



Australian Government
Financial Reporting Council

FINANCIAL REPORTING COUNCIL

ANNUAL REPORT

2018-19



FINANCIAL REPORTING COUNCIL

▲ ANNUAL REPORT

▲ 2018-19

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Financial Reporting Council

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20 September 2019

The Hon Michael Sukkar MP
Minister for Housing
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister

I have pleasure in presenting the annual report of the Financial Reporting Council (FRC) for the year ended 30 June 2019.

The report has been prepared in accordance with section 235B of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) for tabling in the Parliament. Subsection 235B(1) of the ASIC Act requires the FRC to prepare a report on its operations during the year, and on the achievement of the objects of Part 12 of the ASIC Act relating to accounting and auditing standards.

As required by subsection 235B(2), the report includes details of advice the FRC provided to the Australian Accounting Standards Board and Auditing and Assurance Standards Board over the year. Subsection 225(2B) of the ASIC Act further requires the FRC to provide strategic policy advice and report on the quality of audits conducted by Australian auditors.

Subsection 235B(4) of the ASIC Act requires the report to be tabled in each House of the Parliament as soon as practicable.

Yours sincerely

A handwritten signature in black ink, appearing to read 'B. L. Edge'.

Bill Edge
Chair

FRC members and observers



Left to Right: Anita Cuming (Treasury), Greg Yanco (ASIC), Lawrie Tremaine, Stein Helgeby, Charles Brukner (Treasury), Professor Roger Simnett AO (Chair AUASB), Bill Edge (Chair FRC), Suzanne Bell, David Nicol, Kevin Lewis, Kris Peach (Chair AASB), Kate O'Rourke (Treasury), Warren Allen (XRB), Nicola Connell (Treasury)

Absent: Graeme Mitchell (Chair NZ XRB)

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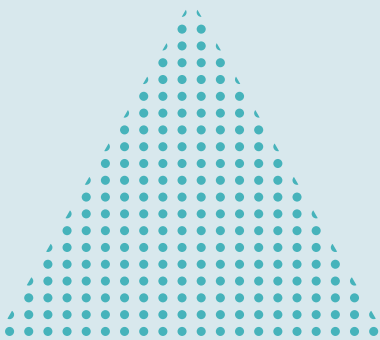
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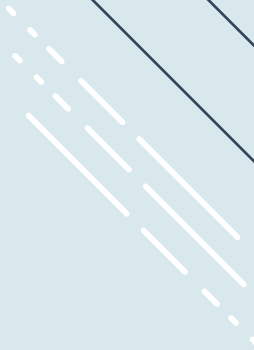
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A snapshot of key and ongoing initiatives

Inquiry into Regulation of Auditing

On 1 August 2019 the Senate referred the following matters to the Parliamentary Joint Committee on Corporations and Financial Services (PJC) for inquiry and report by 1 March 2020.

“Regulation of auditing in Australia with particular reference to:

1. the relationship between auditing and consulting services and potential conflicts of interests;
2. other potential conflicts of interests;
3. the level and effectiveness of competition in audit and related consulting services;
4. audit quality, including valuations of intangible assets;
5. matters arising from Australian and international reviews of auditing;
6. changes in the role of audit and the scope of audit products;
7. the role and effectiveness of audit in detecting and reporting fraud and misconduct;
8. the effectiveness and appropriateness of legislation, regulation and licensing;
9. the extent of regulatory relief provided by the Australian Securities and Investments Commission through instruments and waivers;
10. the adequacy and performance of regulatory, standards, disciplinary and other bodies;

11. the effectiveness of enforcement by regulators; and

12. any related matter.”

The FRC will make a submission to the PJC and looks forward to any recommendations the PJC might make in its report that require action to be taken by the FRC.

Review of Adequacy of Auditor Disciplinary Functions

In November 2018 the Government requested that the FRC conduct an assessment of auditor disciplinary functions in Australia. This was in response to the PJC *Report on the 2016-17 annual reports of bodies established under the ASIC Act*. The report recommended that the Government review the adequacy of auditor disciplinary functions.

The FRC’s Review was conducted over a period of four months, using evidence provided by the Australian Securities and Investments Commission (ASIC), the Companies Auditors Disciplinary Board (CADB), Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia and the Institute of Public Accountants (IPA).

The FRC’s report *Auditor Disciplinary Processes: Review* was presented to the Government in March 2019. It included 18 recommendations relating to:

- ASIC detection, investigation and enforcement processes, including that ASIC outline how their ‘why not litigate’ enforcement strategy will apply to misconduct by Registered Company Auditors (RCAs);

- CADB processes, including adopting a less formal and more timely approach to the carriage of CADB matters;
- ASIC's Audit Inspection Program, including publishing the results of audit inspections in greater detail, in particular naming firms, and for ASIC to be given the power to compel remediation of defective audits; and
- professional accounting bodies processes, including formalising processes for advising each other and the FRC of their disciplinary proceedings.

In its response the Government agreed or supported all but one of the recommendations.

The Australian Financial Reporting Framework Project

The FRC continues to support the Australian Financial Reporting Framework Project being progressed by the AASB with support from the AUASB. The project involves collaborating with other regulators to develop objective criteria on:

- who prepares financial reports;
- what needs to be reported; and
- the nature and extent of assurance required on financial reports.

The project is aimed at improving the comparability, transparency, consistency and enforceability of financial statements prepared in accordance with Australian Accounting Standards (AAS).

After hearing concerns from not-for-profit entities and considering the *Australian Charities and Not-for-profits Commission (ACNC) Legislative Review* report, the AASB decided it would be more appropriate to address reform for the not-for-profit private sector and public sector via separate targeted consultations.

As a result of ITC 39 *Applying the International Accounting Standards Board's (IASB's) Revised Conceptual Framework and Solving the*

Reporting Entity and Special Purpose Financial Statement Problems submissions, user surveys, extensive outreach and AASB commissioned research, the AASB is progressing with proposals to:

- remove the ability for certain for-profit private sector entities to self-assess their financial reporting requirements when required to publicly lodge financial statements;
- replace the existing Tier 2 general purpose financial reporting requirements (Reduced Disclosure Requirements) to reduce the disclosure burden for all Tier 2 entities, including not-for-profit entities; and
- require entities continuing to prepare Special Purpose Financial Statements (SPFS) to make an explicit statement as to whether or not the accounting policies comply with all the recognition and measurement requirements in AAS.

Important also is the recent change to the financial thresholds that determine when a private company is considered 'large' for reporting purposes. The size thresholds were doubled by the Government in April 2019, effective for financial years beginning on or after 1 July 2019.

Underlying this project is AASB Research Report No 7 *Financial Reporting Requirements Applicable to For Profit Private Sector Companies* issued in May 2018.

The AUASB continues to support the AASB, and evaluate whether the auditing and assurance standards are fit for purpose for reporting framework proposals, and that the related nature and extent of assurance required on financial reports is clearly communicated and appropriate.

