

ANNUAL
REPORT

2017-2018

FINANCIAL
ADVISER
STANDARDS AND
ETHICS
AUTHORITY
LIMITED

ABN 48 618 495 828

COMPANY SECRETARY
Kate Mills

EXTERNAL AUDITOR
ANAO

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From the Chair and the CEO

We are pleased to present the first annual report of the Financial Adviser Standards and Ethics Authority to our Minister, the Assistant Treasurer, the Honourable Stuart Robert MP, the representative of our member, the Commonwealth of Australia. The 2017/18 year marked the establishment of FASEA with the core purpose of implementing the Commonwealth's Corporations Amendment (Professional Standards of Financial Advisers) Act (2017). This Act amended the Corporations Law with the intent of raising professional and education standards for financial advisers. In doing so, the Parliament sought to rebuild consumer trust and confidence in the sector.

The program of work set for FASEA is the culmination of several years of development, starting with the December 2014 Parliamentary Joint Committee on Corporations and Financial Services Inquiry into proposals to lift the professional, ethical and education standards in the financial services industry. The Government's response to this in March 2015 set the groundwork for the FASEA regime, reinforced by several of the recommendations of the Financial System Inquiry (2014) and led to the draft legislation in 2016. The final bill passed the upper house in 2017 with support of all sides of the Parliament.

Pursuant to the legislation, in the first half of 2017 the then Minister for Revenue and Financial Services, the Honourable Kelly O'Dwyer MP created FASEA as an independent, Government owned corporation, declaring it the Authority for the purposes of the Act and subsequently appointed the Board. Early work of FASEA included identifying important elements of work program planning and establishing the basis on which FASEA would engage with stakeholders. Thereafter work commenced on standards development and communication.

Adopting a typical standards development process, FASEA has worked through the process of developing consultation papers for each of the seven standards and accompanying policy documentation. Starting with a release in October 2017 that provided guidance for those currently studying financial advice/planning and an update covering some of the existing provider pathways in December 2017, the Authority has worked through this development task. The full Education Standard guidance and the Code of Ethics were released in March 2018 and the balance of the consultation papers (Examination, Naming of Provisional Relevant Providers, Work and Training Requirements, Approval of Foreign Qualifications and Continuing Professional Development) were released in July 2018. The work program has also included a request for proposal process for procurement of services in relation to the development and delivery of the examination.

FASEA has also sought to engage with relevant stakeholder communities. This has been achieved by running a number of consultation forums and workshops on the various components of the work program with representatives from licensees, associations, educators and the consumer sector. This complemented direct engagement with individual stakeholders, as well as website consultation opportunities via written submissions on the consultation papers. We have engaged with regulators both domestically and internationally, including the finalisation of an MOU with the Tertiary Education Quality and Standards Agency.

The work program for the balance of 2018 is to review consultation on the standards; thereafter drafting for Legislative Instruments will be undertaken. Consultation will occur on those legislative instruments. The examination service provider will also be finalised and the initial examination instruments produced for deployment in early 2019.

The FASEA work program is complex. This reflects the importance of the program in terms of the future of the sector and the importance of quality outcomes for consumers. As noted above, FASEA was created to raise professional and education standards with a view to building consumer trust and confidence in the sector. The importance and challenge of this task that FASEA has been entrusted to deliver on is at the forefront of our thinking, processes and decision making.

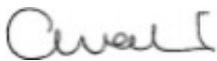
The progress to date has benefited greatly from the high level of engagement we have received from our stakeholders. It is clear that there are passionate, deeply held and diverse views from across this network of stakeholders. On the one hand this intensifies our task and it also provide rich data inputs with which to refine our integrated standards framework.

We thank our hard working and professional FASEA executive. The substantial efforts of this team have produced a significant volume of work and navigated the ever-challenging startup phase of an organization. We continue to add to the team to address our work program.

FASEA is also fortunate to have a highly engaged Board with deep expertise in the fields they represent. The Board has consistently engaged in the program of work. The willingness to contribute and engage is reflective of the seriousness with which the Board regards FASEA's legislated task. We thank each member of the FASEA Board for these contributions.

In closing, we note that a little over one year into FASEA's life a lot has been achieved, yet there is a lot still to do. We will continue to drive the implementation of the Government's reform program and look forward to continued engagement with our stakeholders. Despite the challenges of recent years, and indeed in 2018 itself, we believe there can be a bright future for financial advice. We see the transformative impact it can have on consumers of these services, both economically and personally. We also acknowledge however, the consumer detriment that has occurred and the failings in the sector.

Rebuilding trust and confidence in this sector is thus an important task, not just for the sector itself, but for the current and future consumers and the economy at large. It is to this end we will continue to work.



Catherine Walter AM, Chair
26 September 2018



Stephen Glenfield, Chief Executive Officer
26 September 2018

Our Purpose

Financial Adviser Standards and Ethics Authority Ltd (FASEA) is a Commonwealth entity that was established in April 2017 to set standards for the ethical conduct, educational qualifications and ongoing training of licensed financial advisers in Australia. FASEA's powers and responsibilities are set out under the *Corporations Act 2001 (Cth)* (the Act).

Under the Act, FASEA is responsible for:

- setting a Code of Ethics that all advisers must comply with in providing advice to consumers about financial products or services;
- approving university bachelor or higher level degrees or equivalent qualifications to ensure all advisers meet minimum knowledge and training requirements set by FASEA to advise consumers on financial products and services;
- approving foreign qualifications to ensure advisers qualified or who trained overseas and who provide advice to consumers in Australia meet FASEA standards;
- approving an exam to ensure all advisers meet subject matter knowledge requirements set by FASEA;
- selecting an appropriate common term for provisional relevant providers who are undertaking at least one year of work and training;
- setting standards for the future education and training (continuous professional development (CPD)) requirements that advisers must complete each year (professional year) so their knowledge remains current and they can retain their authorisation to advise consumers about financial products and services; and
- determining the requirements for the professional year

Published standards and Standards Development Program

During 2017 - 2018 FASEA published a series of draft standards with accompanying consultation papers explaining them, and inviting public submissions, as follows

1. Draft Guidance on Code of Ethics
2. Draft Guidance on Education Pathways for all Advisers
3. Draft Guidance on the Financial Adviser Examination
4. Draft Guidance on the Professional Year
5. Draft Guidance on the Provisional Relevant Provider Term
6. Draft Guidance on Continuing Professional Development
7. Draft Guidance on Foreign Qualification

Copies of these documents are available from FASEA's website.

