



# MINUTES

**DATE:** Friday 16 November 2018  
**TIME:** 10:00am – 4:00pm  
**LOCATION:** TEQSA Board Room,  
 Level 14, 530 Collins Street  
 Melbourne

ITEM	AGENDA ITEM																				
<b>1</b>	<b>INTRODUCTION</b>																				
	<p>The Chair noted that he met with the Assistant Treasurer, the Hon Stuart Robert, on 23 October 2018 at which he provided a letter to the Minister regarding the FRC’s work on audit quality.</p> <p>Members noted that the FRC Annual Report 2017-18 had been tabled in Parliament and was available on the FRC website.</p> <p>Members discussed the success of the World Congress of Accountants which had been held in Sydney from 5-8 November and how issues discussed at the Congress were relevant to the FRC.</p> <p>Members noted that the Government had released for public consultation exposure draft regulations and an explanatory statement containing proposals to reduce the financial reporting burden for some proprietary companies by increasing the thresholds for determining what constitutes a large proprietary company under the Corporations Act 2001. Consultation closes on 14 December 2018. Members also noted the importance of this consultation to the AASB’s consultation on introducing the new IASB Conceptual Framework in Australia and possible removal of special purpose financial statements for public lodgement.</p> <p>Members also noted that the ASIC inspection results for the 18 months to 30 June 2018 would be released in December.</p>																				
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 (teleconference)</td> </tr> <tr> <td>Kris Peach – AASB Chair</td> <td>Warren Allen – XRB</td> </tr> <tr> <td>Roger Simnett – AUASB Chair</td> <td>Kate O’Rourke, Melissa Lewandowski – Treasury</td> </tr> <tr> <td>Kevin Lewis</td> <td>Alyce Reid – FRC Secretariat</td> </tr> <tr> <td>Judith Downes</td> <td></td> </tr> <tr> <td>Stein Helgeby</td> <th>Guests:</th> </tr> <tr> <td>David Nicol</td> <td>Regina Fickers – APPC (videoconference)</td> </tr> <tr> <td>Graeme Mitchell</td> <td>Matthew Zapulla - AUASB</td> </tr> <tr> <td>Noelle Kelleher</td> <td></td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge – Chair	John Price – ASIC (teleconference)	Kris Peach – AASB Chair	Warren Allen – XRB	Roger Simnett – AUASB Chair	Kate O’Rourke, Melissa Lewandowski – Treasury	Kevin Lewis	Alyce Reid – FRC Secretariat	Judith Downes		Stein Helgeby	Guests:	David Nicol	Regina Fickers – APPC (videoconference)	Graeme Mitchell	Matthew Zapulla - AUASB	Noelle Kelleher	
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1.B	<p><b>DECLARATIONS OF INTEREST</b></p> <p>Members noted their Declarations of Interest.</p>
<b>2</b>	<p><b>MATTERS FOR APPROVAL</b></p>
2.A	<p><b>MINUTES OF THE PREVIOUS MEETING</b></p> <p>Members noted the minutes from the FRC meeting on 6 September 2018 which had been approved out-of-session.</p>
2.B	<p><b>MATTERS ARISING</b></p> <p>Ms Kate O'Rourke tabled preliminary legal advice from the Australian Government Solicitor to Treasury regarding the FRC and AASB mandates and their scope for considering extended external reporting. Members agreed to have an additional FRC meeting by teleconference in December 2018 to discuss the legal advice further.</p> <p>Ms O'Rourke also noted there was a privacy statement on the Audit Committee Chairs and Investor surveys which meant that individual responses should be exempt from Freedom of Information requests.</p> <p>The Chair noted that all other matters arising had been completed or were on the current agenda and that ongoing matters would be discussed during the public sector discussion.</p>
<b>3</b>	<p><b>OVERSIGHT OF AUSTRALIAN STANDARDS</b></p>
3.A	<p><b>ACCOUNTING STANDARDS</b></p> <p>Ms Kris Peach provided an update on the AASB's key priorities from September to November 2018 including:</p> <ul style="list-style-type: none"> <li>• A bi-lateral meeting with the Accounting Regulatory Division, Ministry of Finance, Beijing, China; and</li> <li>• Consultation on Phase 2 of ITC39 'Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems'.</li> </ul> <p>Ms Peach noted that while the AASB and NZASB were not reappointed to the Accounting Standards Advisory Forum, the AASB would continue to positively influence the International Accounting Standards Board (IASB) Standards by playing a leadership role in the Asian Oceanian Standard Setters Group and by maintaining close relationships with the IASB.</p> <p>The FRC noted the success of the joint appointment of the AASB and NZASB over the last three years.</p> <p>The Chair encouraged members to read the Chair reports from the AASB/AUASB Annual Report 2017-18.</p>
3.B	<p><b>AUDITING STANDARDS</b></p> <p>Professor Roger Simnett provided an update on the AUASB's key priorities from September to November 2018 including:</p> <ul style="list-style-type: none"> <li>• AUASB's submission on ISA 315 'Identifying and Assessing the Risks of Material Misstatement';</li> <li>• Finalisation of ASA 540 'Auditing Accounting Estimates and Related Disclosures';</li> </ul>