Audit quality

Given the importance of Australian audit quality in maintaining confidence in Australian capital markets, the FRC considers the results of the ASIC Audit Inspection Programs in 2015, 2016 and 2018, summarised on page 15 below, indicate further work and, in some cases, new or revised strategies are needed to improve audit quality.

This issue is discussed at length in Section 3 of this report.

The FRC has, with the assistance of the AUASB, been implementing its FRC Audit Quality Action Plan, and two significant outputs have been a Survey of Audit Committee Chairs and a Survey of Professional Investors.

The FRC continues to view collective action by all stakeholders in the financial reporting system as key to improving audit quality.

The FRC supports ASIC working on a response to the recommendation of the PJC that ASIC devise and conduct, alongside or within the current ASIC Audit Inspection Program, a study which will generate results which are comparable over time to reflect changes in audit quality. This is particularly important as there is no clear measure of ‘audit quality’ although there are many audit quality indicators.

Public sector reporting and auditing

The FRC continues to monitor financial reporting and auditing issues relevant to the public sector.

Important papers in this area are:

- AASB Research Report No 6: *Financial Reporting Requirements Applicable to Australian Public Sector Entities* issued in May 2018;
- AASB Discussion Paper: *Improving Financial Reporting for Australian Public Sector* issued in June 2018; and
- ITC 41 *The AASB’s Approach to International Public Sector Accounting Standards* issued in August 2018.

The FRC continues to oversee the AASB’s approach to International Public Sector Accounting Standards.

Extended external reporting

Many entities continue to provide, and investors and other stakeholders are continuing to ask for, more than financial reports, including information on an entity’s strategy, governance and business model, key resources and relationships, and social and environmental issues (known more broadly as ‘external reporting’).

In June 2018, the FRC issued an *FRC Position Statement on External Reporting* which states that the FRC supports voluntary adoption of external reporting and will continue to monitor developments.

The AASB and the AUASB see Extended External Reporting (EER) as a key strategic objective, acknowledging the role both reporting and assurance can play in enhancing credibility and trust, and recognising that the information needs of report users are at the forefront of this thinking.

In December 2018, the AASB and AUASB released a joint bulletin on the impact of climate-related and other emerging risk disclosures. The bulletin notes that entities can no longer treat climate-related risks only as a corporate social responsibility issue as, in certain circumstances, they will also need to include them in their financial statements.

During 2019 the IASB commenced work on revising the International Practice Statement *Management Commentary* which provides a broad, non-binding framework for the presentation of management commentary that is integral to financial statements. This project will require reconsideration of the existing Australian Operating and Financial Review requirements and will be a key element in improving external reporting.

Also the International Auditing and Assurance Standards Board (IAASB) has formed an EER Advisory Group which includes a representative from the AUASB. In February 2019, the IAASB issued a consultation paper *Extended External Reporting (EER) Assurance*, which includes the first part of draft guidance for practitioners applying ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* to EER assurance engagements. The AUASB supported the development of this consultation paper.

Stakeholder engagement

The FRC considers it essential that regular contact be maintained and communication strengthened with all stakeholders interested in or affected by financial reporting.

We thank those stakeholders who communicate with us, particularly:

- Association of Superannuation Funds of Australia (ASFA);
- Australian Charities and Not-for-profits Commission (ACNC);
- Australian Council of Superannuation Investors (ACSI);
- Australian Institute of Company Directors (AICD);
- Australian Institute of Superannuation Trustees (AIST);
- Australian Public Policy Committee (APPC);
- Australian Prudential Regulation Authority (APRA);
- Australian Securities and Investments Commission (ASIC);
- Australian Securities Exchange (ASX);
- Australian Shareholders' Association (ASA);
- Business Council of Australia (BCA);
- Chartered Accountants Australia and New Zealand (CA ANZ);

- CPA Australia;
- Commonwealth Department of Finance;
- Corporate Reporting User Forum (CRUF);
- External Reporting Board of New Zealand (XRB);
- Financial Services Council (FSC);
- Governance Institute of Australia (GIA);
- Group of 100 (G100);
- Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC)
- Institute of Internal Auditors-Australia (IIA);
- Institute of Public Accountants (IPA); and
- The Commonwealth Treasury.

The number of organisations listed above indicates the broad range of stakeholders affected by the financial reporting system.

Resolving variations in Australian legislation

In 2015, CA ANZ commissioned research from the University of Adelaide designed to identify when an RCA designation was required for non-Corporation Act audits. The research also identified broader issues in relation to the requirements put on smaller businesses in Australia for accounts and audits. Specifically these are:

- confusion over the prescribed qualifications of the person who provides audit or assurance services;
- confusion about the scope of work and/or inappropriate scope of work; and
- confusion and inappropriate definitions of the information being audited.

In total, 844 Commonwealth and State Acts were examined by the research.

Accordingly, in June 2018 a joint letter of support was signed by the FRC, ASIC, the AUASB

and the three accounting bodies to researchers from the University of Adelaide to explore, report, provide recommendations and initiate change on these complex legislation requirements.

This is a significant project which will span many years and accordingly is ongoing.

Monitoring Group consultation

The Monitoring Group, which is responsible for the overall governance process for the development of international standards for audit, assurance, ethics and education, issued in November 2017 a Consultation Paper *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest*.

In this consultation paper the Monitoring Group proposed reforms to the IAASB and the International Ethics Standards Board for Accountants (IESBA) in particular.

The FRC responded to this consultation paper welcoming the development of a public interest framework, encouraging a principles based approach to reforms, supporting members of the IAASB being a cross-section of stakeholders, supporting two separate boards to oversee auditing and assurance, and ethics, respectively, and noting that further details on the viability of alternative funding models needed to be provided.

The consultation process continues and the FRC and the AUASB continue to monitor and contribute to this process.

International developments

The FRC continues to monitor International developments, particularly in the United Kingdom (UK), such as the reports by the UK Competition and Markets Authority (CMA) and the Department for Business, Energy and Industrial Strategy (BEIS) which propose significant reforms to the accounting profession in the UK.

The FRC will also look closely at the outcome of the Independent Review of the Financial Reporting Council (UK) conducted by Sir John Kingman that recommended that the FRC (UK) be replaced with an independent statutory regulator, which would be called the Audit, Reporting and Governance Authority. The UK government announced in December 2018 that it would take forward the recommendations set out in the review, which included a new organisation with new leadership, new mission, new powers and new funding.

Finally, an *Independent Review of the Quality and Effectiveness of Audit*, being conducted in the UK by Sir Donald Brydon, invited views, information and evidence on the purpose of audit and for whom it should be carried out, and whether its scope and purpose should be widened and strengthened to meet changing expectations of audit and a range of other matters.

The FRC continues to monitor all of these and other international developments to consider their relevance, if any, for Australia.

