



# MINUTES

**DATE:** Friday 8 September 2017

**TIME:** 10:00am – 4:00pm

**LOCATION:** ASIC, Melbourne

ITEM	AGENDA ITEM																		
<b>1</b>	<b>INTRODUCTION</b>																		
	The Chair noted that Kevin Lewis and Judith Downes were apologies and that the Hon Kelly O’Dwyer, Minister for Revenue and Financial Services could no longer attend as a guest. The Chair congratulated Roger Simnett on being awarded an Order of Australia.																		
1.A	<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>Warren Allen - XRB</td> </tr> <tr> <td>Roger Simnett - AUASB Chair</td> <td>Kate Phipps - Treasury</td> </tr> <tr> <td>Graeme Mitchell - XRB</td> <td>Richard Grant, Alyce Reid – FRC Secretariat</td> </tr> <tr> <td>Jackie Callaway</td> <td></td> </tr> <tr> <td>David Nicol - HoTARAC</td> <td><b>Apologies:</b></td> </tr> <tr> <td>Stein Helgeby - Department of Finance</td> <td>Judith Downes - Bank Australia</td> </tr> <tr> <td>Noelle Kelleher - Vision Super</td> <td>Kevin Lewis - ASX</td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge - Chair	John Price - ASIC	Kris Peach - AASB Chair	Warren Allen - XRB	Roger Simnett - AUASB Chair	Kate Phipps - Treasury	Graeme Mitchell - XRB	Richard Grant, Alyce Reid – FRC Secretariat	Jackie Callaway		David Nicol - HoTARAC	<b>Apologies:</b>	Stein Helgeby - Department of Finance	Judith Downes - Bank Australia	Noelle Kelleher - Vision Super	Kevin Lewis - ASX
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1.B	<b>DECLARATIONS OF INTEREST</b> Members noted their Declarations of Interest.																		
<b>2</b>	<b>MATTERS FOR APPROVAL</b>																		
2.A	<b>MINUTES OF THE PREVIOUS MEETING</b> Members noted the minutes from 6 June 2017 which had been approved out-of-session.																		
2.B	<b>MATTERS ARISING</b> All matters from the June meeting had been marked as complete.																		
<b>3</b>	<b>FRC ANNUAL REPORT 2016-17</b>																		
3.A	<b>FRC ANNUAL REPORT 2016-17</b> A draft FRC Annual Report 2016-17 was circulated to members on Monday 28 August 2017. Changes were suggested and a second draft with suggested changes marked up was distributed to members																		

	<p>on Monday 4 September 2017.</p> <p>The Chair acknowledged and thanked the Australian Accounting Standards Board (AASB), Auditing and Assurance Standards Board (AUASB), Institute of Public Accountants (IPA), Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia (CPA) and Australian Securities and Investments Commission (ASIC) for providing input to the report.</p> <p>Members discussed the Audit Quality section of the Report, particularly the wording for the 'FRC overall view'.</p> <p>The Chair agreed to reword the 'FRC overall view' paragraph of the Audit Quality section and convert ASIC's results into a table then recirculate the report to members for approval out-of-session.</p>
<b>4.</b>	<b>INVITED GUESTS</b>
4.A	<p><b>THE HON NICOLA ROXON, ACCOUNTING PROFESSIONAL &amp; ETHICAL STANDARDS BOARD (APESB)</b></p> <p>The Hon Nicola Roxon, Chair APESB, gave a brief overview on the APESB and discussed how it could collaborate with the FRC, AASB and AUASB in the future.</p>
<b>5.</b>	<b>OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING)</b>
5.A	<p><b>ACCOUNTING STANDARDS</b></p> <p>Kris Peach provided an update on the AASB's key achievements and priorities from June to September 2017 and received confirmation from the FRC on:</p> <ul style="list-style-type: none"> <li>• The AASB's For-Profit Entity Standard-Setting Framework and Not-for-Profit Entity Standard Framework being suitable for three month consultation on the AASB website; and</li> <li>• Appropriateness of the due process adopted by the AASB in finalising the new pronouncements issued.</li> </ul> <p>The FRC also noted the Feedback Statement on the 2017-19 AASB Agenda Consultation.</p>
5.B	<p><b>AUDITING STANDARDS</b></p> <p>Roger Simnett provided an update on the AUASB's key achievements and priorities from June to September 2017 including:</p> <ul style="list-style-type: none"> <li>• The AUASB finalised its suite of auditing standards and guidance to support the implementation of the new enhanced auditor reporting requirements;</li> <li>• The AUASB's submission to the IAASB on ISA 540 Auditing Accounting Estimates and Related Disclosures was completed on 1 August 2017;</li> <li>• The AUASB received submissions on an exposure draft on ASAE 3500 Performance Engagements and felt that overall the responses were positive;</li> <li>• In conjunction with the Corporate Plan, the AUASB identified a number of new strategic projects which aim to address current areas of auditing and assurance through leadership and emerging issues; and</li> <li>• ASIC presented a summary of its findings from its latest Audit Inspection Report to the July AUASB meeting.</li> </ul>
5.C	<p><b>JOINT AASB/AUASB DOCUMENTS</b></p> <p>The FRC noted the aligned AASB and AUASB Strategy 2017-21 and Corporate Plan for 2017-18 and a</p>

