



# MINUTES

**DATE:** Tuesday 3 September 2019  
**TIME:** 10:00am – 4:00pm  
**LOCATION:** Treasury  
 Level 6, 120 Collins Street  
 Melbourne

ITEM	AGENDA ITEM																						
<b>1</b>	<b>INTRODUCTION</b>																						
	<p>The Chair noted that guests Doug Niven, Greg Yanco, Clark Anstis and Anne Waters would attend for their relevant agenda items. The Chair also noted that Michele Embling and David Nicol were apologies.</p> <p>Members noted that the AASB Chair position had been advertised. The AASB Chair noted that her term had been extended to 2 February 2020 and that she would not be seeking re-appointment.</p> <p>The Chair acknowledged that it was Warren Allen’s final meeting and thanked him for his contribution to the FRC.</p>																						
<b>1.A</b>	<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>Warren Allen – XRB</td> </tr> <tr> <td>Kris Peach – AASB Chair</td> <td>John Price, Greg Yanco, Doug Niven – ASIC</td> </tr> <tr> <td>Roger Simnett – AUASB Chair</td> <td>Kate O’Rourke, Charles Brukner – Treasury</td> </tr> <tr> <td>Stein Helgeby – Deputy Chair</td> <td>Anita Cuming – FRC Secretariat</td> </tr> <tr> <td>Suzanne Bell</td> <td><b>Guests:</b></td> </tr> <tr> <td>Kevin Lewis</td> <td>Clark Anstis - AASB</td> </tr> <tr> <td>Lawrie Tremaine</td> <td>Anne Waters - AUASB</td> </tr> <tr> <td></td> <td><b>Apologies:</b></td> </tr> <tr> <td></td> <td>Michele Embling - XRB</td> </tr> <tr> <td></td> <td>David Nicol</td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge – Chair	Warren Allen – XRB	Kris Peach – AASB Chair	John Price, Greg Yanco, Doug Niven – ASIC	Roger Simnett – AUASB Chair	Kate O’Rourke, Charles Brukner – Treasury	Stein Helgeby – Deputy Chair	Anita Cuming – FRC Secretariat	Suzanne Bell	<b>Guests:</b>	Kevin Lewis	Clark Anstis - AASB	Lawrie Tremaine	Anne Waters - AUASB		<b>Apologies:</b>		Michele Embling - XRB		David Nicol
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<b>1.B</b>	<b>DECLARATIONS OF INTEREST</b>																						
	Members confirmed their Declarations of Interest as recorded in the Register of Interests.																						
<b>2</b>	<b>MATTERS FOR APPROVAL</b>																						
<b>2.A</b>	<b>MINUTES OF THE PREVIOUS MEETING</b>																						
	Members noted the minutes from the FRC meeting on 22 May 2019 which had been approved out-of-session.																						

2.B	<p><b>MATTERS ARISING</b></p> <p>The Chair noted that all matters arising had been completed or were on the current agenda with the exception of:</p> <ul style="list-style-type: none"> <li>• Treasury confirmed that FRC members are not officers under the PGPA Act.</li> <li>• The Chair reminded members to assist the Nominations Committee in identifying candidates for the AASB/AUASB positions.</li> </ul>
3	<p><b>FRC ANNUAL REPORT 2018-19</b></p>
3.A	<p><b>APPROVAL OF FRC ANNUAL REPORT</b></p> <p>The FRC Annual Report 2018-19 was approved, subject to the incorporation of final comments discussed at the meeting.</p> <p>Members noted that the report will be provided to the Minister and tabled in Parliament in mid- October 2019.</p> <p>The Chair thanked the FRC Secretariat and members for their assistance and comments on the Annual Report.</p>
4	<p><b>PARLIAMENTARY INQUIRY</b></p>
4.A	<p><b>DISCUSSION AROUND THE TERMS OF REFERENCE</b></p> <p>The FRC discussed:</p> <ul style="list-style-type: none"> <li>• The Terms of Reference for the Inquiry into Regulation of Auditing in Australia by the Parliamentary Joint Committee on Corporations and Financial Services.</li> <li>• The possible contents of a draft submission by the FRC to the inquiry.</li> <li>• The closing date for the FRC’s submission to the inquiry has been extended to 28 October 2019.</li> </ul> <p>Members noted that Treasury will provide a submission to the inquiry in mid-September 2019 and will share a draft with the FRC. ASIC will provide a submission to the inquiry in mid-October 2019.</p>
5	<p><b>CONFLICTS OF INTEREST AND CODE OF CONDUCT</b></p>
5.A	<p><b>AGREEMENT ON DECLARATIONS PROCESS</b></p> <p>Members noted that the Government has not yet responded to the recommendations to the Parliamentary Joint Committee on Corporations and Financial Services Report on the 2017-18 annual reports of bodies under the ASIC Act April 2019.</p> <p>Members discussed and noted the existing requirements for conflicts of interest and code of conduct for comparable government agencies.</p>
6	<p><b>OVERSIGHT OF AUSTRALIAN STANDARDS</b></p>
6.A	<p><b>ACCOUNTING STANDARDS</b></p> <p>Kris Peach provided an update on the AASB’s key priorities from May 2019 to August 2019 including:</p>