	<ul style="list-style-type: none"> <li>• The National Standards Setters Forum held at the World Congress of Accountants;</li> <li>• Stage 2 of AUASB's project on the use of technology and data analytics for audit; and</li> <li>• Preparation of the Audit Quality Investor Survey.</li> </ul>
<b>4.</b>	<b>NOMINATIONS COMMITTEE UPDATE</b>
4.A	<p>Mr Stein Helgeby provided an update on the AASB/AUASB recruitment processes for 2019 including the following recommendations for appointment/reappointment:</p> <p>AASB:</p> <ul style="list-style-type: none"> <li>• Reappoint Mr Peter Gibson, Assistant Secretary, Commonwealth Department of Finance;</li> <li>• Appoint Mr James Grant, Head of Statutory Reporting, Westpac; and</li> <li>• Appoint Mr Paul Rogers, Partner, KPMG.</li> </ul> <p>AUASB:</p> <ul style="list-style-type: none"> <li>• Reappoint Ms Jo Cain, Executive Director, Materiality Counts;</li> <li>• Appoint Mr Rodney Piltz, Partner, EY; and</li> <li>• Appoint Mr Klynton Hankin, Partner, PwC.</li> </ul> <p>The FRC approved all recommended appointments. All appointments will commence on 1 January 2019 for a period of three years.</p>
<b>5.</b>	<b>OVERSIGHT OF AUDIT QUALITY</b>
	<p>Ms Regina Fikkers, Chair, Australian Public Policy Committee (APPC) provided an update on audit quality projects being conducted by the APPC, including a review of accountability frameworks and root cause analysis frameworks across the firms.</p> <p>Members noted that the FRC/AUASB Audit Quality Investor Survey was open and responses were due by 3 December 2018.</p> <p>Mr John Price agreed to provide an update on ASIC's use of regulation technology at the next FRC meeting.</p>
<b>6.</b>	<b>CORPORATIONS AND FINANCIAL SERVICES</b>
6A.	<p>Members noted that the Parliamentary Joint Committee on Corporations and Financial Services report on the 2016-17 annual reports of bodies established under the ASIC Act provided a recommendation for the Government to review the adequacy of auditor disciplinary functions and that the Government agreed to the recommendation and has identified the FRC as the suitable body to lead the review.</p> <p>Members noted a letter from the Assistant Treasurer to the FRC which requested that the FRC conduct the review and that the review be completed within four months. Members discussed the process for conducting the review and the criteria for assessing the adequacy of disciplinary functions.</p> <p>Mr John Price noted that ASIC were also reviewing enforcement policies and procedures and members agreed that there would be crossover between the reviews.</p> <p>Members agreed to add further discussion of the Auditor Disciplinary Functions Review process to</p>

