



ANNUAL
REPORT
2019-2020



FINANCIAL
ADVISER
STANDARDS AND
ETHICS
AUTHORITY
LIMITED

ABN 48 618 495 828

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From the Chair and the CEO

We are pleased to present the third annual report of the Financial Adviser Standards and Ethics Authority (FASEA) to our Minister, Assistant Minister for Superannuation, Financial Services and Financial Technology, Senator the Honorable Jane Hume, the representative of our member, the Commonwealth of Australia.

During the 2019/2020 year, FASEA continued to build on the work undertaken in previous years in addressing its 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 intended that the legislation would lead to a rebuilding of trust and confidence in the sector and the meeting of consumers' need for quality advice delivered by a professional, trusted cohort. The need for quality advice is ever more important as we deal with and recover from the fallout of the COVID-19 pandemic.

In prior years, FASEA's focus has been on the development and implementation of seven standards in accordance with section 921U of the Corporations Act. These have been implemented in a balanced and workable manner and followed a process of wide consultation.

In 2019/2020 FASEA's focus was on operationalising these standards, including providing guidance and tools to assist financial advisers in implementing them. On 1 January 2020, the last of the seven standards (Code of Ethics) became effective. The Code of Ethics places personal responsibility on advisers to apply their professional judgement so that their professional conduct is focused on providing advice that is in the best interests of the client. Prior to the implementation of the Code of Ethics, wide consultation was undertaken throughout 2019/2020 which has informed the Code of Ethics guidance.

The year also saw over 10,000 advisers (representing approximately 45% of advisers registered on ASIC's Financial Adviser Register) sit the exam, with over 341 exam sessions throughout the year. With the support of our exam administrator (ACER) we were quickly able to move to a remote offering in response to the COVID-19 pandemic (with the April and June exams being wholly remote). It has been pleasing to see a pass rate of 86%, which, from a consumer's perspective, is a positive result with close to 9 in 10 of the existing advisers who have sat the exam across the country (on whom they presently rely for advice) having demonstrated they have the skill to apply their knowledge of advice construction, ethics and legal requirements to the practical scenarios tested in the exam.

Key operational achievements included the continued accreditation of courses that allow financial advisers a wide range of options to meet their educational requirements, with the recognition of over 160 degrees dating back to 1996.

It has been pleasing to note, through our annual return process with higher education providers, that as at the end of 2019 nearly 3000 existing advisers are enrolled in bridging courses and that 900 potential new entrants to financial advice are enrolled in bachelor or higher degrees.

There have also been over 100 new entrants commencing their Professional Year.

Operationally, FASEA, with a small team, has continued to assist advisers understand their education requirements with over 426 foreign qualifications and 246 domestic degrees assessed and the development of automated assessment and enquiry tools to help advisers understand their educational options.

We thank the dedicated and expert FASEA staff, whose substantial efforts have produced a significant volume of high-quality work which has been essential to the delivery of the FASEA standards.

Significant time and work commitments have been contributed by directors to enable the delivery of this intense and urgent program of standards and we thank them all for their dedication and contribution to the important work of FASEA. We especially thank our retired director Catriona Lowe for the energy and professionalism brought to the role and we welcome Will Hamilton who has added significantly to the insights of the Board.

Rebuilding trust and confidence is an important task for the sector. There are positive signs from the financial adviser community that this is being embraced. This will enhance financial advice offerings to consumers and the economy at large. FASEA will continue to work with stakeholders to advance this important outcome.



Catherine Walter AM, Chair
28 August 2020



Stephen Glenfield, Chief Executive Officer
28 August 2020

Our Purpose

The Financial Adviser Standards and Ethics Authority (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* (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 and skills 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 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.

Standards Development Program

Consistent with FASEA's 2019-2020 business plan and our planned program of work, our principal achievements for the period included the following:

a) Implementation of Standards

- Developed and delivered six FASEA Financial Advisers exams (both April and June exams were held successfully online due to COVID-19 restrictions).
- Enabled over 10,000 advisers to sit the exams which represents 45% of the Financial Advisers Register (as maintained by ASIC), with a pass rate of more than 86%. See below for exam participant numbers by month.