Objectives of the FRC

1

The financial reporting system

Part 12 of the ASIC Act establishes Australia's financial reporting system.

As outlined in section 224 of the ASIC Act, the objectives of the financial reporting system include:

- developing accounting standards that require the provision of information that is relevant, reliable, easy to understand, allows users to make and evaluate financial decisions, and assists directors to fulfil their statutory financial reporting obligations;
- developing auditing and assurance standards that provide Australian auditors with relevant and comprehensive guidance in determining whether financial reports comply with statutory requirements, and require auditors' reports to be reliable and readily understood by users;
- facilitating the Australian economy; and
- maintaining investor confidence in the Australian economy.

The FRC is the peak body responsible for overseeing the effectiveness of the financial reporting system in Australia.

The FRC notes that, under Part 12 of the ASIC Act, the core objectives for the financial reporting system in Australia are to facilitate the Australian economy by:

- reducing the cost of capital;
- enabling Australian entities to compete effectively overseas; and
- having accounting and auditing standards that are clearly stated and easy to understand.

Functions of the FRC

The FRC is the peak body responsible for overseeing the effectiveness of the financial reporting system in Australia.

The FRC functions include providing broad oversight of the accounting and auditing standard setting processes for private and public sectors, giving the Minister reports and advice about such matters, and establishing appropriate consultative mechanisms.

Specifically, the FRC functions include giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors.

Oversight of Australian standard setting

2

FRC's role

The FRC's role, as set out in the ASIC Act, includes:

- determining the broad strategic direction of the AASB and AUASB;
- appointing members of the AASB and AUASB (other than the Chairs);
- monitoring the operation of accounting and auditing standards and the effectiveness of consultative arrangements of the AASB and AUASB;
- giving advice or feedback to the Boards and their offices on priorities, business plans and procedures, budget and staffing arrangements; and
- monitoring the development of international standards.

The FRC works to promote the development of a single set of both accounting and auditing standards for world-wide use and promotes the continued adoption of international best practice standards in the Australian standard setting processes.

The ASIC Act expressly limits the FRC's ability to direct the AASB or AUASB in relation to the development, or making, of a particular standard. The FRC does not have the power to veto a standard made, formulated or recommended by the AASB or AUASB.


The FRC...promotes the continued adoption of international best practice standards in the Australian standard setting processes.

Determining strategic direction

Since its establishment, the FRC has made three determinations concerning the broad strategic direction of the AASB and AUASB:

- to require the AASB to work towards the adoption of accounting standards that are the same as those issued by the IASB (Direction approved 5 September 2002);
- to require the AASB to pursue the harmonisation of Government Financial Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting (Direction approved 12 December 2002); and
- to require the AUASB to use auditing standards issued by the IAASB as a base from which to develop the Australian standards, to develop auditing and assurance standards other than for historical financial information, and to participate in audit research that is conducive to the AUASB's standard-setting activities (Direction approved 4 April 2005).

Each of these directions is still current and the FRC continues to monitor their appropriateness.



The FRC is satisfied that the AASB and the AUASB (the Boards) have implemented these directions to the extent practicable.

In 2017, the AASB reported on its review of International Financial Reporting Standards (IFRS) adoption in Australia. The AASB maintains IFRS compliance for for-profit entities with public accountability (e.g. listed companies, banks, insurers) and uses IFRS as a base for all other entities. Whilst the review indicated that further modifications to IFRS should be considered for specific issues in the not-for-profit sector, using IFRS as a base continues to be appropriate.

Monitoring the operation of accounting and auditing standards

The FRC monitors the operation of Australian accounting and auditing standards to assess their continued relevance and effectiveness in achieving their objectives in respect of both the private and public sectors in the Australian economy. Based on the reports of the Chairs of the AASB and AUASB and the FRC members' knowledge of how the standard setting processes and standards themselves operate in practice, the FRC is satisfied:

- the AASB and AUASB have incorporated IFRS and International Standards on Auditing (ISA) within reasonable timeframes in accordance with the Strategic Directions;
- the AASB and AUASB have adequate post implementation review processes to assess the effectiveness of new standards and guidance, and that regular agenda consultation processes identify existing accounting and auditing standards where further guidance is necessary; and

The FRC monitors the operation of Australian accounting and auditing standards to assess their continued relevance and effectiveness in achieving their objectives.

- the AASB and AUASB consult appropriately before issuing new standards or guidance and that such mechanisms appropriately include roundtables, targeted outreach, education sessions, webinars, podcasts, LinkedIn and Twitter.

Giving advice or feedback to the Boards and their offices

The Chairs of the AASB and AUASB provided written and oral reports on the activities of the AASB and AUASB to each FRC meeting in 2018-19 which included progress on:

- the aligned AASB and AUASB Strategy for 2017-21; and
- the aligned AASB and AUASB Corporate Plan for 2018-19.

Jointly the AASB and AUASB prepared a Bulletin *Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2*.

Other specific matters or documents considered by the FRC during 2018-19 included:

AASB

- Deferral of the effective date of AASB 1059 *Service Concession Arrangements: Grantors* by one year to help implementation efforts;

- AASB submission to the European Commission's consultation: *Fitness check on the EU framework for public reporting by companies* providing evidence on benefits of adopting IFRS Standards unamended for listed companies;
- AASB Research Report 9 *Perspectives on IAS 36: A Case for Standard Setting Activity: Summary of Outreach Results* presented to Accounting Standards Advisory Forum (ASAF) and International Forum of Accounting Standard Setters (IFASS) members to influence IASB's work on Goodwill and Impairment; and
- AASB Research Report 10 *Legislative and Regulatory Financial Reporting Requirements* identifying the different categories of financial reporting requirements of for-profit and not-for-profit private and public sector entities under legislation.
- Issue of an exposure draft in relation to a revision of ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.
- Establishment of a Project Advisory Group to develop guidance specifically targeted to address the needs of public sector auditors.
- Completion of the first stage of a project on the use of technology in the audit.

Monitoring the development of international standards

In accordance with the ASIC Act, the FRC's functions include furthering the development of a single set of accounting standards, and a single set of auditing standards for world-wide use.

The international accounting standards with the most widespread adoption are the IFRS Standards issued by the IASB. These have been adopted in over 100 countries.

The FRC notes that the AASB monitors the work of the International Public Sector Accounting Standards Board (IPSASB) and where appropriate, utilises their guidance to modify IFRS for the not-for-profit sector. The FRC and the AASB reassess regularly whether the use of IFRS rather IPSASB as a base for the Australian public sector continues to be appropriate. The AASB issued ITC 41 *The AASB's Approach to International Public Sector Accounting Standards* in August 2018 to consult with public sector stakeholders on

The FRC's functions include furthering the development of a single set of accounting standards, and a single set of auditing standards for world-wide use.

