



MINUTES

DATE: Friday 27 March 2020
TIME: 10:00am – 4:00pm
LOCATION: Videoconference/Teleconference

ITEM	AGENDA ITEM																				
1	INTRODUCTION																				
	<p>The Chair thanked members for being flexible with the change of date of the meeting.</p> <p>The Chair noted that the Government has appointed two new part-time members of the FRC – Stewart Walters on 26 March 2020 and Cameron McDonald on 4 April 2020. Stewart Walters will replace David Nicol in his capacity as Chair of the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) and is the Chief Financial and Operations Officer of the NSW Treasury. Cameron McDonald is the Head of Research at Evans and Partners and will replace Kevin Lewis. The Chair thanked Mr Nicol and Mr Lewis for their significant contribution on behalf of the FRC.</p> <p>The Chair noted that a recruitment process is currently underway for a new Chair of the Australian Accounting Standards Board (AASB). Ms Peach’s term expires on 2 May 2020. The Chair thanked Ms Peach for her significant contribution on behalf of the FRC.</p> <p>The Chair noted that April Mackenzie was appointed the Chief Executive of the External Reporting Board (XRB) in December 2019 and Joanna Perry was appointed to the IFRS Foundation Trustees in January 2020. Ruth Moore is acting Principal Adviser in Treasury whilst Kate O’Rourke is acting in another position.</p> <p>The Chair noted that Stewart Walters, Cameron McDonald and Ruth Moore are apologies.</p> <p>Members confirmed that there were no conflicts of interest raised by agenda items for this meeting.</p>																				
1.A	ATTENDEES AND APOLOGIES																				
	<table border="1"> <thead> <tr> <th>Members in attendance:</th> <th>Observers:</th> </tr> </thead> <tbody> <tr> <td>Bill Edge – Chair</td> <td>David Nicol (Term expired 23 March 2020)</td> </tr> <tr> <td>Kris Peach – AASB Chair</td> <td>John Price, Greg Yanco, Doug Niven – ASIC</td> </tr> <tr> <td>Roger Simnett – AUASB Chair</td> <td>Charles Brukner – Treasury</td> </tr> <tr> <td>Stein Helgeby – Deputy Chair</td> <td>Justin Williams, Helena Simkova - AASB</td> </tr> <tr> <td>Suzanne Bell</td> <td>Anne Waters - AUASB</td> </tr> <tr> <td>Michele Embling – XRB Chair</td> <td>April Mackenzie - XRB</td> </tr> <tr> <td>Lawrie Tremaine</td> <td>Anita Cuming – FRC Secretariat</td> </tr> <tr> <td>Kevin Lewis</td> <td>Guests:</td> </tr> <tr> <td></td> <td>Joanna Perry - IFRS Foundation Trustees</td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge – Chair	David Nicol (Term expired 23 March 2020)	Kris Peach – AASB Chair	John Price, Greg Yanco, Doug Niven – ASIC	Roger Simnett – AUASB Chair	Charles Brukner – Treasury	Stein Helgeby – Deputy Chair	Justin Williams, Helena Simkova - AASB	Suzanne Bell	Anne Waters - AUASB	Michele Embling – XRB Chair	April Mackenzie - XRB	Lawrie Tremaine	Anita Cuming – FRC Secretariat	Kevin Lewis	Guests:		Joanna Perry - IFRS Foundation Trustees
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		Apologies:
		Stewart Walters
		Cameron McDonald
		Ruth Moore - Treasury
1.B	DECLARATIONS OF INTEREST Members confirmed their Declarations of Interest as recorded in the Register of Interests.	
2	MATTERS FOR APPROVAL	
2.A	MINUTES OF THE PREVIOUS MEETING Members noted the minutes from the FRC meeting on 6 November 2019 which had been approved out-of-session.	
2.B	MATTERS ARISING The Chair noted that all matters arising had been completed or were on the current agenda.	
3	OVERSIGHT OF AUDIT QUALITY	
3.A	<p>PARLIAMENTARY INQUIRY</p> <p>The Senate agreed on 12 February 2020 to extend the date of the report from the Parliamentary Joint Committee (PJC) on Corporations and Financial Services to 1 September 2020. The PJC issued an interim report with recommendations on 27 February 2020.</p> <p>The Chair has discussed the recommendations with ASIC, the AASB and AUASB Chairs and suggested that preparatory work commence in the background should the recommendations be included in the final report. The final recommendations are subject to a Government response.</p> <p>The FRC has been advised that Parliament has been suspended until August 2020. All Committees have been asked by the presiding officers to reconsider the importance and urgency of their current work plans. The work of Committees is expected to be delayed by several months.</p> <p>ASIC advised it had met with accounting firms and the Accounting Professional and Ethical Standards Board (APESB) and provided an update on its preliminary work on recommendation 3 on Non-Audit Services.</p> <p>Members agreed, if time allowed, to use the FRC COVID-19 Working Group (see Agenda Item 8G) to clarify roles, confirm who is gathering background information to support each of the recommendations and to discuss a way forward. The Chair will prepare a draft paper and circulate it to members.</p>	
3.B	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. Members noted that the initial recommendations are to be included in the FRC Ongoing Action Items to progress.	

