



# MINUTES

**DATE:** Friday 10 November 2017

**TIME:** 10:00am – 4:00pm

**LOCATION:** TEQSA Board Room, Melbourne

ITEM	AGENDA ITEM																		
<b>1</b>	<b>INTRODUCTION</b>																		
	The Chair updated FRC members on staff changes relevant to the FRC at Treasury and advised members of the release of the 2016-17 FRC annual report.																		
<b>1.A</b>	<b>ATTENDEES AND APOLOGIES</b>																		
	<table><tr><td><b>Members in attendance:</b></td><td><b>Observers:</b></td></tr><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>Diane Brown, Stephen Powell - Treasury</td></tr><tr><td>Kevin Lewis - ASX</td><td>Leanne Thomas - FRC Secretariat</td></tr><tr><td>Jackie Callaway</td><td></td></tr><tr><td>Judith Downes - Bank Australia</td><td><b>Apologies:</b></td></tr><tr><td>Stein Helgeby - Department of Finance</td><td>David Nicol - HoTARAC</td></tr><tr><td>Noelle Kelleher - Vision Super</td><td>Graeme Mitchell - XRB</td></tr></table>	<b>Members in attendance:</b>	<b>Observers:</b>	Bill Edge - Chair	John Price - ASIC	Kris Peach - AASB Chair	Warren Allen - XRB	Roger Simnett - AUASB Chair	Diane Brown, Stephen Powell - Treasury	Kevin Lewis - ASX	Leanne Thomas - FRC Secretariat	Jackie Callaway		Judith Downes - Bank Australia	<b>Apologies:</b>	Stein Helgeby - Department of Finance	David Nicol - HoTARAC	Noelle Kelleher - Vision Super	Graeme Mitchell - XRB
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<b>1.B</b>	<b>DECLARATIONS OF INTEREST</b> Members noted their Declarations of Interest.																		
<b>2</b>	<b>MATTERS FOR APPROVAL</b>																		
<b>2.A</b>	<b>MINUTES OF THE PREVIOUS MEETING</b> Members noted the minutes from 8 September 2017 which had been approved out-of-session. It was agreed that an amendment would be made to the minutes to acknowledge the contribution of FRC members to the development of the annual report.																		
<b>2.B</b>	<b>MATTERS ARISING</b> Members noted the matters arising and the Chair requested matters arising that are of an ongoing nature be moved into a separate table.																		
<b>3</b>	<b>FRC ANNUAL REPORT 2016-17</b>																		
<b>3.A</b>	<b>FRC ANNUAL REPORT 2016-17</b>																		

	<p>The Chair thanked FRC members for their work on the annual report. Members noted that the process for developing the annual report worked well. Members also welcomed the development of the joint annual report by the AASB and AUASB.</p>
<b>4.</b>	<b>OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING)</b>
<b>4.A</b>	<p><b>ACCOUNTING STANDARDS</b></p> <p>Kris Peach provided an update on the AASB's key achievements and priorities from September to November including:</p> <ul style="list-style-type: none"> <li>the recruitment of key AASB staff during the period including the national director, research director and project managers;</li> <li>international developments relevant to ASAF and AOSSG; and</li> <li>the release of a research report and discussion paper dealing with the financial reporting framework for charities, and upcoming education sessions.</li> </ul> <p>In relation to the work on the financial reporting framework, it was noted that the charities work was just the first phase and that future phases would include the public sector and for-profit sectors. Kris Peach noted that the AASB would need to engage legislators and other relevant stakeholders as part of progressing this work. Members noted that it would be critical to get data to support the benefits of changes to the financial reporting framework to provide additional evidence of the need for change.</p> <p>FRC members were asked to encourage stakeholders to attend the upcoming education sessions dealing with the financial reporting framework for charities.</p>
<b>4.B</b>	<p><b>AUDITING STANDARDS</b></p> <p>Roger Simnett provided an update on the AUASB's key achievements and priorities from September to November including the upcoming AUASB Consultation Forums and sought feedback from the FRC on the AUASB's international influence strategy. FRC members discussed the role of national standard setters in influencing activities at the international level and the role of Australians on international bodies.</p>
<b>5.</b>	<b>NOMINATIONS COMMITTEE</b>
<b>5.A</b>	<p><b>REPORT OF THE NOMINATIONS COMMITTEE</b></p> <p>Stein Helgeby, Chair Nominations Committee, advised FRC members of the recommendations of the Nominations Committee in relation to appointments to the AASB and AUASB. The FRC members discussed these appointments and endorsed the recommendations of the Nominations Committee.</p>
<b>6.</b>	<b>OVERSIGHT OF AUDIT QUALITY</b>
<b>6.A</b>	<p><b>AUDIT QUALITY MEETINGS</b></p> <p>John Price provided an overview of ASIC's latest review of audit files which found that in 25% of key audit areas, auditors did not obtain reasonable assurance the financial report as a whole was free of material misstatement. The FRC discussed the possible causes of these findings noting that this was</p>

	<p>an issue that had been evident for a number of years and that similar results had been recorded in a number of other countries.</p> <p>FRC members agreed that any solution to this issue required a collaborative approach including regulators, standard setters, professional accounting bodies, and audit firms. In addition, solutions needed to take into consideration evidence from initiatives that had been trialled already. Based on this, the FRC agreed to the actions listed below.</p>
<b>7.</b>	<b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b>
7.A	<p><b>STAKEHOLDER REPORTS</b></p> <p>The FRC reviewed reports from 17 different stakeholders to ensure key issues and initiatives receive due consideration by the FRC.</p>
7.B	<p><b>REPORT BY XRB</b></p> <p>Warren Allen provided an update on the work of the XRB</p>
<b>8.</b>	<b>INVITED GUESTS</b>
8.A	<p><b>THE HON KELLY O'DWYER, MINISTER FOR REVENUE AND FINANCIAL SERVICES</b></p> <p>The Minister thanked FRC members for their work and welcomed the FRC's consultative approach to handling issues. The FRC discussed with the Minister a range of issues including audit quality, the financial reporting framework project and disclosure of non-financial information.</p>
<b>9.</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
9.A	<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 discussed the consultation paper <i>Strengthening the Government and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest</i> issued by The Monitoring Group. Members noted that the paper proposed significant reforms to the arrangements for setting auditing and ethical standards. Roger Simnett indicated that the AUASB would be considering the paper and was likely to provide a submission. Members agreed to consider further whether the FRC should provide an individual submission or a joint submission with the AUASB.</p> <p>The FRC Chair provided an update on the IFRS Foundation on behalf of Lynn Wood. It was noted that the priorities of the IFRS Foundation continued to be looking at better communication in financial reports and disclosure of non-financial information.</p>
<b>10.</b>	<b>OTHER BUSINESS</b>
10.A	<p><b>FRC PEER REVIEW</b></p> <p>Members discussed the results of the FRC peer review process. It was noted that the FRC Chair would meet with members over the coming weeks to discuss results individually.</p>

10.B	<p><b>REVIEW OF FRC REMUNERATION</b></p> <p>Members noted that Treasury was progressing work to have FRC remuneration determined by the Remuneration Tribunal.</p>
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10.C	<b>2018 MEETING DATES</b>  Members noted the FRC meeting dates for 2018. It was noted that the November 2018 meeting overlapped with the dates of the IFAC World Congress.
<b>11.</b>	<b>NEXT MEETING AND CLOSE</b>
11.A	The next meeting will be held on Tuesday, 20 March 2018 in Canberra.