AUASB

- Issue of revised versions of ASA 540 *Auditing Accounting Estimates and Related Disclosures* and the *AUASB Glossary*.
- Issue of exposure drafts in relation to the following proposed IAASB Standards:
 - ISA 315 *Identifying and Assessing Risks of Material Misstatement*;
 - The Quality Management Standards comprising ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2 *Engagement Quality Reviews* and ISA 220 *Quality Management at the Engagement Level*; and
 - ISRS 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.



the appropriate criteria that need to be met for the AASB to adopt International Public Sector Accounting Standards (IPSAS).

The international auditing standards with the most widespread adoption are those issued by the IAASB. These have been adopted in over 120 countries.

Both IAASB and AUASB auditing standards are designed to be sector neutral and apply equally to private and public sector audits, with application guidance specific to the audits of public sector entities included where appropriate in AUASB audit standards.

Additionally, the AASB and AUASB regularly report to the FRC their activities to build and enhance key relationships with both global and national standard setters designed to monitor and influence international developments.

International appointments

AUASB Chair, Professor Roger Simnett AO was appointed as an IAASB member for a three year term commencing on 1 January 2019. Roger was also appointed as Chair of the IAASB's Working Group investigating issues relating to Audits of Less Complex Entities, and a member of the Agreed-Upon Procedures Task Force.

AASB Chair, Kris Peach was appointed during the year to the IASB's Management Commentary Consultative Group.

AUASB member, Jo Cain was appointed during the year as a member of the IAASB's EER Project Advisory Panel.

Australia and New Zealand continue to work closely together to facilitate harmonisation of Trans-Tasman standard setting.

Regional relationships

Australia and New Zealand continue to work closely together to facilitate harmonisation of Trans-Tasman standard setting.

In New Zealand the External Reporting Board's (XRB) structure contains three entities: the Board of the XRB and two standard setting boards – the New Zealand Accounting Standards Board (NZASB) and the New Zealand Auditing and Assurance Standards Board (NZAuASB). The FRC Chair is a member of the XRB and the XRB Chair is a member of the FRC as part of the arrangement for cross-appointments between Australia and New Zealand. The Chairs of the AASB/AUASB and the NZASB/NZAuASB are also each a member of their counterpart board.

The AASB continues to work closely with the Asian Oceania Standards Setters Group (AOSSG), and as chair of the Financial Instruments Working Group maintains a presence at the IASB's Accounting Standards Advisory Forum. The AASB conducted its first visit to the Chinese Ministry of Finance and hosted the Accounting Standards Board of Japan during the year.

The AUASB and NZAuASB continue to work closely together on international and common projects, with the technical staff from both boards holding a combined planning day in February 2019. Additionally, the AUASB and NZAuASB are leading members of the IAASB's National Standards Setters Group where they work closely with the IAASB, as well as working with prominent auditing and assurance standard setters from the world's largest economies on common interests.

Audit Quality

3

Background

Australia has comprehensive legislative and professional requirements concerning audit with the main legislative requirements set out in the *Corporations Act 2001* (Corporations Act). ASIC is the key regulator under the Corporations Act and has responsibility for the surveillance, investigation and enforcement of the financial reporting requirements of the Corporations Act, including the regulation of audit requirements.

The Corporations Act gives legal effect to the auditing standards developed by the AUASB. The auditing standards require that auditors adhere to the relevant ethical standards issued by the Accounting Professional and Ethical Standards Board (APESB). The professional accounting bodies (CA ANZ, CPA Australia and the IPA) also enforce professional standards.

FRC's role

Under the ASIC Act, the FRC's functions include giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors.

This advice may include matters relating to the provisions of the Corporations Act, auditing standards or codes of conduct and matters relating to the quality assurance reviews carried out by the professional accounting bodies.

The FRC agrees with ASIC that the Audit Inspection Program results suggest that further work, and in some cases, new or revised strategies, are still needed to improve audit quality.

FRC Audit Quality Action Plan

In February 2018 the FRC developed an Audit Quality Action Plan:

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

This action plan is an ongoing process that relies on and involves many stakeholders, particularly ASIC, the accounting firms and the professional accounting bodies, to achieve the desired level of improvement in audit quality.

The FRC issued an *FRC Statement on Audit Quality* in April 2019, which outlined the action taken up to that date by the FRC under its Audit Quality Action Plan.

The FRC agrees with ASIC that the Audit Inspection Program results suggest that further work, and in some cases, new or revised strategies, are still needed to improve audit quality.

The FRC's audit quality remit extends to considering whether issues noted by ASIC in its Audit Inspection Program may have had an impact on the desired outcomes of maintaining trust and confidence in financial reports. ASIC's financial surveillance program continues to indicate that 4 per cent of financial reports reviewed result in a material misstatement that requires correction. However, the FRC's assessment in April 2019, after consultation with stakeholder organisations, is that external audits continue to assist in maintaining trust and confidence in financial reports.

The FRC has been progressing further work on the Audit Quality Action Plan as set out below.

Surveys of users

Survey results of ASX top 300 Audit Committee Chairs' (ACCs') views on audit quality were released in September 2018. Surveys were distributed with the assistance of ASIC, the APPC and the Big 4 accounting firms. There were 91 responses, and in responding to the question asking for an overall view of the external auditor, 38 per cent responded 'excellent' and 54 per cent responded 'above average'. It is intended that this survey be repeated in 2019.

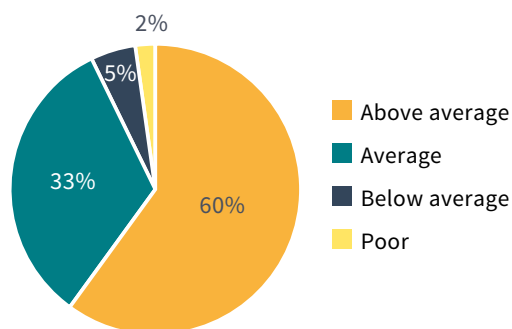
The FRC conducted another survey in 2018-19 to collect the views of professional investors with results released in April 2019. Surveys were

distributed by the following bodies to their members:

- Association of Superannuation Funds of Australia,
- Corporate Reporting User Forum,
- Australian Council of Superannuation Investors,
- Financial Services Council and
- Australian Institute of Superannuation Trustees.

There were 47 responses and in response to the question asking for an overall view of the auditor, 60 per cent responded 'above average' and 33 per cent responded 'average'.

Figure 1: Overall view of professional investors of the external auditor.



The FRC also intends to conduct a comparable survey with Chief Financial Officers in 2019.

Other specific actions

The FRC conducted a review of professional and academic literature internationally which identified over 30 audit quality indicators with varying degrees of measurability.

With the support of the FRC, the AUASB and ASIC have met and are working through a list of areas where more guidance may be required in the auditing standards. The AUASB has also continued to meet with each of the Big 6 accounting firms to understand areas where they believe more guidance may be required.

