

Performance of FRC's statutory functions

(This document reflects the FRC's functions as at September 2019)

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Functional requirement	Section	Point	How to be addressed
1. Introduction			
Purpose of document		1.1	The purpose of this document is to outline the manner in which the FRC will perform the statutory functions set out in sections 225, 225A, 235B, 235BA and 237 of the <i>Australian Securities and Investments Commission Act 2001</i> .
2. General functions			
To provide broad oversight of the processes for setting accounting and auditing standards in Australia.	s225 (1) (a) and (b)	2.1	<p>The FRC will oversee the accounting and auditing standard setting arrangements by:</p> <ul style="list-style-type: none"> (a) appointing the members (other than the Chairs) of the Australian Accounting Standards Board (AASB) and the Australian Auditing and Assurance Standards Board (AUASB); (b) giving advice or feedback to the AASB and AUASB on their priorities, business plans and procedures; (c) reviewing and advising the AASB and AUASB on their broad strategic direction ; and

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			(d) monitoring the effectiveness of the consultative arrangements of the AASB and AUASB.
To give the Minister reports and advice about the matters referred to in paragraphs 225(1)(a) and(b)	s225(1)(d)	2.2	The FRC will publish an annual report on the performance of its statutory functions.
		2.3	The FRC will provide reports to the Minister on the activities of the FRC. This will include briefings on key FRC plans and decisions.
		2.4	The FRC will provide other advice to the Minister on matters coming within the FRC's area of responsibility on an 'as required' basis.
To perform specific functions relating to accounting standards, auditing standards and audit quality.	s225 (1)(e)	2.5	These functions are covered in points 3.1 - 3.25 and 4.1 - 4.20.
To establish appropriate consultative mechanisms	s225(1)(f)	2.6	FRC members will receive advance copies of FRC meeting agenda papers. Where possible, these papers will be distributed by electronic means at least one week prior to the date of the meeting, thereby giving FRC members the opportunity to consult (subject to confidentiality requirements) with others.
		2.7	FRC meetings will generally include a standing item whereby the Council is updated on stakeholder issues. Stakeholder Reports will be received and discussed at FRC meetings.

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			An FRC Communique will be sent to all stakeholders after each FRC meeting. The FRC Chair may also meet with stakeholders and the results of these meetings will be discussed at FRC meetings.
		2.8	Meeting minutes will be approved out-of-session and be posted on the FRC website as soon as practicable after each meeting.
		2.9	In accordance with the FRC's Rules of Procedure, guests may be invited to FRC meetings to provide updates on topics relevant to the FRC's functions: for example, to provide updates on international developments including the work programs of relevant international bodies.
		2.10	Subject to the FRC's Rules of Procedure, only the Chair and Deputy Chair shall speak publicly on behalf of the FRC. The FRC Chair will have an active role in conveying key FRC decisions to the public.
To advance and promote the main objectives of Part 12 of the ASIC Act	s225(1)(g)	2.11	The FRC will seek to advance and promote the main objectives of Part 12 of the ASIC Act as part of its: responsibility for overseeing the processes for setting accounting and auditing standards; and performance of the accounting and auditing standards functions. As part of this process, the FRC will work with, and proactively support the work of, the AASB and AUASB in their statutory roles as independent standard setting bodies.
Any other functions that the Minister confers on the FRC by written notice to the FRC Chair.	s225(1)(h)	2.12	Any additional functions that are conferred on the FRC by the Minister will be performed by the FRC in accordance with the terms of the Minister's notice.