The draft standards were also discussed in consumer, adviser and other stakeholder workshops and forums in 2018.

The following provides the draft FASEA Code of Ethics and Education pathways:



A relevant provider must act, at all times and in all cases, in a manner that is demonstrably consistent with the following principles, in the discharge of their professional duties.

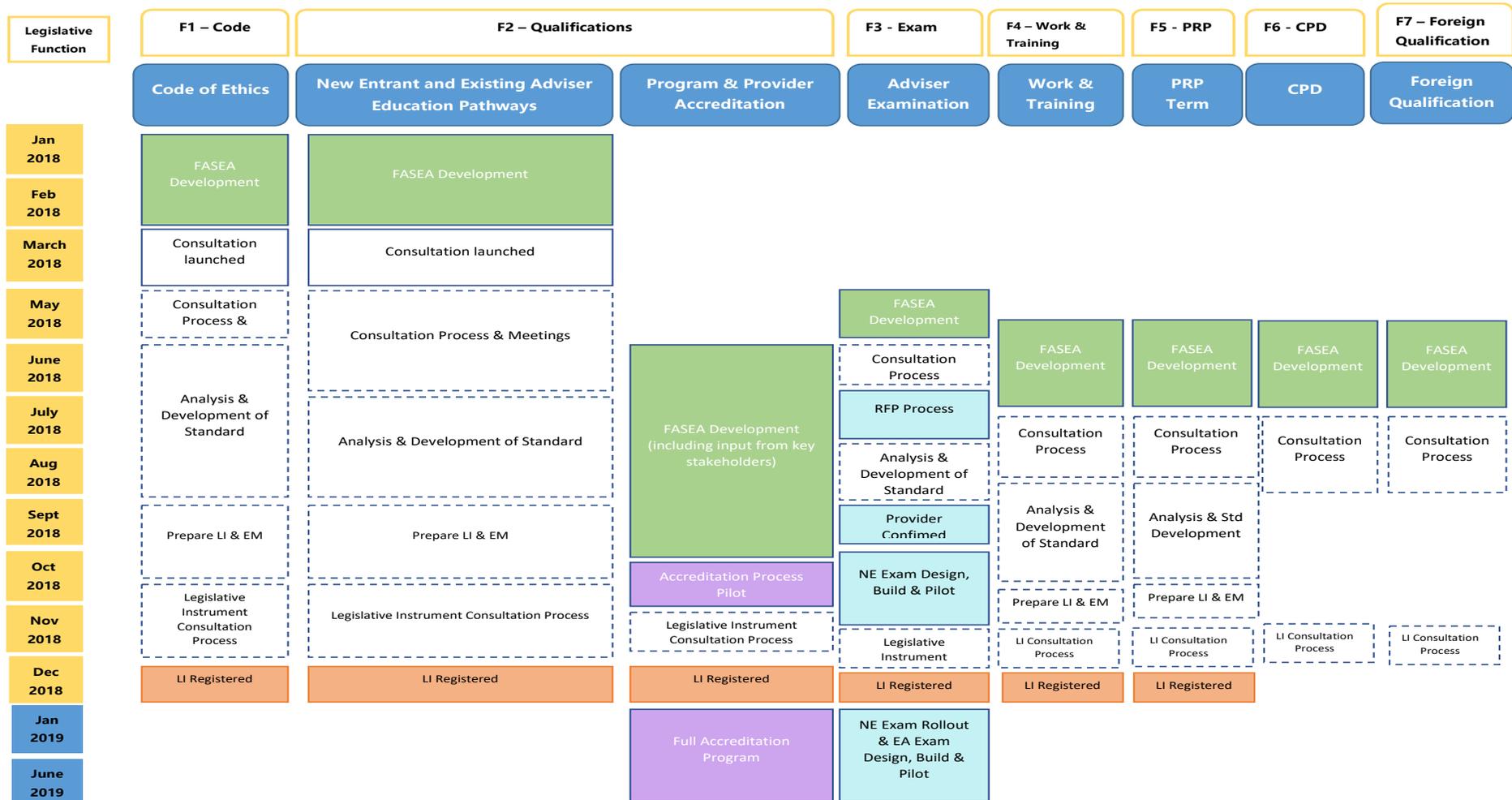
Standards of Ethical behaviour	Standards of Client care	Standards of Quality process	Standards of Professional commitment	Our values
<p>a relevant provider must:</p> <p>Standard 1 Act in accordance with the spirit- and not only the letter - of all relevant laws and regulations (including this Code).</p> <p>Standard 2 Must neither advise, refer, nor act in any other manner where inappropriate personal advantage is derived by the relevant provider.</p> <p>Standard 3 Act with personal integrity and as an independently minded professional, for the benefit of each client.</p>	<p>a relevant provider must:</p> <p>Standard 4 Act only on the basis of the free, prior and informed consent of a client.</p> <p>Standard 5 Ensure that all advice and products are: a) in the best interest of each client, b) appropriate to the individual circumstances of each client, c) presented in terms easily understood by the client.</p> <p>Standard 6 Take into account the broad effects arising from a client acting on their advice.</p>	<p>a relevant provider must:</p> <p>Standard 7 Obtain informed consent to act and to receive agreed fees and payments for agreed services.</p> <p>Standard 8 Obtain informed consent, and agree, to maintain records relevant to the advice provided, in accordance with relevant privacy, regulatory and confidentiality obligations.</p> <p>Standard 9 Ensure that all advice and products are: a) offered in good faith and with competence, b) based on information that is neither misleading nor deceptive.</p>	<p>a relevant provider must:</p> <p>Standard 10 Develop and maintain a high level of relevant knowledge and skills.</p> <p>Standard 11 Accept that potential breaches of this Code will be subject to investigation and discipline from the responsible Code Monitoring Body, undertaken in accordance with ASIC's approval and oversight of that Body.</p> <p>Standard 12 Individually and in cooperation with peers, uphold and promote the ethical standards of the profession and hold each other accountable for the protection of the public interest.</p>	<p>A relevant provider must always act to realise and promote the values of:</p> <ul style="list-style-type: none"> • Trust • Competence • Honesty • Fairness • Diligence



