMENTS</b></p> <p>Members discussed upcoming international appointments, particularly the IFRS Advisory Council.</p>
8.C	<p><b>INTERNATIONAL DEVELOPMENTS</b></p> <p>The Chair circulated the Public Interest Oversight Board's (PIOB's) Feedback Statement which addressed submissions received on the public consultation of its draft 2017-19 Strategy, to which the FRC responded.</p>

<b>9.</b>	<b>OTHER BUSINESS</b>
9.A	<p><b>FRC ANNUAL REPORT 2016-17</b></p> <p>Members noted the timeline for preparing the FRC Annual Report 2016-17, noting the tight timeframe between the September FRC meeting and sending the report to the Minister.</p> <p>Members agreed that the Annual Report should follow a similar format to last year's report.</p>
<b>10.</b>	<b>NEXT MEETING AND CLOSE</b>
10.A	<p>The next FRC meeting will be held on Friday 8 September 2017 at ASIC in Melbourne. Some of the items to be discussed include:</p> <ul style="list-style-type: none"> <li>• approving the FRC Annual Report 2016-17;</li> <li>• a review of public sector accounting issues.</li> </ul>