



Financial Reporting Council Communiqué

The Financial Reporting Council (FRC) held a meeting on 27 March 2020 and the key matters considered are outlined below:

Implications of COVID-19

The FRC has established an FRC COVID-19 Working Group. The role of the Working Group is to continuously monitor financial reporting and auditing issues and consequent regulatory and standard setting implications of COVID-19. The Working Group comprises senior representatives from the FRC, AASB, AUASB, ASIC, APRA, ASX and Treasury and meets on a weekly basis. The Chair of the FRC has written to selected FRC stakeholders regarding the establishment of the Working Group.

The FRC noted the following publications:

- ASIC released Media Release '20-068MR Guidelines for meeting upcoming AGM and financial reporting requirements'; and
- AASB and AUASB released a joint FAQ '[The Impact of Coronavirus on Financial Reporting and the Auditor's Considerations](#)'.

Parliamentary Inquiry: Regulation of Auditing

On 12 February 2020, the Senate agreed to extend the time of presentation of the report to the Parliamentary Joint Committee (PJC) on Corporations and Financial Services on its inquiry into the Regulation of Auditing to 1 September 2020.

On 27 February 2020, the PJC issued an [interim report](#) including recommendations.

The FRC has commenced preparatory work should the recommendations be included in the final report. The final recommendations are subject to a Government response.

FRC Submission Recommendations

The FRC made eight initial recommendations pending the PJC Inquiry outcomes, which were attached to the [FRC submission](#) to the Parliamentary Inquiry into Regulation of Auditing. The initial recommendations are included in the FRC ongoing action item list to progress.

Financial Reporting

The AASB Chair's update noted:

- The AASB's proposal to update its Outcome Statement to reflect the remit of the AASB.
- [AASB 2020-2 Removal of Special Purpose Financial Statements \(SPFS\) for Certain For-Profit Entities](#). The standard was approved for issue with the effective date from 1 July 2022. The AASB also issued a [summary of key facts](#), which indicated how it responded to stakeholders that provided feedback.
- [AASB 1060 General Purpose Financial Statements \(GPFS\) – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities](#). With the approval of AASB 1060, the current Tier 2 Reduced Disclosure Requirements (RDR) will be replaced with the Simplified Disclosure Standard from 1 July 2021 for all for-profit and not-for-profit private and public sector entities.

The FRC commended and congratulated the AASB for reaching this milestone.

Auditing and Assurance

The AUASB Chair's update noted:

- [Exposure Draft 01/20: ASRS 4400 Agreed-Upon Procedures Engagements](#) has been released for comments by 20 April 2020.
- The AUASB approved an updated [AUASB 2019-23 Strategy](#) at its December 2019 meeting.
- The AUASB is developing guidance targeted at ASIC Audit Inspection Findings.
- The AUASB has engaged a consultant to develop a new tool which will transform its standards from PDF documents to be navigable via a portal and on mobile devices through the use of web based 'wireframing' technology.

ASIC Audit Inspection Findings

The FRC noted the following reports released by ASIC on 12 December 2019:

- [ASIC Report 648 Audit inspection report for 2018-19](#); and
- [ASIC Report 649 Audit quality measures, indicators and other information: 2018-19](#).

Members expressed their concern regarding the lack of improvement in the inspection findings.

FRC Auditor Disciplinary Processes: Review

The Chair of the FRC wrote to ASIC, CADB and the professional accounting bodies on 7 February 2020 to ask how they have responded to the FRC's recommendations, and the Government's responses to the FRC Auditor Disciplinary Processes: Review. The FRC noted the responses and will continue to monitor actions taken by each of the respondents.

Appointments to the FRC	<p>The Government has appointed Mr Stewart Walters as a part-time member of the FRC, in his capacity as Chair of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) commencing 26 March 2020 and Mr Cameron McDonald as a part-time member of the FRC commencing 4 April 2020. Mr Walters is the Chief Financial and Operations Officer of the NSW Treasury and Mr McDonald is the Head of Research at Evans and Partners. The Chair thanked outgoing members Mr David Nicol and Mr Kevin Lewis on behalf of the FRC for their significant contribution to the work of the FRC over recent years.</p> <p>The Chair also thanked Ms Kris Peach on behalf of the FRC for her strong and innovative leadership of the AASB and corresponding input to the FRC over her term as Chair of the AASB. A recruitment process is currently underway for a new Chair of the AASB.</p>
Appointment to the AUASB	<p>The FRC approved the appointment of Mr Andrew Porter to the AUASB commencing 1 July 2020. A media release is available on the FRC website.</p>
FRC/AUASB Surveys	<p>A survey was issued to Chief Financial Officers (CFOs) to gather their views on audit quality. There were only 31 responses to the survey. The results are being collated.</p> <p>The FRC agreed to postpone the Audit Committee Chairs (ACC) Survey and the Investor Survey due to the disruption caused by COVID-19 and the likely effect on the response rates.</p>

Next Meeting

The next FRC meeting is scheduled for 22 May 2020.