New entrant	Existing adviser with no degree	Existing adviser with unrelated degree	Existing adviser with related degree	Existing adviser with related degree + related post graduate qualification	Existing adviser with approved degree
<p>Education required Approved Degree (2x subjects at AQF7) by no later than January 1 2019</p>	<p>Education required Approved Graduate Diploma (9 subjects at AQF8) OR Other approved qualifications (Degree or Masters - AQF7 and above) by no later than January 1 2024</p>	<p>Education required Approved Graduate Diploma (9 subjects at AQF8) by no later than Jan 1 2024</p>	<p>Education required Bridging Course (3 subjects at AQF8) by no later than Jan 1 2024</p>	<p>Education required Bridging Course (3 subject - FASEA Code of Ethics at AQF8) by no later than Jan 1 2024</p>	<p>FASEA approved Bachelors or Masters Degree already meets the qualification requirements. Education required Bridging Course (3 subject - FASEA Code of Ethics at AQF8) by no later than Jan 1 2024</p>
<p>Professional requirements</p> <ul style="list-style-type: none"> • PY • Exam • Annual CPD • Code of Ethics 	<p>RP, options likely to be available in these two categories Professional development programs, education and experience may attract RP. FASEA would expect greater RP credits to be available for advisers with formal qualifications.</p>			<p>Bridging Course subjects</p> <ul style="list-style-type: none"> • Corporations Act (emphasis on Chapter 7 - Financial Services and Markets) • The FASEA Code of Ethics • Behavioural Finance, Client and Consumer Behaviour, Engagement and Decision Making 	
<p>Professional requirements for existing advisers</p>	<p>Pass an exam by 01/01/2021</p>		<p>Annual CPD from 01/01/2019</p>	<p>Code of Ethics 01/01/2020</p>	

Detailed FASEA standards development program to June 2019

The diagram below sets out the purpose and timelines of FASEA for each standard over this period.



Management and Accountability

Company Structure

FASEA is a public company limited by guarantee. It was incorporated in the Australian Capital Territory in 2017. The sole member is the Commonwealth of Australia, represented by the Assistant Treasurer.

FASEA is overseen by a Board of Directors which was appointed by the Minister for Revenue and Financial Services in 2017. The Board is responsible to the Minister for the governance of FASEA. With one exception, its directors do not have any executive roles and are not responsible for the day to day operation and function of FASEA.

The exception is Dr Mark Brimble who was appointed initially as a member of the Board of Directors of FASEA, but later assumed the role of acting Managing Director of FASEA on a temporary basis following the resignation of its Chief Executive Officer (CEO), Deen Sanders, in April 2018. Stephen Glenfield became the CEO of FASEA in September 2018 and Dr Brimble now continues as a member of the Board of FASEA.

In accordance with the FASEA Constitution, the Board submits a Business Plan, Budget and Annual Report to the Minister each financial year.

There are two Board sub-committees. The responsibilities of each is set out below.

Audit and Risk Committee (ARMC)

This Committee has the following responsibilities:

- * providing independent assurance in relation to FASEA's financial reporting, risk oversight and management, systems of internal control, compliance with relevant laws and policies and compliance with the PGPA Act performance reporting framework;
- * providing advice and making recommendations to the Board in respect of these matters;
- * reporting financial and regulatory information to users of financial reports;
- * the internal control system;
- * the risk management system;
- * monitoring of outsourced providers;
- * monitoring compliance with applicable laws, regulations, standards and best practice guidelines.

Standards and Code of Ethics Drafting Committee (SaCDOC)

This Committee has the following responsibilities:

- * reviewing the required Standards (and related documents);
- * providing overall direction for the project, including setting and agreeing to objectives, approaches and outcomes;
- * reviewing the existing Standards (and related documents);
- * preparing and designing consultation processes including outcomes of consultations on particular standards;
- * providing assistance and advice to the relevant executives;
- * identifying issues and risks that impact the project and communicating these to the FASEA staff and the Board;
- * communicating critical decisions, documents and deliverables from the project to the FASEA staff and the Board; and
- * Working towards resolving issues and where these cannot be resolved, recommending possible solution(s) to the Board.

External Audit

The financial statements of FASEA are audited annually in accordance with FASEA’s Constitution and the Corporations Act. The Australian National Audit Office (ANAO) is the external auditor for FASEA. Representatives of the external auditor are invited to attend meetings of the ARMC.