Exam Sitting Period	No. of Advisers Sat	% Advisers	Pass Rate
June 2019	579	3%	90%
September 2019	1697	8%	88%
December 2019	2981	12%	86%
February 2020	2231	10%	82%
April 2020	470	2%	79%
June 2020	2281	10%	84%
Total:	10,239	45%	86%

* based on estimate of 22,552 on ASIC's Financial Adviser Register

- Implemented an online application form to register and track new entrants to financial advice, with over 105 participants registered to date.
- Implemented the Code of Ethics on 1 January 2020 following stakeholder consultation.
- Developed and implemented an automated Education Pathways tool with over 9400 uses of the tool.
- Provided assessment services for over 400 foreign qualifications for equivalence with a FASEA approved degree.
- Assisted nearly 250 advisers to understand their education requirements by assessing their previously completed education against the education pathways.

b) Accreditation of Higher Education Providers

- Accredited a wide range of Higher Education Provider (HEP) degrees and courses that meet the FASEA curriculum standard including more than 70 historical courses, close to 100 Bachelor or higher degrees and over 30 bridging courses. Implemented an annual returns reporting process for HEP's to collect

industry wide statistics on enrolments and to track awarding of credit and course amendments. Returns for the year ended 31 December 2019 highlight enrolment statistics as follows: more than 900 potential new entrants to industry enrolled in approved degrees and over 12,000 enrolments in award units and bridging courses by existing advisers.

- Recognised Prior Learning (RPL) for existing advisers by approving education undertaken to attain a professional designation for 6 professional associations.
- Commenced program of reaccreditation of approved degrees.

c) Industry Consultation and Operations

- Enhanced the enquiries function on FASEA's website with nearly 7,000 enquires responded to.
- Managed FASEA's legislative remit within existing funding.
- Continued consultation with stakeholders in the development of policy guidance documents to support legislative instruments for education, exam, code of ethics, professional year, and CPD.

Detailed FASEA standards development program 1 July 2020 - 30 June 2024

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

Code of Ethics		Qualifications			Exam	Work and Training	PRP term	CPD	Foreign qualifications
		Program and Provider Accreditation	Education Pathways	Degree feedback services					
July 2020		Full accreditation Program: <ul style="list-style-type: none"> Graduate diploma Bridging programs RPL Bachelor and Master degrees Reaccreditation of existing Bachelor and Master degrees Including periodic review of accreditation procedures	Amendment of LI and ES registered	Feedback service – domestic degree qualifications Including periodic review of feedback procedures	Exam sitting	Guidance templates updated	Guidance templates updated	Assessment of Foreign Qualifications Including periodic review of foreign qualification assessment procedures	
August 2020									
September 2020	Updated Guidance								
October 2020					Exam sitting				
November 2020					Exam sitting				
December 2020									
Jan- June 2021	Updated Guidance		Amendment of LI and ES registered	Exam sitting x3					
July – Dec 2021			Amendment of LI and ES registered	Exam sitting x3					
Jan- June 2022	Updated Guidance		Review of standards and guidance	Review of standards and guidance	Review of standards	Review of standards and guidance			
July – Dec 2022			Amendment of LI and ES registered	Exam for new entrants on demand					
Jan- June 2023			Amendment of LI and ES registered						
July – Dec 2023	Updated Guidance		Amendment of LI and ES registered						
Jan – June 2024	Review of standards and guidance	Amendment of LI and ES registered	Review of standards and guidance					Review of standards and guidance	