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3. Specific accounting and auditing standards functions			
Appointing the members of the AASB and AUASB (other than the Chairs)	s225(2)(a) s225(2A)(a)	3.1	The FRC Nominations Committee is responsible for recommending to the FRC appointments to the AASB and AUASB. In carrying out its functions, the Committee will have regard to the procedures contained in the Nomination Committee Charter .
		3.2	The Nominations Committee will periodically advertise seeking applications from persons interested in being considered for appointment to the AASB and AUASB. Prior to seeking applications, the Committee will consult the Chairs of the Boards on any specific issues – such as changes to the composition of the Boards – that may need to be addressed in the advertisements.
		3.3	At least annually, the Chairs of the AASB and AUASB will undertake, and report to the FRC Nominations Committee on performance reviews of AASB and AUASB members.
		3.4	The FRC will approve all appointments to the AASB and AUASB, other than the Chairs.
Giving the AASB and AUASB advice or feedback on their priorities, business plans and procedures.	s225(2)(b) s225(2A)(b)	3.5	The Chairs of the AASB and AUASB will consult the FRC about the Boards' priorities, business plans and procedures so that, where appropriate, the FRC can provide advice or feedback on these matters. The Chairs of the AASB and AUASB will report to the FRC at each FRC meeting about the activities of their respective Board, including updates on the progress of, and

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			other matters associated with or arising out of, their priorities, business plans and procedures.
		3.6	When the FRC provides formal advice or feedback to the Chair of either Board, it will be provided in writing and signed by the FRC Chair. Reference to such feedback or advice is also required to be included in the FRC's annual report (see paragraph 5.4 below).
Giving the Offices of the AASB and AUASB advice or feedback on their budgets and staffing arrangements.	s225(2)(ba) s225(2A)(ba)	3.7	The Chairs of the AASB and AUASB may consult the FRC about the Offices' budgets and staffing arrangements. The Chairs of the AASB and AUASB will report to the FRC on a regular basis about the activities of the Offices of the AASB and AUASB.
		3.8	When the FRC provides formal advice or feedback to the Chair of either Board, it will be provided in writing and signed by the FRC Chair. Reference to such feedback or advice is also required to be included in the FRC's annual report (see paragraph 5.4 below).
Determining the broad strategic directions of the AASB and AUASB	s225(2)(c) s225(2A)(c)	3.9	In addition to its oversight role, when necessary and/or appropriate, the FRC will issue broad strategic directions (i.e. directives) to the AASB and AUASB that formally endorse proposed courses of action or goals. When developing and issuing such directives, the FRC will follow the procedures contained in Process for the development and issuing of broad strategic directions by the FRC .
		3.10	Any directives issued to the AASB and AUASB by the FRC must be consistent with the legislation. If required, the FRC may assess whether the

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			<p>directions continue to be appropriate. Following an assessment by the FRC, the FRC Chair will advise its views in a letter from the FRC Chair to the Chair of the AASB or AUASB.</p>
<p>Monitoring the development of international accounting and auditing standards and the accounting and auditing standards that apply in major international financial centres; and</p> <p>Furthering the development of single sets of accounting and auditing standards for world-wide use with appropriate regard to international developments; and</p> <p>Promoting the continued adoption of international best practice accounting</p>	<p>s225(2)(e), (f) and (g)</p> <p>s225(2A)(e), (f) and (g)</p>	<p>3.11</p> <p>3.12</p> <p>3.13</p> <p>3.14</p> <p>3.15</p>	<p>The AASB's and AUASB's priorities and business plans will consider the broad strategic directions set by the FRC.</p> <p>The FRC will promote the development of the highest quality accounting and auditing standards. As part of this process, the FRC will encourage the AASB and AUASB to continue to contribute to the development internationally of single sets of accounting and auditing standards. The FRC Chair and members will, where appropriate, contribute to international forums intended to advance the concepts of single sets of international accounting and auditing standards.</p> <p>The FRC will encourage the AASB and other Australian entities to provide leadership in the development of a single set of international accounting standards in the private, public and not-for-profit sectors.</p> <p>The FRC will work with the XRB to promote IFRS in the Asia-Oceania region by promoting links with other relevant accounting standard and policy organisations. The FRC Chair will be a member of the XRB.</p> <p>The FRC will support the appointment of Australian representatives to international accounting and auditing standards setting bodies and their committees as a means of promoting Australia's interests in these forums as well as development of best practice standards.</p>

