



Australian Government
Financial Reporting Council

FINANCIAL REPORTING COUNCIL STRATEGIC PLAN 2017-20

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SECTION 1

FRC's background and objectives

The FRC is the peak body responsible for overseeing the effectiveness of the financial reporting system in Australia and is thereby the key external advisor to the Australian Government on the financial reporting system.

In summary, its functions are to provide broad oversight of the processes for setting accounting and auditing standards for the public and private sectors, to provide strategic advice on the quality of audits conducted by Australian auditors, and to advise the Minister, and in some areas the professional accounting bodies, on these and related matters to the extent that they affect the financial reporting system in Australia.

The FRC is a statutory body under Part 12 of the [Australian Securities and Investments Commission Act 2001](#) (the Act), which specifies the FRC's functions and powers. The FRC's functions are reflected in Division 1 Subdivision A of Part 12 of the Act.

The FRC's objectives are to support the Act's objects outlined in Part 12 of the Act, to fulfill its functions effectively and efficiently and to provide timely and relevant advice to the Minister.

The objects of Part 12 of the Act are broadly to facilitate the development of high quality accounting standards that require the provision of financial information and the development of auditing and assurance standards and related guidance materials in order to facilitate the Australian economy and to maintain investor confidence in the Australian economy, including its capital markets.

The ASIC Act sets out core objectives for accounting and auditing standards in Australia:

- Accounting standards should support the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively overseas, and should maintain investor confidence in the Australian economy, including its capital markets
- Accounting and auditing standards should support the Australian economy by being clearly stated and easy to understand.

The ASIC Act expressly limits the FRC's ability to become involved in the technical deliberations of the AASB and AUASB. In particular, it provides that the FRC does not have power to direct the Boards in relation to the development, or making, of a particular standard, or to veto a standard formulated or recommended by the AASB or AUASB. This provision is designed to ensure the independence of the standard setting boards.

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).
- To require the AUASB to use auditing standards issued by the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop the Australian standards (Direction approved 4 April 2005).

These directions will be continually monitored to ensure the FRC is satisfied that the Boards have implemented these directions to the extent possible.

Under the ASIC Act, the FRC is also to provide strategic 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 effectiveness of Corporations Act provisions relevant to audit, the review processes undertaken by the professional bodies to ensure that auditor skills and processes remain at a high level, and disciplinary processes.

To meet its objectives the FRC seeks views from a broad range of stakeholders, including users, preparers and auditors of financial reports. Among the stakeholders are the Commonwealth, State and Territory governments, standard setters and industry regulators, as well as professional accounting, business and investor bodies.

The FRC monitors the development of international accounting and auditing standards, works to further the development of a single set of accounting and auditing standards for world-wide use and promotes the adoption of these standards.

In addition, the Australian and New Zealand governments have established cross-appointment arrangements to promote closer economic relationships between the two countries. The FRC accordingly has a New Zealand representative as one of its Members.

SECTION 2

Environmental scan

General economic conditions and trends, as well as developments related to financial reporting and auditing, in Australia and overseas contribute to the environment in which the FRC undertakes its role.

Key environmental factors include:

General

- Global economic growth and financial market conditions - economic growth is low, financial markets are very cognisant of risk, and in many jurisdictions public sector debt is high.
- The increasing interconnectedness of the global economy, including financial markets.
- The explosion of information available via the internet, and the ease with which stakeholders' views can be disseminated and contested often within a very short period.
- The continuing shift in economic power from western economies to major developing countries (for example, China and India).
- The expected increase in the stock of financial assets in Australia through superannuation savings, placing greater focus on the corporate governance and reporting standards applicable to superannuation funds.
- The constrained resources available to business and government (including the FRC).

The Financial Reporting System

- Australia adopted International Financial Reporting Standards (IFRS) in 2005 and has since been actively promoting IFRS as the preferred global reporting standard as issued by the International Accounting Standards Board. It has also played a leading role in promoting public sector and not-for-profit reporting based on IFRS.
- Australia's auditing standards are based on the international standards issued by the International Auditing and Assurance Standards Board.

SECTION 3

Strategic Priorities

1. To promote initiatives to improve the financial reporting system for both the public and private sectors (including the not-for-profit sector as well as the for-profit sector) and to make financial reports more useful, simple and relevant.

2. To continue to monitor the quality of audits carried out by Australian auditors.

3. To continue to influence international accounting and auditing developments, particularly by promoting suitably qualified Australians and New Zealanders for appointment to relevant international boards.

4. To consider external reporting initiatives, including their alignment with, and impact on, financial reporting requirements.

5. To continue and enhance interaction with stakeholders, including users, preparers and auditors of financial reports.

6. To encourage appropriate use of technology in the preparation and auditing of financial reports.