LI- Legislative Instrument

ES - Explanatory Statement

Management and Accountability

Company Structure

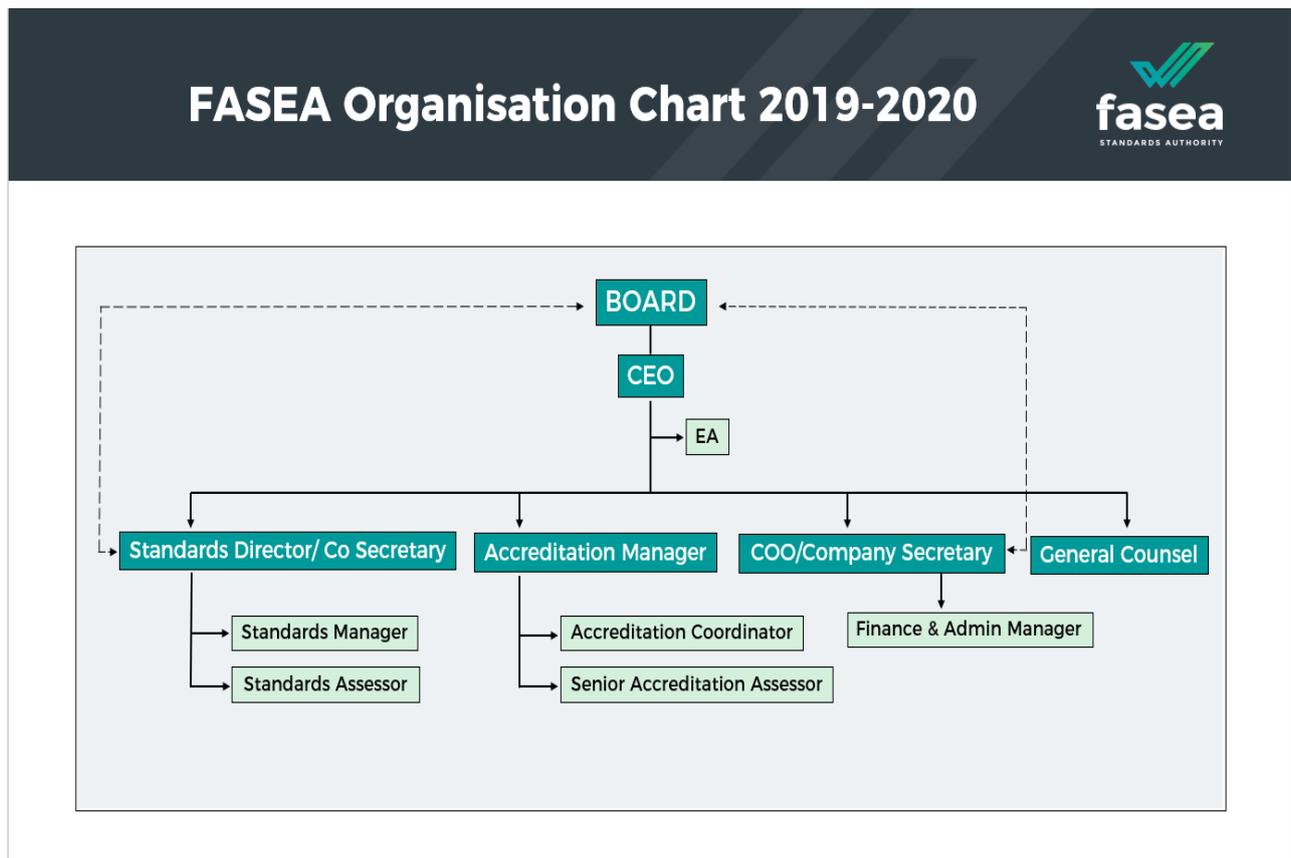
FASEA is a public company limited by guarantee. It was incorporated in the Australian Capital Territory in 2017. The sole member is the Commonwealth of Australia, represented by the Assistant Minister for Superannuation, Financial Services and Financial Technology, Senator the Honourable Jane Hume.

FASEA is overseen by a Board of Directors which are appointed by the Minister. The Board is responsible to the Minister for the governance of FASEA. Its directors do not have any executive roles and are not responsible for the day to day operation and function of FASEA.

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

Organisational Structure

The CEO leads an executive team with expertise in standards development, finance, operations, consultation and education and accreditation and assessment.



FASEA has 10 full time employees, based in Australia with a 30%/70% gender split between male and female.

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;
- Monitoring the internal control system;
- Monitoring the risk management system;
- Monitoring of outsourced providers; and
- Monitoring compliance with applicable laws, regulations, standards, and best practice guidelines.

Functions Review Committee (FRC)

This Committee has the following responsibilities:

- Reviewing the required Standards (and related documents);
- Providing overall direction for the standards 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 standards project and communicating these to the FASEA staff and the Board;
- Communicating critical decisions, documents, and deliverables from the standards project to the FASEA staff and the Board; and
- Working towards resolving issues and where these cannot be resolved, recommending possible solutions 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 contemplated by the funding agreement 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.

Directors' Report

The Directors submit the FASEA Directors' report for the financial year ended 30 June 2020.

Directors

Catherine Walter AM (Chair)

Mark Brimble*

Carolyn Bond AO

Deborah Kent

Simon Longstaff AO*

Elissa Freeman

Louise Lakomy

Catriona Lowe (resigned 31 January 2020)

Will Hamilton (commenced 9 December 2019)

Matthew Rowe (resigned 14 August 2019)

*Re-appointed on 11 April 2020 for a 3-year term

Responsible Minister

The Minister responsible for FASEA is the Assistant Minister for Superannuation, Financial Services and Financial Technology, Senator the Honourable Jane Hume.

