



Financial Reporting Council Communiqué

The Financial Reporting Council (FRC) held a meeting on 22 May 2019 and the key matters considered are outlined below:

Audit Quality

The FRC discussed:

- The [FRC Statement on Audit Quality](#) issued 5 April 2019.
- The survey [Audit Quality in Australia: The Perspectives of Professional Investors](#) issued in April 2019.

Review of the Adequacy of Auditor Disciplinary Functions

The FRC discussed:

- The [Auditor Disciplinary Processes: Review](#) submitted to the Assistant Treasurer on 7 March 2019.
- [The Government Response](#) published on the Treasury website.
- [A Media Release from the Assistant Treasurer](#).

Financial Reporting

The AASB Chair reported on the status of AASB ITC 39 'Applying the IASB's Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems'. Two exposure drafts are expected to be issued by October 2019, which will propose removing the ability to prepare Special Purpose Financial Statements from for-profit entities lodging publicly available financial statements.

One of the exposure drafts will propose replacing the existing Reduced Disclosure Regime (RDR) with new Tier 2 general purpose reporting that has full IFRS recognition and measurement with disclosures based on the IFRS for SMEs Standard, which is expected to reduce the disclosure requirements.

Auditing and Assurance

The AUASB Chair reported on research carried out on the Not-for-Profit Sector which provided insights on errors in large charities' audit reports and the frequency and types of modifications being made to large charities' audit reports. The AUASB has prepared an action plan to assist in the short term and the long term.

International Developments

The FRC continues to monitor international developments, particularly those in the United Kingdom such as the reports by the UK Competition and Markets Authority (CMA) and the Department for Business, Energy and Industrial Strategy (BEIS).

The FRC will also follow the outcome of the Independent Review of the Financial Reporting Council (UK) conducted by Sir John Kingman and the progress of the Independent Review on the Quality and Effectiveness of Audit being conducted by Sir Donald Brydon.

The FRC is also awaiting the second Monitoring Group Consultation Paper on reforming the International Standard Setting Activities which primarily impact the IAASB and the IESBA.

Stakeholder Reports

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

- CA ANZ (in conjunction with ACCA) released in May 2019 a survey [What the public wants from audit](#).
- FMA (in conjunction with Buzz Channel) released in May 2019 a survey [Perceptions of Audit Quality in New Zealand](#).
- Proposed changes to the audit and financial reporting requirements of the Queensland Building and Construction Commission.
- The launch on 13 March 2019 of the Transparency Portal, a website where the public and the Parliament can readily find information about the public sector and which will include annual reports in the future.

Next Meeting

The next FRC meeting will be held on Tuesday 3 September 2019.