	<p>frequently asked questions document to support the Strategy.</p> <p>Kris Peach and Roger Simnett reported that feedback regarding the alignment of the AASB and AUASB had been positive and also that the new National Director had been appointed and would be commencing in November.</p> <p>The FRC also noted an updated document articulating how the AASB and AUASB fulfil their obligations, according to legislation, that are overseen by the FRC.</p>
5.D	<p><b>PUBLIC SECTOR ISSUES</b></p> <p>In March 2017 the FRC discussed a paper on public sector issues with respect to both accounting and auditing standards and audit quality. David Nicol, Stein Helgeby, Kris Peach and Roger Simnett agreed to form a working group to review the issues out-of-session and report back to the FRC.</p> <p>Stein Helgeby reported, on behalf of the working group, to an updated paper.</p> <p>The FRC agreed:</p> <ul style="list-style-type: none"> <li>• The AASB should keep the FRC informed of the status of the reporting entity concept as part of the Australian Financial Reporting Framework Project;</li> <li>• The AASB should inform the FRC when a reassessment of IPSAS adoption is made. This assessment will be made regularly, particularly if obvious changes in circumstances, and generally every 2-3 years;</li> <li>• The FRC would at a future meeting reconsider the direction on harmonisation of Government Financial Statistics (GFS) and Generally Accepted Accounting Principles (GAAP);</li> <li>• The FRC should add public sector issues explicitly into its oversight of audit quality; and</li> <li>• The AUASB should reconsider whether there is, and the extent of, divergence in interpretations of auditing standards in the public sector.</li> </ul> <p>The working group members would consider how best to progress the work on the harmonisation direction, including the need for, and potential scope of, a more general direction on public sector issues.</p>
6.	<p><b>NOMINATIONS COMMITTEE UPDATE</b></p>
6.A	<p><b>REPORT OF NOMINATIONS COMMITTEE</b></p> <p>Stein Helgeby provided an update on the activities of the Nominations Committee. In July 2017 the AASB and AUASB undertook a peer review of all board members. Results of the peer reviews were discussed at the Nominations Committee meeting on 1 August 2017 and the AASB/AUASB Chair results were sent to the FRC Chair. After considering the results of the peer reviews, along with both Boards skills matrix, the Nominations Committee identified the following vacancies from 1 January 2018:</p> <p><b>AASB:</b></p> <ul style="list-style-type: none"> <li>• 1 x large/mid-tier accounting firm representative;</li> <li>• 1 x public sector with auditing background;</li> <li>• 1 x investor; and</li> <li>• 1 x small accounting firm/local government experience.</li> </ul> <p><b>AUASB:</b></p> <ul style="list-style-type: none"> <li>• 1 x academic; and</li> </ul>

	<ul style="list-style-type: none"> <li>• 1 x public sector with audit background.</li> </ul> <p>Stein Helgeby noted that advertisements were placed on 17 August 2017, closed on 3 September 2017 and the Nominations Committee would meet again on 15 September 2017 to discuss the applications received.</p> <p>Bill Edge noted that due to a revision of the Nominations Committee Charter (approved at the FRC meeting on 6 June 2017) Judith Downes would no longer be a member of the Nominations Committee.</p>
<b>7.</b>	<b>OVERSIGHT OF AUDIT QUALITY</b>
<b>7.A</b>	<p><b>REVIEW PROGRAMS</b></p> <p>Bill Edge, on behalf of the working 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.</p> <p>Members agreed that the working group should meet with ASIC and the accounting bodies before the end of the year to discuss audit quality requirements for 2017-18.</p>
<b>8.</b>	<b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b>
<b>8.A</b>	<p><b>STAKEHOLDER REPORTS</b></p> <p>The FRC reviewed reports from 16 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>• Support for the AASB project on the Australian Financial Reporting Framework;</li> <li>• Continuing discussion around reporting of non-financial information, including Integrated Reporting;</li> <li>• Release of the 'Audit Committee Guide to Good Practice' (3rd Ed) by AICD, AUASB and IIA;</li> <li>• Legislative restrictions on NZ audit firms signing Australian audit opinions;</li> <li>• Challenges in the public sector complying with the AASB 124 'Related Party Disclosures'; and</li> <li>• Streamlining financial reports, including remuneration reporting.</li> </ul>
<b>8.B</b>	<p><b>REPORT BY XRB</b></p> <p>Graeme Mitchell provided an update on the work of the XRB from June to September 2017 including:</p> <ul style="list-style-type: none"> <li>• Work on the exposure draft on service performance reporting which would be released in September;</li> <li>• Release of a research survey on Alternative Performance Measures;</li> <li>• Continued work on a further research project 'User Needs of Tier 2 For-Profit entities'; and</li> <li>• Release of a publication for 'Assurance for Not-for-Profits – A Guide for Funding Organisations'.</li> </ul>
<b>9.</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
<b>9.A</b>	<p><b>INTERNATIONAL APPOINTMENTS</b></p> <p>Members discussed the status of international appointments.</p>

9.B	<p><b>INTERNATIONAL DEVELOPMENTS</b></p> <p>Members noted the following:</p> <ul style="list-style-type: none"> <li>• IFRS Foundation Perception Study;</li> <li>• Recommendations of the Financial Stability Board’s Task Force on Climate-related Financial Disclosures; and</li> <li>• The XRB survey ‘Alternative Performance Measures: Are they meeting user needs?’.</li> </ul>
<b>10.</b>	<b>OTHER BUSINESS</b>
10.A	<p><b>FRC PEER REVIEW</b></p> <p>Members approved the questions to be included in the FRC Peer Review which would be conducted in October 2017.</p>
10.B	<p><b>2018 MEETING DATES</b></p> <p>Bill Edge noted that it had been difficult to secure meeting dates for 2018 and that the FRC Secretariat would be in further contact to determine appropriate dates.</p>
<b>11.</b>	<b>NEXT MEETING AND CLOSE</b>
11.A	<p>The next FRC meeting would be held on Friday 10 November 2017 at the AASB/AUASB’s offices in Melbourne.</p>