Company Secretary

Kathryn Kerr and Amelia Constantinidis each hold the position of Company Secretary.

Membership

There is one Member, the Commonwealth of Australia as represented by the Assistant Minister for Superannuation, Financial Services and Financial Technology, Senator the Honourable Jane Hume. On a winding up the Member is required to contribute not more than \$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 financial advisers 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 met or proposes to meet these objectives.

Principal Activities 2019/20

Consistent with FASEA's 2019-20 business plan, our principal activities for the period involved the following:

- Consulting and publishing the Code of Ethics Guidance;
- Providing 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;
- Accrediting educational programs and courses that will meet FASEA's standards;
- Approving exams to ensure advisers meet knowledge and skills requirements and assessment under FASEA's standards;
- Preparing and consulting with key stakeholders in roundtables or other targeted consultation about drafts of legislative instruments embodying the Code and standards to refine these as appropriate;
- Finalising legislative instruments embodying the Code and standards for parliamentary consideration; and
- Periodically consulting with key stakeholders and reviewing the Code and standards to assess their efficacy.

FASEA has successfully achieved these objectives in the 2019/20 financial year.

FASEA's Long-Term Objectives and Strategies in FY21 – FY24 are to:

- Maintain regular communication with stakeholders around FASEA standards, including key transition dates relating to those standards and Corporations Law requirements (including exam timeframes, Code of ethics compliance and education requirements):
- Undertake continued consultation with key stakeholders to assist in development of guidance notes in relation to FASEA standards:
- Prepare and release updated information to assist stakeholders' understanding of FASEA's standards:
- Continue to review and accredit educational programs and courses that meet FASEA's standards:
- Assess applications from professional associations for recognition of prior learning credit approval for coursework undertaken to acquire a professional designation:
- Develop and administer exams as contemplated by Section 921U (2):
- Assess applications for approval of foreign qualifications received from existing and new advisers:
- Periodically review the Code and standards, including consultation with stakeholders to assess their efficacy:
- Work with government to identify an ongoing funding model.

Operating Trading Result

The net surplus for the year ended 30 June 2020 was \$262,355. In the previous year ending 30 June 2019 there was a net deficit of \$1,135,261.

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.

Dividends

FASEA is a not-for-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 2019 - 2020 financial year.

After Balance Date Events

There are no matters or circumstances that have arisen since 30 June 2020 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 2019 - 2020 financial year, 24 meetings (including sub-committees of directors) were held. Attendances by each Director were as follows:

	Board of Directors		ARMC		FRC	
	Eligible to attend	Attended	Member	Attended	Member	Attended
Catherine Walter	9	9	N	4	N	11
Carolyn Bond	9	8	Y	3	N	0
Mark Brimble	9	9	Y	4	Y	11
Deborah Kent	9	9	N	0	Y	9
Simon Longstaff	9	8	Y	2	Y	8
Catriona Lowe**	5	5	Y	1	Y	5
Louise Lakomy	9	9	Y	4	N	8
Elissa Freeman	9	9	Y*	1	Y	10
Will Hamilton***	4	4	N	0	N	1

* Committee Member until September 2019

** resigned 31 January 2020

*** appointed 9 December 2019

Note: Matthew Rowe was on a leave of absence from 6 July 2019 and resigned on 14 August 2019 and attended no Board or Board Committee meetings during that time.

Directors' Benefits

The Directors are paid such remuneration and allowances as determined by the Remuneration Tribunal. 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.

Name	Fees	Superannuation	Total Remuneration
	\$	\$	\$
Rowe, Matthew	687	0	687
Hamilton, Will	7,179	665	7,844
Bond, Carolyn	15,043	1,429	16,472
Longstaff, Simon	24,838	2,360	27,198
Kent, Deborah	28,163	2,676	30,839
Lowe, Catriona	31,416	2,985	34,401
Freeman, Elissa	34,440	3,272	37,712
Lakomy, Louise	36,897	3,505	40,402
Brimble, Mark	55,015	5,226	60,241
Walter, Catherine	87,730	8,335	96,065
	321,408	30,453	351,861

Name	Salary	Superannuation	Total Remuneration
Stephen Glenfield	\$365,297	\$34,703	\$400,000

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. 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

28th August 2020



Simon Longstaff AO
Director

28th August 2020

Our Board

The Board of the Financial Adviser Standards and Ethics Authority Limited is appointed by the Assistant Minister for Superannuation, Financial Services and Financial Technology, Senator the Honourable Jane Hume.

