



# MINUTES

**DATE:** Thursday 28 February 2019  
**TIME:** 10:00am – 4:00pm  
**LOCATION:** Treasury Offices,  
 Level 6, 120 Collins Street  
 Melbourne

ITEM	AGENDA ITEM																		
<b>1</b>	<b>INTRODUCTION</b>																		
	<p>The Chair introduced new FRC Secretariat members Charles Brukner and Anita Cuming and new ASIC Executive Director, Greg Yanco. The Chair acknowledged that it was Graeme Mitchell’s final meeting and thanked him for his contributions to the FRC.</p> <p>Members discussed software options for circulation of FRC meeting papers and conferencing.</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</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, Charles Brukner, Nicola Connell, Wendy Hau – Treasury</td> </tr> <tr> <td>Kevin Lewis</td> <td>Alyce Reid, Anita Cuming – FRC Secretariat</td> </tr> <tr> <td>Noelle Kelleher</td> <td>Greg Yanco – ASIC</td> </tr> <tr> <td>Stein Helgeby</td> <td></td> </tr> <tr> <td>David Nicol</td> <td><b>Apologies:</b></td> </tr> <tr> <td>Graeme Mitchell</td> <td>Judith Downes – joined from 12:00-12:30pm</td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge – Chair	John Price – ASIC	Kris Peach – AASB Chair	Warren Allen – XRB	Roger Simnett – AUASB Chair	Kate O’Rourke, Charles Brukner, Nicola Connell, Wendy Hau – Treasury	Kevin Lewis	Alyce Reid, Anita Cuming – FRC Secretariat	Noelle Kelleher	Greg Yanco – ASIC	Stein Helgeby		David Nicol	<b>Apologies:</b>	Graeme Mitchell	Judith Downes – joined from 12:00-12:30pm
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1.B	<b>DECLARATIONS OF INTEREST</b>																		
	<p>Members noted their Declarations of Interest.</p> <p>The Chair noted recent press regarding his retirement payments from PwC and members, excluding the Chair, agreed that the FRC did not perceive these payments to be a conflict of interest. Members also discussed the process for declaring conflicts of interest and agreed to revisit guidelines at the May FRC meeting.</p>																		
<b>2</b>	<b>MATTERS FOR APPROVAL</b>																		
2.A	<b>MINUTES OF THE PREVIOUS MEETING</b>																		
	<p>Members noted the minutes from the FRC meeting on 16 November 2018 which had been approved out-of-session.</p>																		

2.B	<p><b>MATTERS ARISING</b></p> <p>Members noted that legal advice regarding the mandates of the FRC and AASB with respect to external reporting, which was discussed at a specially scheduled FRC meeting on 12 December 2018, had been finalised.</p>
<b>3</b>	<b>OVERSIGHT OF AUSTRALIAN STANDARDS</b>
3.A	<p><b>ACCOUNTING STANDARDS</b></p> <p>Kris Peach provided an update on the AASB’s key priorities from November 2018 to February 2019 including:</p> <ul style="list-style-type: none"> <li>• AASB’s deliberations on the submissions to ITC39 ‘Applying the IASB’s Revised Conceptual Framework and Solving the Reporting Entity and Special Purpose Financial Statement Problems’, user and preparer research, academic research and results of 160 targeted discussions; and</li> <li>• at the 19 February AASB meeting the Board decided to develop an Exposure Draft proposing to remove the ability for for-profit entities to self-assess and prepare SPFS, and require for-profit entities that have to publicly lodge their financial statements to prepare some form of GPFS. The new proposed second tier will be based on IFRS for SME’s disclosures.</li> </ul>
3.B	<p><b>AUDITING STANDARDS</b></p> <p>Professor Roger Simnett provided an update on the AUASB’s key priorities from November 2018 to February 2019 including:</p> <ul style="list-style-type: none"> <li>• Roger’s appointment as Chair of the IAASB’s working group relating to Audits of Less Complex Entities;</li> <li>• AUASB Consultation Paper on Agreed-Upon Procedures Engagements which closes on 18 February 2019; and</li> <li>• AUASB and NZAuASB Technical Team collaboration.</li> </ul>
<b>4.</b>	<b>NOMINATIONS COMMITTEE UPDATE</b>
4.A	<p><b>REPORT BY AASB/AUASB CHAIRS ON PROPOSED APPOINTMENTS FOR 2020</b></p> <p>Members noted AASB and AUASB member appointments due to expire in 2019.</p> <p>Members also noted that the International Financial Reporting Interpretations Committee was seeking nominations for a corporate preparer.</p>
<b>5.</b>	<b>OVERSIGHT OF AUDIT QUALITY</b>
5.A	<p><b>FRC AUDIT QUALITY ACTION PLAN</b></p> <p>Members discussed the latest ASIC Audit Inspection results, and noted updates to the FRC Audit Quality Action Plan.</p> <p>Members discussed recent press regarding audit quality and agreed that it was necessary to clarify that the FRC share the same view as ASIC and are continuing to work with them to improve audit quality. Members agreed to issue a written statement outlining these views.</p>
5.B	<b>FRC REVIEW OF AUDITOR DISCIPLINARY FUNCTIONS</b>