In particular, the AUASB issued a revised ASA 540 *Auditing Accounting Estimates and Related Disclosures*, and is currently updating ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment*.

The AUASB is also revising its suite of Quality Management Standards.

Initiatives by the accounting profession

In May 2019, the International Forum of Independent Audit Regulators (IFIAR) released its seventh annual survey of inspection findings which showed a downward trend in the rates of inspection findings and noted that while this is encouraging, the recurrence and level of findings reflected in the survey indicated a lack of consistency in the execution of high quality audits and the need for a sustained focus on continuing improvement.

The FRC understands that the Big 6 global accounting firm networks implement audit quality initiatives which apply to their member firms in Australia, as well as conducting internal quality assurance programs to assess compliance by member firms.

The FRC is not privy to all such initiatives and internal quality assurance program results, but has discussed with the firms its concern over IFIAR and ASIC audit quality inspection results.

During the year the APPC, CA ANZ and CPA jointly produced two publications:

- *An External Auditor's Guide to Improving Audit Quality Using Root Cause Analysis*; and
- *An External Auditor's Guide to Improving Audit Quality Using an Individual Recognition and Accountability Framework*.

Both documents are on CA ANZ and CPA Australia websites and workshops have been held with the accounting profession, particularly small and medium sized firms.

Each accounting firm that audits ten or more entities listed on the ASX produces a public annual transparency report which outlines initiatives implemented to address audit quality and other relevant information.

In particular, during the year, each of the Big 6 accounting firms released to the public the most recent ASIC audit quality inspection results for their firm.

Other notable initiatives during 2018-19 include:

CA ANZ

- Audit and accounting conferences and member training programs in all states, with an emphasis on audit quality, key learnings from ASIC audit inspection findings and insights from CA ANZ Quality Review Program and disciplinary processes;
- Issuing member guidance on an ongoing basis and for reporting periods, highlighting matters raised in the ASIC inspection process, the CA ANZ Quality Review Program and other audit quality and reporting focuses;

- Leading an initiative focused on the future of audit including how audits can incorporate technology and continue to serve evolving economic needs, with both research and extensive engagement with stakeholders in Australia and internationally;
- Outreach and engagement with Chartered Accountants across Australia and internationally to support the development of high quality standards and guidance; and
- A research program on audit quality including insights on the perspective of investors and other users of financial reports, public expectations of audit, audit technology, professional scepticism, the role of audit committees, non-audit services and impact of financial reporting reform.

CPA Australia

- Sharing and commenting on ASIC and Australian Taxation Office (ATO) audit inspection findings and audit quality initiatives through articles, podcasts and eNewsletters.
- Supporting implementation of new standards, including conducting a webinar on the new standard on auditing accounting estimates, ASA 540, and eliciting feedback on the proposed suite of standards on quality management by hosting a roundtable and focus groups, making submissions and publishing a podcast on the implementation challenges.
- Working with the ATO to improve the quality of Self-Managed Superannuation Funds (SMSFs) audits and auditor independence through articles, guidance and podcasts to draw attention to identified compliance issues.
- Developing thought leadership through articles, submissions, presentations,

roundtables and podcasts on the future of audit, proposals for audit reform and the impact of technology, including hosting public lectures on data analytics, artificial intelligence and automation.

- Launching a Risk Management Framework Tool for members in public practice to ensure compliance with their obligations under APES 325, including management of risk in their audit practice.
- Developing a Quality Control Manual Tool for members in public practice to ensure compliance with their obligations under APES 320, including quality control in their audit practice, which was due for release in September 2019.
- Updating the Small Entity Audit Manual.

IPA

- Topical issues relating to audit, including the state of audit quality, ASIC inspection findings and improvement programs were included in member training.
- Intensive training through workshops, conferences and retreats has been offered in SMSF audits throughout the year across all states.
- Attendance and contribution to the ATO's SMSF Auditors Professional Association Stakeholder Group, including to the SMSF Auditors Report.
- Ongoing communication across IPA channels on issues, topics and concerns relating to audit quality and audit generally.
- Development of member technical resources including a Quality Control Manual containing guidance and templates; updating separate guidance on audits pursuant to state

legislation across numerous industries and sectors; development of guidance material on independence; and updating the Professional Practice Program with greater focus on compliance requirements and risk management.

- Continuing development of a regtech solution focusing on audit quality; and integrating this into IPA's quality assurance processes and systems to enable more accurate and timely data collection and reporting.
- Working with the IPA-Deakin SME Research Centre to develop relevant thought leadership initiatives.

Review processes

Australia's auditor regulatory regime includes cooperation between ASIC and the professional accounting bodies.

Each organisation conducts an inspection or review program which encompasses audit engagements.

Each of the programs is different and complementary to manage different risks, participants and types of engagement, and to maintain a focus on audit quality. Accordingly, statistics gathered by each organisation may not be comparable.

ASIC's findings continue to be similar to previous periods.

ASIC Audit Inspection Program

ASIC inspects audit firms that audit listed entities and significant public interest entities. All audit partners reviewed are Registered Company Auditors (RCAs).

Australia's auditor regulatory regime includes cooperation between ASIC and the professional accounting bodies.


In January 2019, ASIC released the results of audit firm inspections for the 18 months to 30 June 2018. The results are summarised in the table below:

Table 1: ASIC Audit Inspection Program Results

	18 months to 30 June 2015	18 months to 31 December 2016	18 months to 30 June 2018
Audit firms reviewed	21	23	20
Audit files reviewed	111	93	98
Key audit areas reviewed	463	390	347
Key audit areas with findings ¹	19%	25%	24%

¹Key audit areas with findings means that the auditor did not obtain reasonable assurance the financial report as a whole was free of material misstatement.

ASIC's findings continue to be similar to previous periods and those of audit oversight regulators in other countries. When releasing the report, ASIC said that auditors play a critical role in ensuring investors can be confident of the soundness of financial reports and well informed. ASIC recognised the efforts by firms to improve audit quality and the consistency of audit execution. However, the overall level of findings still suggested that further work and, in some cases, new or revised strategies, are needed to improve audit quality.



ASIC's findings do not necessarily mean that the financial reports audited were materially misstated. Rather, in ASIC's view, the auditor may not have sufficient basis to support their opinion on the financial report. ASIC's inspections look at a limited number of files and focus on higher risk audit areas and so caution is needed in generalising the results across the entire market. ASIC generally selects some of the more complex, demanding and challenging audits, and some more significant or higher risk areas of the financial reports.

ASIC believes sustainable improvements in audit quality require a focus on culture and talent by firms. In particular:

- all partners and staff should embrace the need to improve audit quality and the consistency of audit execution;
- partners and staff should understand and be accountable for their roles in conducting quality audits; and
- firm leadership should give strong, genuine and consistent messages to partners and staff that audit quality is not negotiable, and this should be supported by holding individuals to account for inadequate audit work.