Catherine Walter AM (Chair) FAICD, LLB(Hons), LLM MBA

Catherine is the Chairperson of FASEA. Currently Catherine is also 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.

Catherine has previously been Managing Partner of the Melbourne office of Clayton Utz and Commissioner of the City of Melbourne, a member of the Financial Reporting Council and has served on the boards of ASX, National Australia Bank, Orica, and Victorian Funds Management Corporation.

Dr Mark Brimble PhD, B. Com (Hons)

Mark is the FASEA Director with experience in designing, or the requirements of, education courses or qualifications. Mark is a Professor (Finance) at Griffith University and is an Office for Learning and Teaching National Fellow and is the recipient of numerous teaching and learning grants, citations, and awards. Mark was awarded Australian Teaching and Learning Council Citations in 2011 and 2016, and an Australian Award for Teaching Excellence in 2016.

Mark is a Fellow of CPA, a Fellow of the Finsia, a member of the Financial Planning Association of Australia and the Australian Institute of Company Directors. Mark has published research in various national and international journals and is the Co-Founding Editor of the Financial Planning Research Journal.

Carolyn Bond AO G. Dip Ed. Train

Carolyn is a Director with experience in representing consumers of financial services. Carolyn is a former Co-CEO of the Consumer Action Law Centre and former Chair of the Consumers' Federation of Australia. She is a Director of the Financial Counselling Foundation and currently manages a project contributing to industry policies which address the financial impacts of family violence.

Deborah Kent Dip FP, CFP, FCHFP, MAICD

Deborah is a Director with experience in carrying on a financial services business or providing a financial service. Deborah is the Managing Director and Founder of Integra Financial Services. She is a former President of the Association of Financial Advisers, Treasurer, Association Financial Advisers, NSW State Director, Association of Financial Advisers and former President of Western Sydney Business Connection, and NSW State Director of the Authorised Representative Association.

Dr Simon Longstaff AO BEd, MPhil, PhD, FCPA, FRSN, FARPI

Simon is the Director with experience in the field of ethics. He is Executive Director of the Ethics Centre and is an Adjunct Professor at the AGSM, UNSW Business School, and an Honorary Professor at the Australian National University. Simon holds independent advisory positions with a number of organisations. He read for his Master's Degree and Doctorate as a Member of Magdalene College, Cambridge and has a Bachelor's degree in Education from the University of Tasmania.

Elissa Freeman BA, GAICD

Elissa is a Director with experience representing consumers of financial services. Elissa previously led the financial services advocacy work of Australia's largest consumer organisation, CHOICE, and has wide-ranging experience in consumer rights and competition policy. She is currently a Director of the Australian Financial Complaints Authority and was previously a Director of the Financial Ombudsman Service and Chair of the Financial Rights Legal Centre.

Louise Lakomy MBA, GDip FP, GAICD, CFP

Louise is a Director with experience in carrying on a financial services business or providing a financial service. Currently Louise is a Director with Crystal Wealth Partners bringing over 20 years of experience and knowledge in all facets of financial planning to her role. Louise is a Certified Financial Planner and holds a Master of Business Administration, a Graduate Diploma in Financial Planning, and is a Graduate of the Australian Institute of Company Directors. Louise has served as a Board member for the Financial Planning Association of Australia (FPA), as a member on the FPA Education Council and has also been a Director of the Financial Ombudsman Service.

Will Hamilton BBus (Acc), Grad Dip Applied Finance, MBA (Melb) SF Fin, FAICD, FHKSI

Will is the Managing Partner of Hamilton Wealth Partners. Prior to this Will was the General Manager Wealth Services at NAB. Will previously held the position of Head of Private Wealth Management at Goldman Sachs JBWere, and prior to this was the Managing Director and Chief Executive Officer of Deutsche Securities Asia in Hong Kong. In addition to his qualifications, Will is a fellow of the Hong Kong Securities and Investment Institute, a Fellow of the AICD and a Senior Fellow of FINSIA.