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and auditing standards in the Australian accounting and auditing standards setting processes if doing so would be in the best interests of both the private and public sectors in the Australian economy.			The Australian representatives on these bodies will be invited where appropriate, to provide reports to the FRC on the activities of the bodies.
		3.16	The FRC will consult key parties in regard to furthering the use of single sets of IFRS and auditing and assurance standards, promoting Australia's work in that regard, promoting best practice financial reporting in Australia and monitoring international financial reporting developments.
Monitoring: the operation of accounting and auditing standards to assess their continued relevance and effectiveness in achieving their objectives in respect both the private and public sectors of the Australian economy; and the effectiveness of the consultative arrangements used by the AASB and AUASB.	s225(2)(h)(i) and (ii) s225(2A)(h)(i) and (ii)	3.17	Ongoing reports will be received from the Chairs of the AASB and AUASB at each regular FRC meeting.
		3.18	The FRC will consider major issues and developments in financial reporting, both domestically and internationally, in order to assess their impact on the relevance and effectiveness of the existing accounting and auditing standards.
		3.19	The FRC will monitor the AASB's and AUASB's consultation and communication processes.

4. Specific audit quality advice functions

<p>Giving strategic policy advice and reports to the Minister and professional accounting bodies, in relation to the quality of audits conducted by Australian auditors.</p>	<p>s225(2B) and (2C)</p>	<p>4.1</p>	<p>The FRC should give strategic policy advice and reports regarding the quality of audits. To help inform this advice the FRC Chair and/or members will engage in periodic meetings with relevant stakeholders and/or seek high-level information, regarding but not limited to:</p> <ul style="list-style-type: none"> • the systems and processes to comply with the relevant provisions of the Act, auditing standards, and applicable codes of professional conduct; • the systems and processes used by professional accounting bodies for audit quality assurance reviews; • the response by auditors, and by professional accounting bodies, to assurance reviews; • the investigation and disciplinary procedures of professional accounting bodies; • the adequacy of the relevant provisions of the Act, auditing standards, and applicable codes of professional conduct in light of international developments in relation to audit quality; and • the teaching of ethics related to audit quality.
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5. Annual reports

<p>As soon as practicable after 30 June in each year, and in any event before 31 October, the FRC must give the Minister a report on:</p>	<p>s235B(1)(a) and (b)</p>	<p>5.1</p>	<p>The FRC will ensure that its annual report contains a comprehensive overview of the main operations and achievements of the FRC with regard to the applicable financial year.</p>
		<p>5.2</p>	<p>The FRC will seek to approve its annual report at its annual September meeting.</p>

<p>(a) the operations of: the FRC and its committees and advisory groups.</p> <p>(b) the achievement of the objects set out in section 224;</p> <p>during the year that ended on 30 June in that year.</p>		5.3	<p>The FRC will provide the Minister with the report it is obliged to produce under this section as soon as practicable after 30 June each year and in any event before 31 October.</p>
<p>The report must include details of any advice or feedback that the FRC gave under paragraph 225(2)(b) or (ba) or (2A)(b) or (ba) during the year that ended on that 30 June.</p>	s235B(2)	5.4	<p>The FRC will ensure that its annual report includes information about any advice or feedback given to the AASB and AUASB about their priorities, business plans and procedures (see paragraphs 3.5 and 3.6 above) or the Offices of the AASB and AUASB about their budgets and staffing arrangements (see paragraphs 3.7 and 3.8 above).</p>
<p>6. Confidentiality</p>			
<p>The FRC, the AASB, the Office of the AASB, the AUASB and the Office of the AUASB must take all reasonable measures to protect from unauthorised use or disclosure</p>	s237	6.1	<p>The FRC will comply with the confidentiality requirements in its Rules of Procedure, posted on the FRC website, which state that 'The Council must take all reasonable measures to protect from unauthorised use or disclosure information given to it in confidence, in accordance with section 237 of the <i>Australian Securities and Investments Commission Act 2001</i>'. In addition, the FRC Secretariat will be bound by the Commonwealth Department of Treasury security guidelines, and will evoke security classifications for all sensitive material.</p>

information given to it in confidence.			
7. Conflicts of interest			
The FRC Chair and its members must take all reasonable measures to avoid, disclose and manage conflicts of interest.		7.1	The FRC will follow the procedures contained in FRC Rules of Procedures .