



Financial Reporting Council Communiqué

The Financial Reporting Council (FRC) held a meeting on 27 February 2018 and below outlines the key matters considered:

Audit Quality

A significant amount of the meeting was spent discussing audit quality, prompted by the results of ASIC's reviews of audit files. ASIC attended the meeting and actively engaged in the discussion.

Subsequent to the meeting the FRC prepared an action plan (see Attachment A) to achieve the following specific objectives:

1. To engage with users of financial reports to better understand their views on audit quality.
2. To undertake appropriate actions on the learnings of the ASIC Inspection Program findings and to contribute to the continuous development of best practice programs to assess audit quality.
3. To engage with professional accounting bodies, firms providing audit services, and other stakeholders to support new initiatives that improve audit quality.

Monitoring Group Consultation Paper

The FRC debriefed on its [submission](#) to the Monitoring Group Consultation Paper in which the FRC made clear:

- The Public Interest Oversight Board's (the Board's) responsibility should be limited to strategic direction and oversight of the standard setting board.
- The Board should be comprised of member representation of a cross-section of stakeholders.
- The FRC continues to support the model of two separate boards to oversee auditing and assurance, and ethics, respectively.
- Further details on the visibility of alternative funding models needed to be provided.

Guest Presentations

Jan McCahey, Chair of the Global Public Policy Committee, provided an update on international developments, including issues surrounding the Monitoring Group Consultation Paper.

Regina Fikkers, Chair of the Australian Public Policy Committee (APPC), provided an update on the APPC's priorities, noting that it was also focused on audit quality.

Stakeholder Reports

The FRC reviewed reports from 13 stakeholders and matters of note included:

- The Monitoring Group Consultation Paper;
- The Australian Financial Reporting Framework project;
- The ACNC legislative review; and
- Audit quality.



International Appointments

The FRC noted the recent appointment of Lee White as Executive Director, IFRS Foundation.

Next Meeting

The next FRC meeting will be held on Friday 15 June 2018.



FRC AUDIT QUALITY ACTION PLAN

OVERARCHING OBJECTIVES

- To assist improvement in the outcomes of future ASIC Audit Inspection Programs of financial reports of public interest entities, particularly through a collaborative approach involving all stakeholders;
- To help improve audit quality in the for-profit private sector, the not-for-profit private sector and the public sector; and
- To enhance confidence in financial reports, in order to contribute to stakeholder confidence in the Australian economy, including its capital markets.

SPECIFIC OBJECTIVES

1 - To engage with users of financial reports to better understand their views on audit quality.

Actions:

- to conduct a survey of Audit Committee Chairs and members, to gather their views on audit quality and suggestions for improvement;
- to conduct a survey of the investor community to gather their views on audit quality and suggestions for improvement;
- to explore initiatives and tools that can assist audit committees to contribute to assessing and improving audit quality e.g. guidance to be used when engaging with auditors and the reporting by audit committees of their activities in the annual report; and
- to investigate existing definitions and metrics of audit quality in Australia and overseas.

2 - To undertake appropriate actions on the learnings of the ASIC Inspection Program findings and to contribute to the continuous development of best practice programs to assess audit quality.

Actions:

- to understand the implications of the findings of the ASIC Inspection Program, and to work with ASIC and the relevant parties, (for example, the AUASB where additional guidance may assist auditors to meet standards) to achieve further improvements; and
- to support a benchmarking to other international regulator and professional practice programs assessing audit quality.



3 - To engage with professional accounting bodies, firms providing audit services, and other stakeholders to support new initiatives that improve audit quality.

Actions:

- to support all relevant stakeholders with their initiatives into audit quality including any research on the impact of audit quality initiatives implemented in other countries;
- to continue to emphasise to the CEOs of the professional accounting bodies and firms providing audit services the need for timely and effective action; and
- to encourage greater collaboration and sharing of best practice between all relevant stakeholders to achieve improvements in audit quality e.g. sharing the results of root cause analysis of audit quality issues.