Catriona Lowe LLB

Catriona is a Director with experience in representing consumers of financial services. Currently Catriona is also a director of the Australian Financial Complaints Authority, the Legal Practitioners' Liability Committee, Telecommunications Industry Ombudsman and Way Forward Debt Solutions, as well as Chair of the ACCC Consumer Consultative Committee. She is also a former Chair of the Consumers' Federation of Australia and Co-CEO of Consumer Action Law Centre.

Catriona resigned as a director of FASEA on 31 January 2020

Matthew Rowe BEc, DFP, GDip Acc, CFP (Life), FCA, FCPA, GAICD

Matthew is a director with experience in carrying on a financial services business or providing a financial service. Currently Matthew is the CEO and Managing Director of CountPlus Ltd, an ASX listed entity that owns and operates 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 resigned as a director of FASEA on 14 August 2019.

Senior Management

Stephen Glenfield (Chief Executive Officer) BEc, CA

Stephen has worked in financial services regulation for over three decades, most recently as a general manager within the Australian Prudential Regulation Authority (APRA). As well as his managerial responsibilities, Stephen was Chair of the APRA's Superannuation Industry Group. He has also worked with the International Organisation of Pension Supervisors, the Victorian Financial Institutions Commission and KPMG.

Stephen holds a Bachelor of Economics from Monash University and is a member of the Chartered Accountants Australia and New Zealand.

Kathryn Kerr (Chief Operating Officer) B. Com, MBA, CA

Kathryn has over 30 years' experience in financial services across Australia and South East Asia, most recently as Head of Channel Optimisation at Suncorp. Kathryn's previous responsibilities include development and implementation of operating and financial processes and procedures for risk advice dealer group Patronus and she was on the Board of a number of CBA's offshore life insurance operations.

Kathryn's experience includes a broad range of finance, risk, and operational roles across professional and financial services organisations including EY, CBA, AMP, Patronus and Suncorp. Kathryn has a Bachelor of Commerce from UNSW; an MBA from AGSM and she is a member of the Chartered Accountants Australia and New Zealand.

Amelia Constantinidis (Standards Director and Company Secretary)

Amelia has worked in financial services for over two decades most recently in the financial advice industry for AMP and CBA. She led the first partnership between a Financial Advice Institution and a leading University developing unique programs for new Advisers entering the Financial Advice profession as well as establishing a Master's program for existing Advisers to lift their education standard.

Amelia has held senior program roles, driving complex business transformation and technology driven change to enhance business operations and productivity whilst improving the customer experience.

Amelia is a Founding Member and on the Advisory Board of the Financial Executive Women. Amelia was a member of the Financial Planning Education Council from 2013 – 2018 and a member of the AFA Professional Standards Working Group from 2016 – 2018.

Howard Cook (Accreditation Manager) BEd

Howard has worked in professional education since 1997 with Securities Institute Education, Chartered Secretaries Australia, and the Financial Planning Association. International experience includes working with ASEAN Banking regulators and the Securities Institute Thailand to provide training for regulators, intermediaries, and investors. He has also worked with Universities around Australia to accredit courses for financial planners with the Financial Planning Education Council.

Auditors Independence Declaration



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 2019–20 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 2020, 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

A handwritten signature in blue ink that reads 'L Skipper'.

Lorena Skipper
Executive Director

Delegate of the Auditor-General

Canberra

24 August 2020

Independent Auditors Report



INDEPENDENT AUDITOR'S REPORT

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

In my opinion, the financial report of the Financial Adviser Standards and Ethics Authority Limited ('the Company') for the year ended 30 June 2020 is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

The financial report of the Company, which I have audited, comprises the following statements as at 30 June 2020 and for the year then ended:

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

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 the Company in accordance with the auditor independence requirements of 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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 year ended 30 June 2020, 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 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 the Company 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 the ability of the Company 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 the directors 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.

Australian National Audit Office

A handwritten signature in blue ink that reads "L Skipper". The signature is stylized and cursive.