	<p>Members discussed the draft Auditor Disciplinary Processes Review (Review) and provided feedback to the FRC Secretariat regarding the content and recommendations of the Review.</p> <p>Members noted that ASIC’s implementation of the Financial Services Royal Commission’s recommendation for greater consideration of litigation as well as implementation of ASIC’s new Enforcement Program would impact on the findings of the Review.</p> <p>Members agreed to meet for final discussion/approval of the Review on 5 March 2019, ahead of the Review being sent to the Assistant Treasurer on 7 March 2019.</p>
5.C	<p><b>INVESTOR SURVEY UPDATE</b></p> <p>Anne Waters, AUASB Senior Project Manager, attended to discuss the results of the FRC/AUASB Investor Survey on perceptions of Audit Quality.</p> <p>Members noted that 60 per cent of investors agreed that audit quality was above average, however, 33 percent believe it is average and 7 per cent believe it is below average. Members agreed that the results indicate that further work needs to be done to improve audit quality in Australia.</p> <p>Members discussed whether to consult with Chief Financial Officers and credit providers to assess their views on audit quality.</p>
5.D	<p><b>APPC, CA ANZ AND CPA INITIATIVES</b></p> <p>Members noted publications from the APPC, CA ANZ and CPA Australia:</p> <ul style="list-style-type: none"> <li>• An External Auditor’s Guide to Improving Audit Quality Using Root Cause Analysis - a non-authoritative guide developed by CA ANZ that defines root cause analysis (RCA) and explains how audit practitioners can use it to identify and address the root causes of review and inspection findings; and</li> <li>• An External Auditor’s Guide to Improving Audit Quality Using an Individual Recognition and Accountability Framework - a non-authoritative guide developed by CPA Australia that describes best practices in developing a recognition and accountability framework for audit practice leaders, audit engagement leaders and audit engagement quality control reviewers.</li> </ul> <p>The Chair noted that he would be attending an APPC meeting with Anne Waters on 13 March 2019.</p>
6.	<p><b>FINANCIAL SERVICES ROYAL COMMISSION</b></p>
6A.	<p><b>REVIEW OF IMPLICATIONS FOR FRC OF FINANCIAL SERVICES ROYAL COMMISSION REPORT</b></p> <p>Members discussed the implications for the FRC, AASB and AUASB of the Financial Services Royal Commission Report including:</p> <ul style="list-style-type: none"> <li>• Recommendations around remuneration and accountability;</li> <li>• Culture and Governance; and</li> <li>• Changes to ASIC including increased consideration of litigation and a new oversight body for ASIC and APRA.</li> </ul>
7	<p><b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b></p>
7.A	<p><b>STAKEHOLDER REPORTS</b></p> <p>Members reviewed reports from 13 stakeholders and matters of note included:</p> <ul style="list-style-type: none"> <li>• Submissions to AASB Consultation Paper ITC 39.</li> </ul>

	<ul style="list-style-type: none"> <li>• Release of the fourth edition of ASX 'Corporate Governance Council's Principles and Recommendations'.</li> <li>• AASB Discussion Paper 'Improving Financial Reporting for Australian Public Sector'.</li> </ul>
7.B	<p><b>REPORT BY XRB</b></p> <p>Graeme Mitchell provided an update on the key priorities of the XRB.</p>
<b>8.</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
8.A	<p><b>INTERNATIONAL DEVELOPMENTS</b></p> <p>Members noted the 'Independent Review of the Financial Reporting Council' in the UK led by Sir John Kingman which recommends that the FRC be replaced with an independent statutory regulator which is accountable to Parliament, has a new mandate, new clarity of mission, new leadership and powers. The new regulator would be called the Audit, Reporting and Governance Authority.</p> <p>Members also noted a CMA 'Statutory audit services market study' paper which proposed remedies to create incentives for better quality and improved regulation.</p>
<b>9.</b>	<b>OTHER BUSINESS</b>
9.A	<p><b>SUBMISSION ON MODERNISING BUSINESS REGISTERS PROGRAM</b></p> <p>Members noted the FRC, AASB and AUASB submission to the Modernising Business Registers Program.</p>
9.B	<p><b>ASIC UPDATE ON USE OF REGULATORY TECHNOLOGY</b></p> <p>Deferred to next meeting.</p>
9.C	<p><b>STAKEHOLDER LIST</b></p> <p>Members noted the updated FRC stakeholder contact list.</p>
<b>10.</b>	<b>NEXT MEETING AND CLOSE</b>
	The next FRC meeting will be held on Wednesday 22 May 2018 at the ASIC Offices in Sydney.