ASIC believes that audit engagement partners should:

- spend significant time at the audited entities to understand the business and risks, engage with directors and management, and involve themselves in risk areas of the audit on a timely and comprehensive basis;

The next ASIC report on inspections of audits in the 12 months to 30 June 2019 will be issued in late 2019.

- work directly with the audit team on risk areas to ensure timely and quality audit work, apply their knowledge and experience throughout the audit process and upskill staff; and
- undertake comprehensive reviews of the audit files at the premises of audited entities, focusing on possible risk areas.

The next ASIC report on inspections of audits in the 12 months to 30 June 2019 will be issued in late 2019.

ASIC will also publish a paper with a range of audit quality measures intended to give a broader picture of audit quality at that time.

ASIC activities to support audit quality include its financial reporting surveillance program, auditor surveillances not related to their inspections, investigations into corporate collapses and addressing matters from complaints and other intelligence. In 2019-20, ASIC will review culture, talent, governance, conflicts and accountability focussed on audit quality at the largest six firms.

ASIC also works with securities and audit regulators in other countries to promote audit quality. As well as meeting with the global leadership of the six largest firms on improving audit quality, ASIC led the development of an International Organisation of Securities Commissions (IOSCO) *Report on Good Practices for Audit Committees in Supporting Audit Quality*, with the final report released in January 2019.

CA ANZ Quality Review Program

At 30 June 2019 CA ANZ had approximately 26,000 Australian members in public practice; of this approximately 13,400 are principals responsible for the delivery of engagements and services, including audits to their clients. Approximately 3,000 of these members have advised CA ANZ they are a RCA.

CA ANZ's philosophy to the quality review program is primarily to educate members and to bring them into compliance within a reasonable agreed time-frame. CA ANZ provides members with a range of resources to assist them become compliant, including training, manuals, checklists and coaching.

During the year, CA ANZ completed Quality Reviews of 215 firms covering 220 members providing audit services and 296 audit engagement files. The results for audit practices are summarised in the table below:

Table 2: CA ANZ Quality Review Program Results

	2017/18	2018/19
Satisfactory	79%	76%
Re-review required in 12 months	21%	22%
Unsatisfactory	0%	2%

The 2018-19 reviews revealed that the majority of reviewed practices had adequate quality controls in place. The majority of re-reviews were required as a result of inadequate quality control procedures and/or insufficient documentation of audit evidence, with the majority of unsatisfactory reviews resulting from practices not adequately addressing these issues at their re-review.

Areas requiring improved documentation include:

- presumption of risk and material misstatement due to fraud in revenue recognition;
- audit strategy;
- analytical review not performed as part of risk assessment procedures;

- risk of material misstatement documented at the financial report and assertion level; and
- analytical review applied and/or documented at the final stage of the audit.

These findings are consistent with those identified by ASIC.

CPA Australia Quality Review Program

CPA Australia members who hold a Public Practice Certificate (approximately 6,600 members) are subject to the CPA Australia Quality Review Program. This program includes 420 members who are Registered Company Auditors and 1,580 registered SMSF auditors.

In the 2019 calendar year CPA Australia expected to review over 1,100 members in the Quality Review Program and to conduct a further 58 'follow up' reviews relating to all types of engagements, not solely audit and assurance (although the majority of follow up reviews typically relate to audit and assurance services). For the six months to 30 June 2019, 121 members who conduct audit or assurance services had been reviewed, which was expected to double by year end. Similarly, in 2018 1,079 Quality Reviews were undertaken of which 268 members reviewed conducted audit or assurance engagements. In addition, 34 follow up reviews were conducted in 2018 relating specifically to audit and assurance engagements. The results for members conducting audit and assurance engagements are summarised in the table below.

Table 3: CPA Australia Quality Review Program Results

Outcome of Review	Standard Reviews			Follow up Reviews		
	2017 Calendar Year	2018 Calendar Year	6 months to 30 June 2019	2017 Calendar Year	2018 Calendar Year	6 months to 30 June 2019
‘Compliant’ reports – no departures identified	8.4%	16.9%	31.1%	4.9%	3.7%	11.1%
‘Minor departure’ reports – no serious departures identified	80.2%	63.4%	42.9%	85.4%	88.9%	88.9%
‘Follow-up’ reviews – significant departures identified	11.4%	19.7%	26.1%	9.8%	7.4%	0.0%

Members are referred to Professional Conduct for investigation if the departures identified in the standard review are found not to have been rectified in the follow-up review. Outcomes for auditors where a non-compliant audit is established can include being obliged to either show evidence of immediate rectification of the breaches identified, relinquish their audit clients, resign their membership or be referred to a Disciplinary Tribunal for hearing. The Disciplinary Tribunal may impose various sanctions including fining the member, cancelling their membership until they are capable of completing a compliant Quality Review at their own cost or imposing conditions on their membership. However, if a breach has occurred which is capable of being remedied and does not involve a serious breach of the Constitution, a reprimand or caution may be issued, along with a requirement to complete their Quality Review, failing which, forfeiture of Membership may ensue.

IPA Professional Practice Quality Assurance Program

The IPA requires all members, including those issued with a Professional Practice Certificate to undertake a Professional Practice Quality Assurance Review every three to five years. All

Registered Company Auditors and SMSF auditors are required to be reviewed every three years.

In the 2019 calendar year, the IPA is expected to review around 600 members in public practice. The results for all IPA members in practice are summarised in the table below:

Table 4: IPA Professional Practice Quality Assurance Program Results

	2017 Calendar year	2018 Calendar year	2019 Calendar YTD
Compliant	72%	64%	65%
Non-Compliant	16%	23%	11%
Follow-up required – Members referred to Pronouncement 12	1%	1%	22%
No further action – Members that are newly retired, ceased membership or exempted	10%	12%	2%
Disciplinary action – Forfeiture of membership	1%	0%	0%

The results specifically for auditors in 2019 are summarised in the table below:

Table 5: Reviews of auditors by IPA in 2019

	SMSF Auditors	RCAs
Total IPA members who are auditors	724	117
Reviews completed	103	14
Fully compliant	73%	71%
Compliant after assistance	27%	29%

Where non-compliance is identified during a review, the issues are followed up with the members to ensure they are resolved. Serious non-compliance issues may also be referred for investigation which may result in referral to the IPA Disciplinary Tribunal for decision and where appropriate, for imposition of a penalty.

Members are referred for disciplinary action under *IPA Pronouncement 12 – Administration of Member Compliance* (effective 14 September 2016) where they fail to complete the review, or provide information and/or undertake actions as requested to finalise the review. This may result in suspension or forfeiture of membership.

Nothing has come to the FRC’s attention... that indicates external audits are not, overall, continuing to assist in maintaining trust and confidence in financial reports.

A report of review outcomes is produced periodically to assist with identifying common issues, and implementing measures to improve compliance and the process. For instance, the Disciplinary Tribunal has focused on independence and conflicts of interest. Further education and Continuous Professional Development has been implemented in these areas.