Lorena Skipper Executive Director
Delegate of the Auditor-General

Canberra
28 August 2020

Directors' Declaration

In the opinion of the Directors of Financial Adviser Standards and Ethics Authority Limited:

- a) The financial statements and notes, set out in the 2020 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 2020 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 Adviser Standards and Ethics Authority Limited Board

28 August 2020

Financial Report

Financial Adviser Standards and Ethics Authority Limited

Statement of Comprehensive Income for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Income			
Revenue from Contributors	3	3,900,000	3,816,885
Other income	3	239,233	61,312
Total Income		4,139,233	3,878,197
Expenses			
Board related expenses	4	409,970	761,667
Employee benefits expense	4	2,228,020	1,756,369
Occupancy expenses	4	346,599	357,014
Supplier expenses from ordinary activities	4	892,289	2,138,407
Total expenses		3,876,878	5,013,458
Surplus/(Deficit) from ordinary activities		262,355	(1,135,261)
Total Comprehensive Surplus/(Deficit)		262,355	(1,135,261)

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

Statement of Financial Position as of 30 June 2020

	Note	2020 \$	2019 \$
Assets			
Current Assets			
Cash and cash equivalents	8	2,338,220	2,083,385
GST receivable		27,387	133,986
Other Assets		44,912	27,900
Total Assets		2,410,519	2,245,270
Liabilities			
Current Liabilities			
Trade and other payables	9	886,427	1,025,392
Employee provisions	10	88,160	46,301
Total Liabilities		974,587	1,071,693
Net Assets		1,435,932	1,173,577
Equity			
Retained surplus		1,435,932	1,173,577
Total Equity		1,435,932	1,173,577
Statement of changes in equity:		2020	2019
		\$	\$
Comprehensive income for the period (Deficit)/Surplus		262,355	(1,135,261)
Total comprehensive income for the period		262,355	(1,135,261)
Balance on 30 June 2020		1,435,932	1,173,577

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

Statement of Cash Flows for the year ended 30 June 2020

	Note	2020 \$	2019 \$
Cash Flow from Operating Activities			
Cash received			
Receipts from Contributors		3,847,501	4,424,472
Other income		225,597	16,145
Interest received		13,308	45,166
Total cash received		4,086,406	4,485,784
Cash paid			
Payments to suppliers		1,124,787	2,594,644
Payments to employees, contractors, and directors		2,706,784	2,415,073
Total cash paid		3,831,571	5,009,717
Net Cash Flow from Operating Activities	11	254,835	(523,933)
Cash and cash equivalents at start of the financial year		2,083,385	2,607,318
Cash and cash equivalents at end of the financial year		2,338,220	2,083,385

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 2020

Financial Adviser Standards and Ethics Authority Limited (the company) is a not-for-profit public company limited by guarantee, incorporated in Australia. The Company has one member – the Commonwealth of Australia represented by the Assistant Minister for Superannuation, Financial Services and Financial Technology. The company was established in April 2017 to set standards for the ethical conduct, educational qualifications, and ongoing training of licensed financial advisers in Australia.

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 cover the reporting period 1 July 2019 to 30 June 2020.

(b) Basis of preparation

These financial statements have been prepared on an accrual basis and in accordance with 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. Revisions to accounting estimates are recognised in the period in which the estimate is revised, and the revision affects only that period.

Adoption of new Australian accounting standard requirements

New and revised accounting standards and interpretations that were issued prior to the signing of the financial report and were applicable to the current reporting period did not have a material financial impact and are not expected to have significant future financial impact on the company's financial report. No accounting standards have been adopted earlier than the application date as stated in the standard.

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 contributors is recognised evenly over the duration of the funding agreement and is recognised quarterly when invoices from contributors are due as this is the date that

FASEA obtains control or the right to receive contributions in accordance with AASB 1058 Income of Not-for-Profit Entities.

Other income includes fees paid for assessment services and COVID-19 Government relief and is recognised as received or receivable. The COVID-19 government relief relates to payroll tax and PAYG tax, these revenue amounts, and the tax they relate to are shown as gross numbers in the financial statements.

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.

(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 financial year. Contributions are made to employee superannuation funds and are charged as expenses when incurred.

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

The company classifies its financial assets at the time of initial recognition depending on the nature and purpose of the asset. All receivables are classified as trade and other receivables and are expected to be recovered within 12 months unless otherwise indicated.

Impairment of financial assets

Trade receivables are recognised when the company becomes party to an agreement and has the right to receive cash. Trade receivables have 30-day terms (2019: 30 days) and are recognised at the nominal amount due less any impairment allowance. The collectability of debts is reviewed at the end of the reporting period and an impairment allowance is recognised.

2.5 Taxation

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

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 ATO it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; and
- 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 ATO 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.

Payroll tax is paid based on the assessable rates and thresholds from each state jurisdiction.

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. At the end of the reporting period the company has no individual purchases above the capitalised threshold.