<p>3.C</p>	<p>ASIC AUDIT INSPECTION FINDINGS</p> <p>Members noted the following reports released by ASIC on 12 December 2019:</p> <ul style="list-style-type: none"> • ASIC Report 648 Audit inspection report for 2018-19; and • ASIC Report 649 Audit quality measures, indicators and other information: 2018-19. <p>Members expressed their concern regarding the lack of improvement in the inspection findings.</p> <p>ASIC thanked the FRC and AUASB for allowing ASIC to use information from the Audit Committee Chairs (ACCs) and Investor surveys in ASIC Report 649.</p>
<p>3.D</p>	<p>FRC AUDITOR DISCIPLINARY PROCESSES: REVIEW</p> <p>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. Members noted the responses and will continue to monitor actions taken by each of the respondents.</p>
<p>3.E</p>	<p>FRC AUDIT QUALITY ACTION PLAN</p> <p>The AASB Chair outlined a proposal to reframe the FRC Audit Quality Action Plan.</p> <p>Members agreed to the recommended proposal.</p>
<p>4</p>	<p>OVERSIGHT OF AUSTRALIAN STANDARDS</p>
<p>4.A</p>	<p>ACCOUNTING STANDARDS</p> <p>Kris Peach provided an update on the AASB’s key priorities from November 2019 to March 2020 including:</p> <ul style="list-style-type: none"> • 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-Profits 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. • Audit fee disclosures. • Management commentary. • Education and outreach on changes to the framework. • Targeted webinars for lawyers and regulators. <p>Members supported the new wording of the AASB Outcome Statement and the removal of SPFS and the issue of GPFS Simplified Disclosures. Members commended and congratulated the AASB for reaching this milestone.</p>
<p>4.B</p>	<p>AUDITING STANDARDS</p>

	<p>Professor Roger Simnett provided an update on the AUASB’s key priorities from November 2019 to March 2020 including:</p> <ul style="list-style-type: none"> • Exposure Draft 01/20: ASRS 4400 Agreed-Upon Procedures Engagements has been released for comments by 20 April 2020. Exposure Draft 01/20 is based on the IAASB’s equivalent standard which has been recently revised and largely aligns with the existing ASR 4400 however has the following significant differences: independence, professional judgement and restriction on use. In accordance with the FRC Strategic Direction, the AUASB will adopt the IAASB’s auditing standards, unless there are compelling reasons not to do so. While ASRS 4400 is not an Auditing Standard, the AUASB considers it to be in the public interest to follow the same strategic direction and intends to adopt the revised ISRS 4400. The AUASB has sought feedback from stakeholders on this matter. The FRC supports adopting the revised ISRS 4400. • Update to AUASB 2019-23 Strategy. Discussions about the revision to the AUASB Strategy by the AUASB have been held in public session, with relevant board papers and draft strategies available via the AUASB website. • Responding to ASIC Inspection Findings. The AUASB have approved guidance statement GS005 <i>Using the Work of a Management’s Expert</i> and are developing further guidance on the requirements in the auditing standards which respond to key ASIC Inspection Findings. • Update of ASRE 2410 which is being amended in conjunction with NZAuASB is expected to be approved by June 2020. • 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. <p>Members expressed their expectation that the strategies of the AASB and AUASB are aligned.</p> <p>Members support the AUASB working with ASIC and with the accounting firms to identify where standards might need revision.</p>
5	NOMINATIONS COMMITTEE
5.A	<p>REPORT BY NOMINATIONS COMMITTEE CHAIR</p> <p>Dr Stein Helgeby provided an update on the AASB/AUASB targeted recruitment processes including the following recommendation for appointment to the AUASB:</p> <ul style="list-style-type: none"> • Appoint Andrew Porter, Chief Financial Officer, Australian Foundation Investment Company. <p>The appointment will commence on 1 July 2020 until 31 December 2022.</p> <p>The FRC approved the recommended appointment to the AUASB.</p>