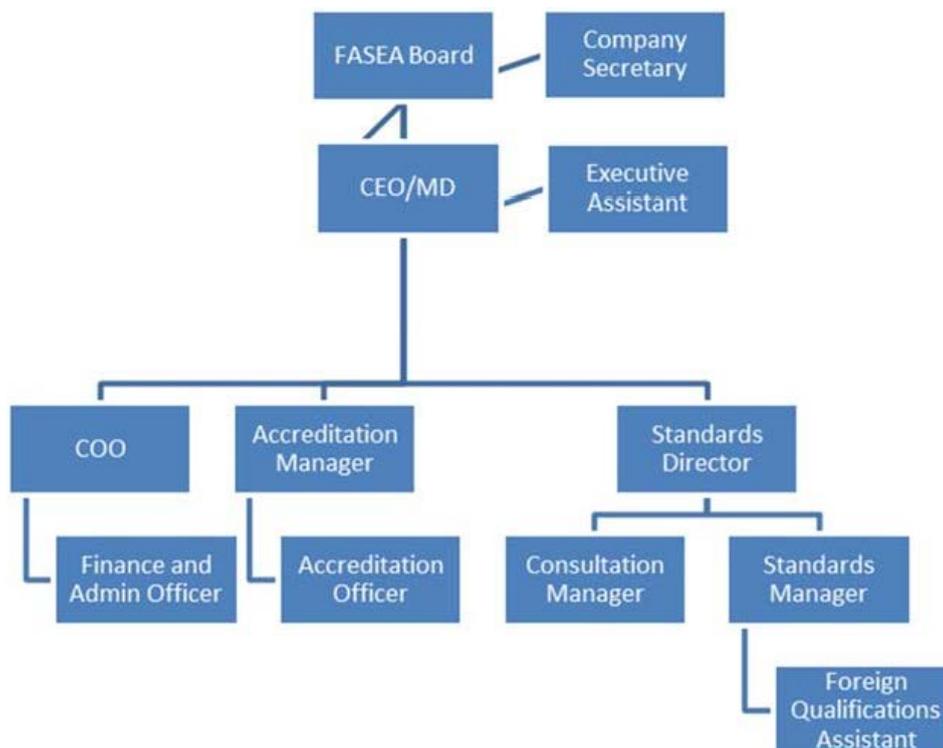
Funding

Currently, FASEA receives industry funding of \$3.9 million annually under a contract which expires on 30 June 2021. Funding was intentionally short-term to cover the establishment of FASEA and its initial period of operation to enable it to fulfil its legislative timelines.

It is expected that prior to the termination of the Funding Agreement, separate arrangements will be put in place for the financial services industry as a whole to provide ongoing funding to FASEA to enable it to perform its functions under the Corporations Act beyond the expiry of this Agreement.

The industry funding provided to FASEA under the Funding Agreement is not tied. FASEA may use the funding in connection with the fulfilment of any of its prescribed statutory functions under s.921U of the Corporations Act. The funding is not required to be repaid.

Organisational Structure



* The positions of Accreditation Officer, Standards Manager and Foreign Qualifications Assistant have yet to be filled by suitably qualified candidates.

Directors' Report

The Directors submit the FASEA Directors' report for the financial year ended 30 June 2018.

Directors

Catherine Walter AM (Chair)

Mark Brimble

Carolyn Bond AO

Deborah Kent

Simon Longstaff AO

Catriona Lowe

Michael O'Neill

Matthew Rowe

Stephen Somogyi

Responsible Minister

The Minister responsible for FASEA during the 2017-18 financial year was the Hon Kelly O'Dwyer, Minister for Revenue & Financial Services.

Company Secretary

Kate Mills held the position of Company Secretary for the duration of the 2017 - 18 financial year.

Membership

There is one Member (the Federal Government as represented by the Minister for Revenue and Financial Services). On a winding up the Member is required to contribute \$10.00.

Principal Business

The principal business of FASEA during the financial year was to be the standards body under the Corporations Act 2001 and to set the education, training and ethical standards of licensed financial advisors in Australia.

FASEA's Objectives

FASEA's paramount aim or objective is to improve consumer trust and confidence by raising the ethical, professional, and educational standards of financial advisers. To give effect to this, FASEA has set itself a number of short and longer term objectives and the strategies by which it has or proposes to meet these objectives.

FASEA's short-term objectives and strategies in 2017 – 18 were to:

1. establish an office, systems, procedures and internal policies, engage contract staff or other short-term consultants in key roles with appropriate expertise to enable it to discharge its functions effectively and efficiently, at the lowest reasonably achievable cost having regard to its non-profit character;
2. engage its Board to harness their experience, expertise and leadership quickly and leverage their respective professional networks to ensure the views and concerns of all key stakeholders were considered in the design and development of FASEA standards, and to facilitate wider, more informed consultation on those;
3. liaise regularly with ASIC and other regulators as appropriate to ensure FASEA standards are prudent, reasonable and enforceable, and will meet the interests of consumers in receiving sound, ethical advice and of advisers in having certainty about what is required of them and how they develop the necessary body of knowledge to be or remain eligible to be relevant providers; and

4. develop a draft Code of Ethics and standards in relation to education, equivalent qualifications locally and overseas, an exam, and ongoing professional training and professional year utilising the expertise of its staff, consultants and Board, and issue these publicly together with discussion papers to encourage consumers, advisers and other key stakeholders to actively engage with the work of FASEA.

FASEA's longer-term objectives and strategies in 2019 – 2021 are to:

1. finalise the Code of Ethics, determine the standards in relation to education, equivalent qualifications locally and overseas, an exam, and ongoing professional training and professional year;
2. provide guidance to new entrants and existing advisers about the pathways to achieving the required qualifications, training and experience to meet FASEA standards, including what meets the equivalence test, whether any additional bridging course is required and what name they can use to describe themselves while qualifying as advisers;
3. accredit educational programs and courses that will meet FASEA's standards;
4. approve exams to ensure advisers meet knowledge requirements and assessment under FASEA's standards;
5. prepare and consult with key stakeholders in roundtables or other targeted consultation about drafts of legislative instruments embodying the Code and standards to refine these as appropriate;
6. finalise legislative instruments embodying the Code and standards for parliamentary consideration; and
7. periodically consult with key stakeholders and review the Code and standards to assess their efficacy.

Principal Activities 2017 – 18

Consistent with its short-term objectives, FASEA's principal activities in 2017-18 involved:

- ◆ Establishment (locating and setting up an office for its activities; recruitment of executive staff, contractors and consultants; entering into service agreements and other arrangements to support its office and administration; establishing Board processes, policies and practices; establishing Board sub-committees; establishing a FASEA website, content, and logo);
- ◆ Code and standards development (establishing a Board sub-committee with specific focus on this area; preparing draft content, parameters, and associated discussion Code and standards material; consulting on these materials publicly and among key stakeholders and regulators; running workshops; engaging with industry (including peer organisations) and consumers (including consumer advocacy groups) via submissions and correspondence; liaising with offshore regulators about applicable codes and standards; issuing media releases and publishing material on FASEA's website);
- ◆ Consultations as required with the Minister as the Member of FASEA; and
- ◆ Financial and Administration (appointing an auditor; establishing financial record systems, policies and procedures, internal controls and delegations; establishing bank accounts and signatories; testing the adequacy of financial systems and controls; preparing a business plan, budget and forecast).