2.7 Leases

The company has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 and for lessees eliminates the classification of operating leases and finance leases. Under AASB 16 right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense is replaced with a depreciation charge for right-of-use assets. The company has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less. Lease payments on these assets are expensed to the statement of comprehensive income as incurred.

2.8 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. As of 30 June 2020, there are no contingent asset or liabilities.

2.9 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, and the financial statements have been prepared on a going concern basis.

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 contemplated by the funding agreement 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.

While a new industry funding model has not yet been confirmed, cash flow forecasting indicates FASEA has sufficient resources to pay all its debts as and when they become due beyond the period of twelve months from the date of signing the financial statements declaration.

2.10 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.

2.11 Member's Guarantee

FASEA is limited by guarantee.

	2020	2019
Note 3: Revenue and Other Income	\$	\$
Contributions from Funders	3,900,000	3,816,885
Degree Assessment Fees	90,340	16,145
Interest Income	13,308	45,167
Government Relief COVID-19	135,585	-
Total revenue from operations	4,139,233	3,878,197

Note 4: Expenditure

Board related expenses

Board & Committee Fees	330,601	590,621
Board & Committee Travel Expenses	48,917	123,937
Superannuation	30,452	47,109
Total Board related expenses	409,970	761,667

Employee benefits and contractor expense

Salaries & Wages	1,616,766	1,095,604
Superannuation	145,415	97,855
Annual Leave Provision	41,860	38,892
Consulting Staff	423,979	524,018
Total employee benefits	2,228,020	1,756,369

Occupancy expenses

Rent & Utilities	195,710	192,027
Insurance	8,491	8,108
Office Administration	142,398	156,879
Total occupancy expenses	346,599	357,014

Supplier expenses from ordinary activities

Stakeholder Communications	110,221	206,199
Staff Recruitment Fees	44,000	89,344
Bank Fees & Interest Charges	3,321	1,664
Legal & Accounting Fees	137,793	127,571
Travel and accommodation	59,858	-
Standards Development & Implementation	537,096	1,713,629
Total supplier expenses	892,289	2,138,407

Note 5: Remuneration of Auditors

Audit of financial statements	35,000	38,000
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No other services were provided by the Auditor-General during the reporting period.

	2020	2019
Note 6: Directors' Remuneration		
\$1 - \$10,000	2	-
\$10,000 - \$20,000	1	2
\$20,000 - \$30,000	1	4
\$30,000 - \$40,000	3	1
\$40,000 - \$50,000	1	2
\$60,000 - \$70,000	1	-
\$90,000 - \$100,000	1	-
\$140,000 - \$150,000	-	1
\$160,000 - \$170,000	-	1
Total	10	11

	2020	2019
	\$	\$
Total remuneration received	351,861	566,159

Superannuation contributions amounting to \$30,453 were paid on behalf of directors (2019: \$47,109) are included in the total remuneration

Note 7: Key Management Remuneration

Short term benefits	400,000	330,769
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Key management personnel remuneration is the role of Chief Executive Officer and the Directors (refer to note 6)

Superannuation contributions amounting to \$34,703 were paid on behalf of the CEO (2019: \$28,697) and included in the total remuneration.

Note 8: Cash and cash equivalents

Cash at bank and on hand	2,338,220	2,083,385
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Note 9: Trade and other payables

Trade creditors	15,927	32,707
Accruals	143,900	118,600
Deferred income	711,398	763,898
PAYG payable	(5,024)	59,272
Payroll tax payable	7,298	34,428
Superannuation payable	12,928	16,487
	886,427	1,025,392

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

Note 10: Employee Provisions

Employee provisions - current	79,344	41,671
Employee provisions - non-current	8,816	4,630
	88,160	46,301

	2020	2019
	\$	\$
Note 11: Cash Flow Statement		
Reconciliation		
Operating profit/(loss)	262,355	(1,135,261)
(Increase)/decrease in other debtors and prepayments	89,586	(13,500)
Increase/(decrease) in provision for employee entitlements	41,859	38,892
Increase/(decrease) in trade creditor and accruals	(86,466)	(21,651)
Increase/(decrease) in revenue received in advance	(52,499)	607,587
Net cash provided/(used) by operating activities	254,835	(523,933)

Note 12: Related parties

The company is an Australian Government controlled entity. Related parties to the company are Directors, Key Management Personnel, the Minister, and other Australian Government entities.

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



Financial Adviser Standards
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