	<ul style="list-style-type: none"> <li>ED 297 'Removal of Specific Purpose Financial Statements for Certain For-Profit Private Sector Entities' has been released proposing the removal of the ability for certain for-profit private sector entities to prepare SPFS when required to comply with Australian accounting standards by legislation or constituting documents.</li> <li>ED 295 'General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities' has been released proposing to replace the current Reduced Disclosure Requirements in the AAS with a new, separate disclosure standard that would apply to all entities that report under Tier 2.</li> <li>The AASB has completed its first stakeholder survey. The findings have not been analysed in detail.</li> </ul> <p>Members discussed communication avenues for consultations.</p>
6.B	<p><b>AUDITING STANDARDS</b></p> <p>Professor Roger Simnett provided an update on the AUASB's key priorities from May 2019 to August 2019.</p> <p>Members discussed the AUASB's status on 'ASRE 2410 Review of a Financial Report Performed by the Auditor of the Entity' and NZAuASB's equivalent standard NZ SRE 2410. The AUASB issued an exposure draft with proposed amendments in May 2019 and the NZAuASB issued an exposure draft with proposed amendments in July 2019. The AUASB and NZAuASB have alternate views on how to describe the auditor's responsibility in relation to going concern in the auditors review report. The AUASB and NZAuASB are working together to resolve this in the public interest, ideally with consistent reporting by auditors in Australia and New Zealand.</p> <p>Members discussed and agreed that alignment is preferred for reporting requirements for auditors in Australia and New Zealand. The AUASB will review the communication protocols document between the AUASB and NZAuASB.</p>
<b>7</b>	<b>OVERSIGHT OF AUDIT QUALITY</b>
7.A	<p><b>ASIC AUDIT QUALITY MEASURES</b></p> <p>Members noted and commented upon an update from ASIC on ASIC Audit Quality Measures including ASIC consultation and research, categories of measures and consideration in selecting measures. ASIC is considering the publication of additional measures of audit quality in a separate paper to be released with, and as a supplement to, its next public report for the 12 months to 30 June 2019. The documents are currently planned to be released in mid-December 2019.</p>
7.B	<p><b>FRC REVIEW OF ADEQUACY OF AUDITOR DISCIPLINARY FUNCTIONS</b></p> <p>The Chair and Treasury provided an update on meetings held with ASIC, CADB and accounting bodies to discuss recommendations of the FRC report 'Auditor Disciplinary Process: Review.'</p>
7.C	<p><b>FRC AUDIT QUALITY ACTION PLAN</b></p> <p>Members discussed the status of the FRC Audit Quality Action Plan including:</p> <ul style="list-style-type: none"> <li>The AUASB are working through a list of areas where more guidance may be required in the auditing standards.</li> </ul>

	<ul style="list-style-type: none"> <li>The FRC Chair met in July with the CEOs of each of the accounting bodies (and with ASIC) and asked that the three accounting bodies initiate collaboration with each other and ASIC to enable sharing of best practices of audit inspection programs. That does not mean that each inspection program will be identical.</li> <li>The Audit Committee Chairs' survey to be replicated in November 2019.</li> <li>A survey of Chief Financial Officers to be conducted to gather views on audit quality.</li> </ul>
<b>8</b>	<b>PUBLIC SECTOR</b>
8.A	<p><b>REPORT BY THE PUBLIC SECTOR WORKING GROUP</b></p> <p>Dr Stein Helgeby provided an update on behalf of the Public Sector Working Group on the Future of Financial Reporting in the Public Sector. Members agreed that the working group continue to progress this project.</p>
<b>9</b>	<b>NOMINATIONS COMMITTEE</b>
9.A	<p><b>REPORT BY NOMINATIONS COMMITTEE CHAIR</b></p> <p>Dr Stein Helgeby provided an update on the recruitment of AASB and AUASB Board members noting that there were two positions being advertised for both the AASB and AUASB. Positions will be advertised shortly.</p> <p>Dr Stein Helgeby also reported that the AASB and AUASB members' peer review results were positive.</p>
<b>10</b>	<b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b>
10.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>The AICD has publicly released the results of its member consultation on its Forward Governance Agenda.</li> <li>The Department of Finance's update on accounting for leases.</li> <li>The APRA Chair presented to the AASB on 14 June 2019 on areas of mutual interest.</li> <li>HoTARAC met with the AASB Chair and staff members to discuss issues contained in AASB Discussion Paper: Improving Financial Reporting for Australian Public Sector.</li> </ul>
10.B	<p><b>REPORT BY XRB</b></p> <p>Warren Allen provided an update on the key activities of the XRB including:</p> <ul style="list-style-type: none"> <li>A targeted review of the New Zealand Accounting Standards Framework.</li> <li>XRB's Strategic Plan 2019-2024 released in August 2019.</li> <li>Digital reporting (XRBL) and filing – working on a New Zealand IFRS taxonomy.</li> </ul>

<b>11</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
11.A	<p><b>INTERNATIONAL DEVELOPMENTS</b></p> <p>Members noted the following international developments:</p> <ul style="list-style-type: none"> <li>• Sir Donald Brydon’s Independent Review in the United Kingdom on the quality and effectiveness of audit.</li> <li>• Recent IFIAR inspection findings.</li> </ul> <p>Members also noted the status of recent international appointments and resignations.</p>
<b>12</b>	<b>OTHER BUSINESS</b>
12.A	<p><b>FRC PEER REVIEW RESULTS</b></p> <p>The Chair reported on the results of the FRC peer review, which were positive.</p>
12.B	<p><b>REVIEW OF PERFORMANCE OF FRC’S STATUTORY FUNCTIONS</b></p> <p>Members reviewed a revised document outlining the FRC’s performance against the legislative requirements and agreed that the FRC was satisfying all requirements.</p>
<b>13</b>	<b>NEXT MEETING AND CLOSE</b>
	<p>The next FRC meeting will be held on Wednesday 6 November 2019 via videoconference from the Treasury Offices in Canberra, Sydney and Melbourne, and XRB offices in New Zealand.</p>