FRC overall view on audit quality

The FRC will continue to monitor the results of the ASIC Audit Inspection Review Program and the programs of the accounting bodies, and will continue to execute the FRC Audit Quality Action Plan.

Key to achieving continuous improvement of audit quality is collective action by all stakeholders in the financial reporting system.

The FRC also supports ASIC devising and conducting a study which will generate results which are comparable over time to reflect changes in audit quality.

The FRC acknowledges the ASIC inspection findings continue to indicate that improvements in audit quality are needed. Nothing has come to the FRC’s attention from the other evidence to date from user surveys and targeted consultations that indicates external audits are not, overall, continuing to assist in maintaining trust and confidence in financial reports.

FRC Nominations Committee

4

Operations of the FRC Nominations Committee

During 2018-19, the FRC Nominations Committee:

- reviewed the composition of, and criteria for appointment to, the AASB and the AUASB;
- made recommendations to the FRC for the appointment of members to the AASB and AUASB;
- reviewed the succession needs of the AASB and AUASB in discussion with the Chairs of the AASB and AUASB respectively; and
- considered and reported to the FRC on the performance of the AASB and AUASB members including through peer review.

Appointment of members to the Boards

The ASIC Act provides that the members of the Boards (other than the Chairs) hold office on the terms and conditions determined by the FRC.

During 2018-19 the FRC approved the following appointments and re-appointments to the Boards for terms commencing in 2019:

AASB

- Peter Gibson (reappointment);
- James Grant (appointment); and
- Paul Rogers (appointment).

AUASB


- Jo Cain (reappointment);
- Klynton Hankin (appointment); and
- Rodney Piltz (appointment).

The FRC acknowledges the contributions of retiring Board members:

- AASB: Regina Fikkers and Marc Smit.
- AUASB: Chris George and Ashley Wood.

Attendance at FRC Nominations Committee meetings

The FRC Nominations Committee held four meetings in 2018-19. Members of the FRC Nominations Committee as at 30 June 2019 were: Stein Helgeby (Chair), Bill Edge, Kris Peach and Professor Roger Simnett AO. Judith Downes' term expired during the year and Lawrie Tremaine was appointed commencing 1 July 2019.



Members' attendance is shown in the table below.

Table 6: FRC Nominations Committee Meeting Attendance in 2018-19

Member	No. meetings attended/ No. eligible to attend
S Helgeby (Chair)	4 of 4
B Edge	4 of 4
K Peach	4 of 4
R Simnett	4 of 4
J Downes	3 of 3
(Term expired on 28 April 2019)	



Other Matters

5

Communication and consultation

The FRC uses its website (www.frc.gov.au) and meetings with stakeholders and other interest groups as its primary means of communication and consultation. Key stakeholders are invited to prepare a Stakeholder Report for each FRC meeting. An FRC Communique from each FRC meeting is published on the website and distributed to key stakeholders. The website also includes information about FRC members, minutes of meetings, published reports and procedural rules.

Finances

In 2018-19, the Australian Government provided funding through the Treasury to support the FRC. The FRC's Secretariat is provided by staff of Treasury's Markets Group. Expenditures and performance of its functions are included in the Treasury's annual financial statements.

Information about the funding of the AASB and AUASB (including the sources of that funding) is included in the annual report of the AASB and AUASB.

Information Publication Scheme

Agencies subject to the *Freedom of information Act 1982* (FOI Act) are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the FOI Act. Each agency must display a plan on its website showing what information it publishes in accordance with the Information Publication Scheme requirements. All information published by the FRC can be accessed from links on the home page of the FRC's website (www.frc.gov.au).

Regulation Impact Statements

The FRC did not submit any Regulation Impact Statements in 2018-19.

Membership of the FRC

6

FRC members

Members of the FRC are appointed on a part-time basis by the Minister, typically for a term of three years.

During the year the following new members were appointed:

- Lawrie Tremaine; and
- Suzanne Bell.

Stein Helgeby was reappointed.

The following members' terms expired:

- Noelle Kelleher; and
- Judith Downes.

We thank them for their significant contributions.

The Chair of the XRB, Graeme Mitchell, completed his term as Chair of the XRB and accordingly his term as a member of the FRC. The incoming Chair of the XRB is Michele Embling who will be appointed to the FRC in due course. We thank Graeme for his significant contribution.

The membership of the FRC during 2018-19 was as follows:



Mr Bill Edge
Chair

Bill is a retired partner of PwC, having been a partner for 18 years. For his last eight years he led the PwC Australia Risk and Quality Group, which was responsible for risk management and quality control, including methodologies and technologies, across all of the firm's business units. He served on PwC's Global and Asian Risk and Quality Leadership Teams. He also spent six years leading the PwC Australian Professional Standards Group responsible for the firm's financial reporting and auditing policies and advice. He was also previously Chair of the Australian Auditing and Assurance Standards Board.

Bill was appointed Chair on 29 April 2016 and has been a member of the FRC since July 2014. His term expires on 28 July 2022.



Dr Stein Helgeby
Deputy Chair

Stein joined the Department of Finance in February 2010 as the Deputy Secretary of the former Financial Management Group.

In October 2015 Stein was appointed Deputy Secretary of Governance and APS Transformation. Prior to this, Stein enjoyed a lengthy period in the Victorian Department of Treasury and Finance.

Stein was appointed to the FRC from 24 February 2010 to 23 February 2013; reappointed from 24 February 2013 to 23 February 2016; reappointed from 29 April 2016 to 28 April 2019; with an extension from 29 April 2019 to 28 April 2022. Stein was appointed Deputy Chair of the FRC on 22 May 2019.



Ms Kris Peach
Chair
AASB

Kris has extensive experience in accounting standard setting having previously served on the

AASB as both a member and as the Deputy Chair and as a member of the Australian Urgent Issues Group.

Kris was previously a partner in KPMG's International Standards Group and Australia's Department of Professional Practice, interpreting complex technical accounting issues for a wide range of public and private entities. She also had a number of international financial reporting leadership roles within the firm.

Kris was appointed to the FRC on 3 November 2014 and her term expires on 2 November 2019.



Professor Roger Simnett AO

Chair
AUASB

Roger is also Scientia Professor of Auditing, UNSW Sydney where he has

been head of the School of Accounting and Associate Dean Research of the Australian Business School.

He has extensive experience in the auditing industry including significant involvement on international committees and advisory panels relating to auditing and assurance.

Roger is currently a member of the IAASB and of the International Integrated Reporting Committee's Framework Review Panel. Roger is a Fellow of the Academy of the Social Sciences in Australia.

Roger was appointed to the FRC on 1 April 2017 and his term expires on 31 March 2022.