6	MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS
6.A	STAKEHOLDER REPORTS The FRC reviewed reports from eight stakeholders and noted key issues and initiatives.
6.B	REPORT BY XRB Michele Embling provided an update on the key activities of the XRB including: <ul style="list-style-type: none"> • April MacKenzie was appointed Chief Executive of the XRB in December 2019. • Continued work on Extended External Reporting, noting an increasing focus by the NZ Government on climate change.
7	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
7.A	INTERNATIONAL DEVELOPMENTS Members noted that on 18 December 2019 Sir Donald Brydon issued his report and recommendations on the quality and effectiveness of audit in the United Kingdom.
7.B	IFRS FOUNDATION TRUSTEES Joanna Perry provided an update on the IFRS Foundation Trustees.
8	OTHER BUSINESS
8.A	FRC STRATEGIC PLAN Members noted that the FRC Strategic Plan 2017-20 is due to be updated for the next three years by the end of this year. The Chair welcomed ideas for its content.
8.B	FRC POSITION STATEMENT ON EXTERNAL REPORTING Members noted the developments that have occurred since the FRC Position Statement on External Reporting was issued in June 2018. Members agreed that the FRC Position Statement requires updating and reissue.
8.C	AUSTRALIAN FINANCIAL REPORTING FRAMEWORK PROJECT Members noted a progress update on the Australian Financial Reporting Framework Project.
8.D	PUBLIC SECTOR WORKING GROUP Dr Helgeby provided an update on behalf of the Public Sector Working Group on the Future of Financial Reporting in the Public Sector. Dr Helgeby thanked Ms Peach, Mr Nicol and staff of the AASB and AUASB for their contributions to this project.
8.E	FRC MEETINGS – OPENING TO THE PUBLIC The FRC meeting in November 2019 discussed whether the FRC meetings should be open to the public to provide greater transparency. The AASB, AUASB and XRB meetings are open to the public.

	Members agreed to defer a discussion on whether FRC meetings should be open to the public until face-to-face FRC meetings resume later in 2020.
8.F	<p>FRC/AUASB SURVEYS</p> <p>The Chair noted that there were 31 responses to the Chief Financial Officers (CFO) Survey. The results are being collated.</p> <p>Members discussed and 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>
8.G	<p>IMPLICATIONS OF COVID-19</p> <p>Members noted the following publications:</p> <ul style="list-style-type: none"> • 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'. <p>Members are continually monitoring the implications of COVID-19 on the financial reporting system. The Chair suggested that members circulate any relevant information that the FRC should be aware of to the FRC Secretariat. The FRC Secretariat will coordinate and circulate information to members.</p> <p>Members agreed to establish a 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 will comprise senior representatives from the FRC, AASB, AUASB, ASIC, APRA, ASX and Treasury and will meet on a weekly basis. Members will promote the Working Group. The Chair will write to FRC stakeholders to advise that the FRC will establish a Working Group and will include its composition and role.</p> <p>Members agreed to be flexible with FRC meeting dates in the lead up to the second half of 2020 and suggested holding shorter meetings more frequently. The FRC meeting on 22 May 2020 will be kept at this stage but will be reviewed by the Chair.</p>
9	NEXT MEETING AND CLOSE
9.A	The next meeting date is scheduled to be 22 May 2020 but other shorter and more frequent meetings to be considered.