Performance Measures

Standard	Released for Consultation	Closed for Consultation
Draft Guidance on Code of Ethics	20 March 2018	1 June 2018
Draft Guidance on Education Pathways for all Advisers	20 March 2018	29 June 2018
Draft Guidance on Financial Adviser Examination	11 July 2018	31 July 2018
Draft Guidance on Professional Year	23 July 2018	17 August 2018
Draft Guidance on Provisional Relevant Provider Term	23 July 2018	17 August 2018
Draft Guidance on Continuing Professional Development	24 July 2018	31 August 2018
Draft Guidance on Foreign Qualifications	24 July 2018	31 August 2018

Meeting Purpose	Stakeholder Group(s)	Dates
Consultation on: <ul style="list-style-type: none"> • Code of Ethics • Education Pathways • Update on FASEA Work Program 	Separate sessions for each of the following stakeholder groups: <ul style="list-style-type: none"> • Industry Associations • Licensees (representing small, medium large businesses) • Education Providers 	23 & 24 May 2018
Consultation on: <ul style="list-style-type: none"> • Code of Ethics • Education Pathways • Update on FASEA Work Program 	Consumer Representatives in meetings and via submissions	29 June 2018
Workshop for Input on: <ul style="list-style-type: none"> • Professional Year Parameters 	Licensees (representing small, medium, large businesses)	19 June 2018
Workshop for Input on: <ul style="list-style-type: none"> • Accreditation Curriculum 	One multi-stakeholder session including: <ul style="list-style-type: none"> • Industry Associations • Licensees (representing small, medium large businesses) • Education Providers 	19 June 2018

Consultation on: <ul style="list-style-type: none"> • Exam • Professional Year • Provisional Relevant Provider Term • Continuing Professional Development • Foreign Qualifications • Update on FASEA Work Program 	Separate sessions for each of the following stakeholder groups: <ul style="list-style-type: none"> • Industry Associations • Licensees (representing small, medium large businesses) • Education Providers 	25-26 July 2018
Regular Engagement	ASIC	Monthly from June 2018
Engagement	TPB	June 2018
Engagement	TEQSA	August 2018

Operating Trading Result

The net result for the year ended 30 June 2018 was \$2,308,839.

Under the terms of its Funding Agreement with contributors FASEA receives annual funding of \$3,900,000 in quarterly instalments of \$975,000. FASEA utilises this funding to meet its obligations in implementing the Commonwealth's Corporations Amendment (Professional Standards of Financial Advisers) Act (2017). The timing in incurring expenditure in undertaking the work program to meet these obligations has resulted in FASEA reporting a surplus in the period to 30 June 2018. It is anticipated that substantial costs associated with the design and implementation of the adviser exam and the finalisation and bringing into effect of the Code of Ethics and other standards will result in this surplus being expended in the coming financial years.

Dividends

FASEA is a non-profit company. No dividends have been paid or declared during the year and no dividends are proposed. FASEA is prohibited by its Constitution from making a distribution to its members.

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of FASEA during the 2017 - 2018 financial year.

After Balance Date Events

There are no matters or circumstances that have arisen since 30 June 2018 which significantly affect the operations of the company, the results of those operations or the state of affairs of the company in future financial years.

Meetings of Directors

During the 2017 - 2018 financial year, 24 meetings (including sub-committees of directors) were held. Attendances by each Director were as follows:

	Board of Directors		Audit and Risk Sub-Committee		Standards and Code of Ethics Drafting Sub-Committee	
	Eligible to attend	Attended	Member	Attended	Member	Attended
Catherine Walter	13	13	N	5*	N	6*
Mark Brimble	13	13	N	2*	Y	6
Carolyn Bond	13	13	N	0	N	1*
Simon Longstaff	13	11	N	0	Y	1
Catriona Lowe	13	13	N	0	Y	5
Michael O'Neill	13	12	Y	5	N	0
Matthew Rowe	13	12	Y	5	N	1*
Steve Somogyi	13	13	Y	5	N	5*
Deborah Kent	13	13	N	0	Y	6

* While not a member of the Committee, this director attended as an invitee.

Directors' Benefits

The Directors are paid such remuneration and allowances as determined by the Remuneration Tribunal out of the monies of FASEA. Since incorporation, no director of the company has received or become entitled to receive any other benefit that is not in accordance with the Remuneration Tribunal determination.

Board and CEO Remuneration FY18	
	Fees
	\$
Catherine Walter	\$ 113,041.91
Carolyn Bond	\$ 19,320.00
Mark Brimble*	\$ 90,552.00
Deborah Kent	\$ 25,200.00
Simon Longstaff	\$ 17,871.00
Catriona Lowe	\$ 31,332.00
Michael O'Neill	\$ 20,328.00
Matthew Rowe	\$ 33,675.60
Steve Somogyi	\$ 19,320.00
	\$370,640.51

	Salary
Deen Sanders - CEO (18/9/17 - 20/4/18)	\$ 219,090.00

* including acting in the role of MD from 20/4/18 - 30/6/18

Indemnities and Insurance Premiums

During the financial year, in accordance with the Corporations Act, FASEA entered into a directors and officers insurance policy with an insurer, Comcover, and paid the applicable premium under the policy. The policy covers directors and executive officers against any claims or liabilities arising from claims against them in any third party legal proceedings in respect of their conduct while acting in the capacity of director or executive of FASEA.

There are no claims of which FASEA is aware that are pending against any director or officer.