	the agenda for the additional FRC meeting in December 2018.
<b>7</b>	<b>PUBLIC SECTOR UPDATE</b>
<b>7.A</b>	<p><b>PUBLIC SECTOR AUDITING AND ASSURANCE ISSUES</b></p> <p>The Public Sector Working Group and Mr Matthew Zappulla, AUASB, provided an update on public sector auditing and assurance issues including:</p> <ul style="list-style-type: none"> <li>• AUASB’s approach to public sector matters;</li> <li>• Oversight of audit quality in the public sector;</li> <li>• Interpretations of auditing standards in the public sector; and</li> <li>• PGPA review recommendations affecting auditing and assurance.</li> </ul> <p>Members discussed the importance of maintaining close relationships with HoTARAC and ACAG, particularly when considering public sector issues.</p> <p>Members discussed the FRC’s mandate and agreed to clarify how public sector issues fit within its scope.</p>
<b>8</b>	<b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b>
<b>8.A</b>	<p><b>STAKEHOLDER REPORTS</b></p> <p>Members reviewed reports from ten stakeholders and matters of note included:</p> <ul style="list-style-type: none"> <li>• Submissions to AASB Consultation Paper ITC 39.</li> <li>• ACNC legislative review.</li> <li>• Remuneration reporting in both private and public sectors.</li> <li>• Proposed fourth edition of ASX ‘Corporate Governance Council’s Principles and Recommendations’.</li> <li>• IPA Deakin SME Research Centre second edition of the Australian Small Business White Paper.</li> </ul>
<b>8.B</b>	<p><b>REPORT BY XRB</b></p> <p>Mr Graeme Mitchell provided an update on the key matters of the XRB:</p> <ul style="list-style-type: none"> <li>• The XRB Annual Report was being tabled in parliament;</li> <li>• The XRB were continuing work on Extended External Reporting; and</li> <li>• Mr Graeme Mitchell’s term as XRB Chair expires on 28 February 2019.</li> </ul>
<b>9.</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
<b>9.A</b>	<p><b>INTERNATIONAL APPOINTMENTS</b></p> <p>Members noted the status of recent/upcoming appointments of Australian representatives on international boards.</p>
<b>9.B</b>	<p><b>IFRS FOUNDATION TRUSTEES</b></p> <p>The Chair provided an update on the IFRS Foundation Trustees noting that a report was being prepared on the EU consultation paper ‘Fitness check on the EU framework for public reporting by</p>

	companies’.
9.C	<p><b>IFRS ADVISORY COMMITTEE</b></p> <p>Members noted reports by the Chair of the IFRS Advisory Committee and by Ken Warren (member) from the IFRS Advisory Committee meeting on 4-5 September 2018.</p>
<b>10.</b>	<b>OTHER BUSINESS</b>
10.A	<p><b>AREAS OF FOCUS FOR 2019</b></p> <p>Members discussed and agreed to areas of focus for 2019 including:</p> <ul style="list-style-type: none"> <li>• Oversight of the Australian Financial Reporting Framework Project</li> <li>• Audit Quality Action Plan <ul style="list-style-type: none"> <li>– with particular focus on smaller/medium sized audit practices and audit clients</li> <li>– Auditor Disciplinary Functions Review</li> </ul> </li> <li>• Public sector issues <ul style="list-style-type: none"> <li>– including audit quality</li> </ul> </li> <li>• Monitoring Extended External Reporting <ul style="list-style-type: none"> <li>– including monitoring government and other regulation</li> </ul> </li> <li>• Oversight of superannuation entity financial reports and audits</li> </ul>
10.B	<p><b>WEBSITE STATISTICS</b></p> <p>Members noted the FRC website statistics from 16 May to 16 October 2018.</p>
10.C	<p><b>REMUNERATION TRIBUNAL</b></p> <p>Members noted that the Remuneration Tribunal had announced new sitting fees for FRC members which took effect from 22 October 2018.</p>
10.D	<p><b>2019 MEETING DATES</b></p> <p>Members noted the FRC meeting dates for 2019 acknowledging that there may be changes to FRC membership which may impact the dates.</p>
<b>10.</b>	<b>NEXT MEETING AND CLOSE</b>
	The next FRC meeting will be held on Thursday 28 February 2018 at the Treasury Offices in Melbourne.