Ms Suzanne Bell

Suzanne has over 25 years' experience with KPMG, focused on providing audit and advisory services to a broad range of clients from start-ups to some of Australia's largest

global companies. Suzanne's experience also includes international transfers, secondments to KPMG's technical department, leading KPMG's Consumer and Industrial Markets Group (Melbourne audit) and Partner in Charge of People, Performance and Culture (Melbourne audit).

She is a former board member of Plan International Australia and the Melbourne Fringe Festival. Suzanne has also been a senior member of the Australian Davos Connection's Future Summit project team and a former Chair of the Future Summit Leadership Awardee program.

Suzanne was appointed to the FRC on 29 April 2019 and her term expires on 28 April 2022.



Ms Judith Downes

Judith is Chair of Bank Australia, the first customer owned bank in Australia and a non-executive director of a listed medical technology company.

She has previously been

a member of the Standards Advisory Council of the IASB and of the AASB. She is an Honorary Fellow at the University of Melbourne. Judith's past experience includes Chief Financial Officer of a listed mining company, non-executive director of a listed property company, and Chief Financial Officer and Chief Operating Officer of the Institutional Division of one of Australia's largest banks.

Judith was appointed to the FRC on 29 April 2016 and her term expired on 28 April 2019.



Ms Noelle Kelleher

Noelle has nearly 30 years' experience in the financial services industry, with a particular focus on superannuation. Prior to joining Vision Super, Noelle was a partner at two of the

Big 4 professional services firms. Noelle is also company secretary for the Vision Super companies.

Noelle was appointed to the FRC on 3 June 2009 to 2 June 2012, reappointed from 31 August 2012 to 30 August 2015, with an extension from 29 April 2016 to the expiry of her term on 28 April 2019.



Mr Kevin Lewis

Kevin is the Chief Compliance Officer of the ASX and a member of the ASX Corporate Governance Council.

Prior to joining ASX, Kevin was a lawyer for 30 years, specialising in financial services, mergers and acquisitions and corporate matters. He held a number of senior positions with law firms and as in-house counsel.

Kevin was also an Adjunct Professor with Sydney University Law School teaching financial services law until 2017.

Kevin was appointed to the FRC on 14 March 2011 to 13 March 2014, reappointed from 14 March 2014 to 3 April 2017, with an extension from 4 April 2017 to 3 April 2020.



Mr David Nicol

David, as Under Treasurer, Treasury and Economic Development Directorate of the ACT Government, advises the ACT Treasurer on the management of the Territory's budget, covering

strategic issues of financial management, economic policy, revenue and tax policy and federal financial relations. David's responsibilities also cover matters of workers compensation, compulsory third party insurance and other insurances, and the shared corporate services provider for the ACT Public Service.

David is also Chair of the HoTARAC and he has extensive experience in public budgeting and financial reporting and in public policy areas of social welfare and income support, government service delivery, industry, labour market and education.

David was appointed to the FRC on 3 July 2014 to 7 March 2017 and reappointed from 24 March 2017 to 23 March 2020.



Mr Lawrie Tremaine

Lawrie joined Origin Energy in June 2017 and holds the position of Chief Financial Officer. He leads the teams responsible for all finance activities, strategy, mergers and acquisitions, procurement and investor relations.

He has over 30 years' experience in financial leadership, predominantly in the resources and minerals processing industries.

Prior to joining Origin, Lawrie held senior positions during his 10 years at Woodside Petroleum including Chief Financial Officer for over 6 years. Prior to Woodside, Lawrie worked at Alcoa for 17 years culminating in 5 years in Tokyo and Beijing.

Lawrie was appointed to the FRC on 29 April 2019 and his term expires on 28 April 2022.



Mr Graeme Mitchell

Chair
XRB

Graeme is a chartered accountant and professional director, being Deputy Chair of

National Provident Fund Board of Trustees and a Director of Retirement Income Group Limited. He also chairs the Audit Committees of the Ministry of Justice, and the Human Rights Commission, and is an independent member of the audit committee of Housing New Zealand and Porirua City Council. He is also the Honorary Consul General for Norway and was made an Officer of the Royal Norwegian Order of Merit in 2009 for services to Norway overseas.

Graeme is a retired Deloitte Audit and Assurance Partner.

Graeme was appointed to the FRC on 3 July 2014 and his term expired on 28 February 2019.

Attendance at FRC meetings

The FRC held four meetings during 2018-19 in September, November, February and May.

Members' attendance is shown in the table below.

Table 7: FRC Meeting Attendance in 2018-19

Member	No. meetings attended/ No. eligible to attend
B Edge (Chair)	4 of 4
S Helgeby	4 of 4
K Peach	4 of 4
R Simnett	4 of 4
S Bell	1 of 1
J Downes	2 of 3
N Kelleher	3 of 3
K Lewis	4 of 4
D Nicol	4 of 4
L Tremaine	1 of 1
G Mitchell	3 of 3

Abbreviations

7

AAS	Australian Accounting Standards
AASB	Australian Accounting Standards Board
ACC	Audit Committee Chair
ACNC	Australian Charities and Not-for-profits Commission
ACSI	Australian Council of Superannuation Investors
AIST	Australian Institute of Superannuation Trustees
AICD	Australian Institute of Company Directors
AOSSG	Asian Oceania Standard Setters Group
APESB	Accounting Professional and Ethical Standards Board
APPC	Australian Public Policy Committee
APRA	Australian Prudential Regulation Authority
ASA	Australian Shareholders' Association
ASAF	Accounting Standards Advisory Forum
ASFA	Association of Superannuation Funds of Australia
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASX	Australian Securities Exchange
ATO	Australian Taxation Office
AUASB	Auditing and Assurance Standards Board
BCA	Business Council of Australia
BEIS	Department for Business, Energy and Industrial Strategy (UK)



CA ANZ	Chartered Accountants Australia and New Zealand
CADB	Companies Auditors Disciplinary Board
CMA	Competition and Markets Authority (UK)
Corporations Act	<i>Corporations Act 2001</i>
CRUF	Corporate Reporting User Forum
EER	Extended External Reporting
FOI Act	<i>Freedom of Information Act 1982</i>
FRC	Financial Reporting Council
FSC	Financial Services Council
G100	Group of 100
GAAP	Generally Accepted Accounting Principles
GFS	Government Financial Statistics
GIA	Governance Institute of Australia
HoTARAC	Heads of Treasuries Accounting and Reporting Advisory Committee
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFASS	International Forum of Accounting Standard Setters
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors - Australia



IOSCO	International Organisation of Securities Commissions
IPA	Institute of Public Accountants
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
NZASB	New Zealand Accounting Standards Board
NZAuASB	New Zealand Auditing and Assurance Standards Board
PJC	Parliamentary Joint Committee on Corporations and Financial Services
RCA	Registered Company Auditor
SMSF	Self-Managed Superannuation Fund
SPFS	Special Purpose Financial Statement
UK	United Kingdom
XRB	External Reporting Board of New Zealand



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