Environmental Issues

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

Proceedings on behalf of the Company

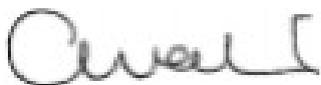
No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

The company was not a party to any such proceedings during the year.

Ministerial Directions and Government Policy Orders

There were no directions issued to the company by the responsible Minister under the company's constitution or under any Act or instrument.

Signed in accordance with a resolution of the Board of Directors



Catherine Walter AM
Chair



Matthew Rowe
Director

Our Board

The Board of FASEA was appointed by the Minister for Revenue and Financial Services, the Hon Kelly O'Dwyer, MP on 10 April 2017 and declared as the Standards Body in July 2017.

Catherine Walter AM (Chair)

Catherine Walter AM is a solicitor and company director and has served on many listed, government and not for profit boards and government inquiries.

Currently Catherine is a member of the Reserve Bank of Australia's Payments System Board, Chair of Melbourne Genomics Health Alliance, a Director of Australian Foundation Investment Company and Trustee of the Helen Macpherson Smith Trust. She has previously served on the boards of ASX, National Australia Bank, Orica and Victorian Funds Management Corporation.

Catherine holds a first class honours Bachelor of Laws, a Master of Laws and an MBA, all from the University of Melbourne.

Mark Brimble

Dr Mark Brimble is a Professor (Finance) in the Department of Accounting, Finance and Economics in the Griffith Business School. He has a PhD on capital markets and has active research interests in financial markets, sustainable finance, personal finance and finance education, with publications in various national and international journals.

Professor Brimble is a Commonwealth Office for Learning and Teaching National Fellow and is the recipient of numerous teaching and learning grants, citations and awards, including leading the team that won the 2010 Business and Higher Education Round Table award for the best higher education and training collaboration. Mark was awarded Australian Teaching and Learning Council Citations in 2011 and 2016, and an Australian Award for Teaching Excellence in 2016.

Dr Brimble is a CPA, a Fellow of the FINSIA, a member of the Financial Planning Association of Australia and the Australian Institute of Company Directors. Mark was a foundation member of the Financial Planning Education Council and Chair from 2012-2017. He was also the Founding Co-Chair of the Financial Planning Academics Forum and is the Co-Founding Editor of the Financial Planning Research Journal.

In his substantive role at Griffith University Mark is Head of the Department of Accounting, Finance and Economics.

Carolyn Bond AO

Carolyn Bond AO has held various roles representing the interests of consumers, particularly in financial services. She is a former co-CEO of the Consumer Action Law Centre. Carolyn is a member of the Customer Owned Banking Code Monitoring Committee and a Director of the Financial Counselling Foundation. She currently manages a project contributing to industry policies which address the financial impacts of family violence on customers.

Deborah Kent

Deborah Kent is the Managing Director and Founder of Integra Financial Services. She is a former President of the Association of Financial Advisers and Western Sydney Business Connection. She is also a former NSW State Director of the Authorised Representative Association.

Simon Longstaff AO

Simon Longstaff AO is the Executive Director of the Ethics Centre. He also holds board positions with the Banking and Finance Oath, BHP Billiton Forum of Corporate Responsibility, BT Professional Standards Council, Westpac Stakeholder Council, IAG Ethics Committee and AUSTRADE Ethics Committee. He holds a Doctor of Philosophy from the University of Cambridge and a Bachelor of Education from the University of Tasmania.

Catriona Lowe

Catriona Lowe is a Director of the Financial Ombudsman Service, Legal Practitioners' Liability Committee (Vic) and Telecommunications Industry Ombudsman, as well as Co-Chair of the ACCC Consumer Consultative Committee. She is also the former Chair of the Consumers' Federation of Australia and Co-CEO of the Consumer Action Law Centre.

Michael O'Neill

Michael O'Neill was Chief Executive of National Seniors Australia for ten years, a position involving extensive exposure to population policy issues including pensions, retirement income and age care. His public policy experience includes leadership of leading resource organisations AgForce Queensland, the Queensland Farmers Federation and the Australian Gold Council. Michael also worked for a decade in consumer protection with the Trade Practices Commission. He has an Economics degree from the University of Queensland.

Matthew Rowe

Matthew is currently the CEO and Managing Director of CountPlus Ltd, an ASX listed entity that operates 17 Accounting and Financial Advice firms. Prior to this appointment Matthew spent 17 years in professional practice as a Financial Adviser and Managing Partner of Hood Sweeney. He has contributed to the financial advice sector as Chair of the Financial Planning Association of Australia, as an Australian representative to the Global Financial Planning Standards Board and as a Member of the Expert Advisory Group Finance Learning Standards with the Australian Business Deans Council. Matthew has also been engaged as an expert witness regarding financial advice conduct matters.

Matthew is a graduate of the General Management Program at Harvard Business School and has a Bachelor of Economics, Diploma in Financial Planning, Graduate Diploma in Accounting and holds the following designations CFP (Life), FCA, FCPA and GAICD.

Stephen Somogyi

Steve Somogyi is a Director of Guild Group and UniSuper, Chair of Higher Ed Services and a Member of the Safety, Rehabilitation and Compensation Commission. He is Principal Advisor, Strategic Projects at Monash University. He holds a Master of Science in Physics from the University of Melbourne and a Master of Science in Management from the Massachusetts Institute of Technology.

Managing Director and CEO

Stephen Glenfield is currently Chief Executive Officer.

Mark Brimble acted in the role of Managing Director from April 20, 2018 until September 2018.

Deen Sanders was the inaugural CEO from 18 September 2017 until 20 April 2018.

Other Executives

Chief Operating Officer

Colin Christie is the Chief Operating Officer of FASEA. He has extensive experience as a Director and Executive with various entrepreneurial, high growth, and private equity backed companies. Mainly working with high growth and turnaround SME's, he has also held roles in IPO's, management buy-ins and buy-outs. His industry knowledge extends across financial services, FMCG, retail and distribution, IT, health and medical services.

Colin began his career with EY, qualifying as a Chartered Accountant, and is a Fellow of the Institute of Chartered Accountants. He has also completed the Institute of Directors' Diploma in Company Direction.

Company Secretary

Kate Mills is a solicitor and director of a number of private and not for profit companies, including a legal and strategic consulting firm, chairman of the Biennale of Sydney Ltd and a founding director of the fundraising Foundation of the Inner City Legal Centre, Sydney. She has extensive experience in corporate, securities, and financial services law, and corporate governance, including as Chairman of the Federal ASIC Enforcement Review Taskforce (reported 2017), head of the secretariat to the Federal ASIC Capability Review (reported 2015), partner of King & Wood Mallesons (Sydney), and chief legal adviser to the Investigations and Enforcements division, Australian Stock Exchange. She also worked as principal adviser on financial services and corporate policy to the Federal Treasury, on a range of projects, including whistleblowing, Asia region funds passport and corporate collective investment vehicles for funds. She holds a Bachelor of Arts and a Bachelor of Law from the Australian National University, is a member of the Australian Institute of Company Directors and a Fellow of the Institute of Managers and Leaders, Australia.



Ms Catherine Walter AM
Chair
Financial Adviser Standards and Ethics Authority Ltd
133 Castlereagh Street, Sydney, NSW 2000

**FINANCIAL ADVISER STANDARDS AND ETHICS AUTHORITY
FINANCIAL REPORT 2017–18
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the Financial Adviser Standards and Ethics Authority for the period ended 30 June 2018, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Bola Oyetunji
Senior Executive Director

Delegate of the Auditor-General

Canberra

26 September 2018



INDEPENDENT AUDITOR'S REPORT

To the members of the Financial Adviser Standards and Ethics Authority Limited

Opinion

In my opinion, the financial report of the Financial Adviser Standards and Ethics Authority Limited for the period ended 30 June 2018 is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of Financial Adviser Standards and Ethics Authority Limited 's financial position as at 30 June 2018 and of its performance for the period then ended; and
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001.

The financial report of Financial Adviser Standards and Ethics Authority Limited, which I have audited, comprises the following statements as at 30 June 2018 and for the period then ended:

- Directors' Declaration;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Statement of Cash Flows; and
- Notes to the financial statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. I am independent of Financial Adviser Standards and Ethics Authority Limited in accordance with the *Corporations Act 2001* and the relevant ethical requirements for financial report audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the period ended 30 June 2018, but does not include the financial report and my auditor's report thereon. My opinion on the financial report does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial report, my responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or my knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Directors' Responsibility for the Financial Report

The directors of Financial Adviser Standards and Ethics Authority Limited are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing Financial Adviser Standards and Ethics Authority Limited's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

My objective is to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

I also provide the directors with a statement that I have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

Australian National Audit Office



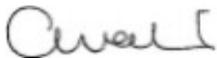
Bola Oyetunji
Senior Executive Director
Delegate of the Auditor-General
Canberra
26 September 2018

Directors' Declaration

In the opinion of the directors of the Financial Advisor Standards and Ethics Authority Limited:

- a. The financial statements and notes, set out in the 2017-2018 Annual Report are in accordance with the Corporations Act 2001, including:
 - i. Giving a true and fair view of the financial position of the Company as at 30 June 2018 and performance, as represented by the results and cash flows, for the year ended on that date; and
 - ii. Complying with the Australian Accounting Standards, including Australian Accounting Interpretations and the Corporations Regulations 2001; and
- b. There were reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:



Catherine Walter, AM
Chair
Financial Advisor Standards and Ethics Authority Limited Board

26 September 2018

Financial Report

Financial Adviser Standards and Ethics Authority Ltd

Statement of Comprehensive Income for the period ended 30 June 2018

	Note	2018
		\$
Revenue from Contributors	3	3,900,000
Other income		9,210
Total revenue		<u>3,909,210</u>
Expenses		
Board related expenses	4	494,071
Employee benefits expense	4	416,605
Occupancy expenses	4	349,017
Other expenses from ordinary activities	4	<u>340,678</u>
Total expenses		1,600,372
Surplus from ordinary activities		2,308,839
Total Comprehensive Income		2,308,839

The above statement should be read in conjunction with the accompanying notes.

From

Statement of Financial Position as at 30 June 2018

	Note	2018
Assets		\$
Current Assets		
Cash and cash equivalents	8	2,607,318
Other assets - security deposit		14,400
Total Assets		<u>2,621,718</u>
Liabilities		
Current Liabilities		
Trade and other payables	9	305,471
Short term provisions	10	7,409
Total Liabilities		<u>312,880</u>
Net Assets		<u>2,308,839</u>
Equity		
Retained surplus		2,308,839
Total Equity		<u>2,308,839</u>

The above statement should be read in conjunction with the accompanying notes.

Statement of changes in equity:

Comprehensive income for the period	
Surplus	2,308,839
Total comprehensive income for the period	2,308,839
Balance at 30 June 2018	2,308,839

Statement of Cash Flows for the period ended 30 June 2018

	Note	2018 \$
Cash Flow from Operating Activities		
Cash received		
Receipts from Contributors		4,056,311
Interest received		9,210
Total cash received		4,065,521
Cash used		
Payments to suppliers		616,721
Payments to employees and directors		841,482
Total cash used	11	1,458,203
Net cash generated by operating activities		2,607,318
Cash at end of the financial year		2,607,318

The statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Financial Statements for the period ended 30 June 2018

Financial Adviser Standards and Ethics Authority Limited is a public company limited by guarantee, incorporated in Australia. The Company has one member – the Commonwealth of Australia represented by the Minister for Financial Services.

1. Basis of Preparation

(a) Statement of Compliance

These financial statements have been prepared in accordance with the Corporations Act 2001 and with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations. The financial statements reflect the first period of operation for the company and cover the reporting period 11 April 2017 to 30 June 2018.

(b) Basis of preparation

These financial statements have been prepared on the historical cost basis. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

(c) Significant accounting judgements, estimates, and assumptions

The preparation of the company's financial statements requires the Board to make judgements, estimates and assumptions that affect reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities. At the end of the reporting period the estimates and underlying assumptions are reviewed on an ongoing basis.

No accounting standard has been adopted earlier than the application date as stated in the standard. The following standard has been issued and is applicable to future reporting periods and will have a material effect on FASEA's financial statements:

AASB15 Revenue from contracts with customers

AASB15 applies to all revenue arising from contracts unless the contracts are within the scope of other standards and replaces all existing revenue requirements in Australian Accounting Standards.

This standard provides a single framework for revenue recognition using a five step model. This standard will be effective for FASEA for its 2019-20 financial period end and will have a material effect on the financial statements.

2. Summary of Significant Accounting Policies

2.1 Revenue

Revenue is measured at the fair value of the consideration received or receivable. Interest revenue is recognised on an accrual basis using the effective interest method.

Revenue from contributions is recognised when FASEA obtains control or the right to receive the contributions.

2.2 Employee Entitlements

(a) Provisions

Provision is made for the company's liability for employee entitlements arising from services rendered by employees to balance date. Salaries and wages and annual leave entitlements are expected to be settled within one period. Long service leave entitlements are not to be settled within one period, unless seven periods' service has been achieved. Contributions are made to employee superannuation funds and are charged as expenses when incurred.

(b) Wages and salaries

Liabilities for wages and salaries are recognised in respect of employees' services up to the reporting date. They are measured as the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

(c) Superannuation

The company's staff are members of various defined contribution plans to which the company must contribute. The liability for superannuation recognised at 30 June represents outstanding contributions for the final payroll period of the period.

2.3 Cash

Includes cash on hand and on deposit with financial institutions and are stated at their nominal value.

2.4 Financial Assets

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets.

Impairment of financial assets

At each reporting date, FASEA reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss.

2.5 Taxation

The company is exempt from all forms of taxation except fringe benefits tax (FBT) and the goods and services tax (GST).

Revenues, expenses, liabilities and assets are recognised net of the amount of GST, except

- i) Where the amount of GST incurred is not recoverable from the taxation authority it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- ii) Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payable.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

2.6 Property, plant and equipment

Purchases of property, plant and equipment are recognised at cost in the statement of financial position except for purchases costing less than \$5,000 which are expensed in the period of acquisition. Property, plant and equipment are carried at cost less subsequent accumulated depreciation.

2.7 Contingent liabilities and contingent assets

Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the relevant notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote. For 2017-18 there are no contingent asset or liabilities.

2.8 Going concern

There are reasonable grounds to believe that the company will be able to pay all its debts as and when they become due. The financial statements have been prepared on a going concern basis.

2.9 Events after balance date

Since the end of the financial period, the Directors are not aware of any matter or circumstance not otherwise dealt with in the accounts that have significantly or may significantly affect the operations of the company or the results of those operations.

2.10 Member's Guarantee

FASEA is limited by guarantee.

2.11 Surplus from ordinary activities

Under the terms of its Funding Agreement with contributors FASEA receives annual funding of \$3,900,000 in quarterly instalments of \$975,000. FASEA utilises this funding to meet its obligations in implementing the Commonwealth's Corporations Amendment (Professional Standards of Financial Advisers) Act (2017). The timing in incurring expenditure in undertaking the work program to meet these obligations has resulted in FASEA reporting a surplus in the period to 30 June 2018. It is anticipated that substantial costs associated with the design and implementation of the adviser exam and the finalisation and bringing into effect of the Code of Ethics and other standards will result in this surplus being expended in the coming financial years.

Note 3: Revenue and Other Income

	\$
Contributions from Funders	3,900,000
Interest Income	9,210
Total revenue from operations	<u>3,909,210</u>

Note 4: Expenditure**Board related expenses**

	\$
Board & Committee Fees	417,057
Board & Committee Travel Expenses	77,014
	494,071

Employee benefits expense

	\$
Salaries & Wages	352,605
Consulting Staff	64,000
Total employee benefits	416,605

Occupancy expenses

	\$
Rent & Utilities	77,223
Insurance	6,387
Office Administration	57,555
Temporary Office Staff set up costs	207,851
Total occupancy expenses	349,017

Other expenses from ordinary activities

	\$
Stakeholder Communications	160,461
Staff Recruitment Fees	120,303
Bank Fees & Interest Charges	920
Legal & Accounting Fees	58,994
Total other expenses	340,678

Note 5: Remuneration of Auditors	\$
Audit of financial statements	35,000

No other services were provided by the Auditor-General during the reporting period.

Note 6: Directors' Remuneration	
\$10,000 - \$20,000	3
\$20,000 - \$30,000	2
\$30,000 - \$40,000	2
\$90,000 - \$100,000	1
\$110,000 - \$120,000	1
Total	<u>9</u>

Total remuneration received	417,057
------------------------------------	----------------

Superannuation contributions amounting to \$35,211 were paid on behalf of directors

Note 7: Key Management Remuneration	\$
Short term benefits	345,530
Key management personnel remuneration includes the roles of CEO and COO	

Note 8: Cash and cash equivalents	\$
Cash at bank and on hand	2,607,318

Note 9: Trade and other payables	\$
Trade payables	137,719
Other payables	167,752
	305,471

Payables are all current and settlement is usually made within 30 days

Note 10: Provisions	\$
Employee provisions	7,409
	7,409

All provisions are current

Note 11: Cash Flow Statement Reconciliation	
Operating profit/(loss)	2,308,839
(Increase)/decrease in other debtors and prepayments	14,400
Increase/(decrease) in provision for employee entitlements	0
Increase/(decrease) in trade creditor and accruals	305,471
Increase/(decrease) in revenue received in advance	7,409
Net cash provided/(used) by operating activities	2,607,318

Note 12: Related parties

No related party transactions outside of the compensation of Directors and Executive disclosed in Note 6 and 7 occurred in the period.

Note 13: Commitments

The company has no lease or capital commitment as at 30 June 2018.