



MINUTES

DATE: Friday 22 May 2020
TIME: 10:00am – 4:00pm
LOCATION: Videoconference/Teleconference

ITEM	AGENDA ITEM																				
1	INTRODUCTION																				
	<p>The Chair introduced new FRC members Keith Kendall, Cameron McDonald and Stewart Walters. The Chair noted that Joanna Perry would not join the meeting as there had not been an IFRS Foundation Trustees meeting since the last FRC meeting was held. The Chair welcomed Ruth Moore from Treasury who is acting for Kate O’Rourke whilst she is acting in another position.</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>John Price, Greg Yanco, Doug Niven – ASIC</td> </tr> <tr> <td>Keith Kendall – AASB Chair</td> <td>Ruth Moore, Charles Brukner – Treasury</td> </tr> <tr> <td>Roger Simnett – AUASB Chair</td> <td>Justin Williams - AASB</td> </tr> <tr> <td>Stein Helgeby – Deputy Chair</td> <td>Anne Waters - AUASB</td> </tr> <tr> <td>Suzanne Bell</td> <td>April Mackenzie - XRB</td> </tr> <tr> <td>Michele Embling – XRB Chair</td> <td>Anita Cuming – FRC Secretariat</td> </tr> <tr> <td>Cameron McDonald</td> <td></td> </tr> <tr> <td>Lawrie Tremaine</td> <td></td> </tr> <tr> <td>Stewart Walters</td> <td></td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge – Chair	John Price, Greg Yanco, Doug Niven – ASIC	Keith Kendall – AASB Chair	Ruth Moore, Charles Brukner – Treasury	Roger Simnett – AUASB Chair	Justin Williams - AASB	Stein Helgeby – Deputy Chair	Anne Waters - AUASB	Suzanne Bell	April Mackenzie - XRB	Michele Embling – XRB Chair	Anita Cuming – FRC Secretariat	Cameron McDonald		Lawrie Tremaine		Stewart Walters	
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1.B	REGISTER OF INTERESTS																				
	Members confirmed their entries as recorded in the Register of Interests.																				
1.C	FRC MEMBER CONTACT DETAILS																				
	Members noted the FRC member contact details.																				
2	MATTERS FOR APPROVAL																				
2.A	MINUTES OF THE PREVIOUS MEETING																				
	Members noted the minutes from the FRC meeting on 27 March 2020 which had been approved out-of-session.																				

2.B	<p>MATTERS ARISING</p> <p>The Chair reported that matters arising had been completed, were on the current agenda, or were still in progress due to the implications of COVID-19.</p>
3	<p>IMPLICATIONS OF COVID-19</p>
3.A	<p>REPORT BY FRC COVID-19 WORKING GROUP</p> <p>The FRC established an FRC COVID-19 Working Group in March 2020. The Working Group comprises senior representatives from the FRC, AASB, AUASB, ASIC, APRA, ASX and Treasury. 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 Chair wrote to selected FRC stakeholders regarding the establishment of the FRC COVID-19 Working Group. The FRC COVID-19 Working Group has met on a weekly basis since 5 April 2020 and will continue to meet weekly until further notice. Key guidance continues to be issued to stakeholders via representative organisation’s established communication mechanisms. The FRC COVID-19 Working Group reviews draft guidance produced by Working Group members within one working day for consistency prior to it being released. The FRC COVID-19 Working Group will continue to focus on issues requiring regulatory action and is committed to ensuring such action is timely.</p> <p>The Chair noted that he will write to all FRC stakeholders during the week commencing 25 May 2020 on the Coordination of COVID-19 Regulation and Guidance that has been issued to date from representative organisations. A media release will be issued and a dedicated page will be set up on the FRC website.</p> <p>Members noted the joint publication by the AASB and AUASB on ‘The Impact of COVID-19 on Going Concern and Related Assessments’ issued in May 2020. A list of guidance issued, including that issued by accounting bodies and accounting firms, can be found on the AASB website at ‘COVID-19 Guidance’ and AUASB website at ‘COVID-19 Guidance’. COVID-19 information can also be found on the ASIC website.</p> <p>Members are continually monitoring the implications of COVID-19 on the financial reporting system and provided an update on activities since the last FRC meeting was held.</p> <p>Members noted that feedback on the FRC COVID-19 Working Group has been well received.</p> <p>Members discussed that the auditing and accounting standards and the regulation framework have held up well during COVID-19.</p> <p>Members noted that the FRC Strategic Plan 2017-20 requires updating by the end of the year and will need to include a discussion of COVID-19 recovery.</p>
4	<p>OVERSIGHT OF AUSTRALIAN STANDARDS</p>
4.A	<p>ACCOUNTING STANDARDS</p> <p>Dr Keith Kendall provided an update on the AASB’s key priorities from February 2020 to May 2020 including:</p> <ul style="list-style-type: none"> • The AASB and AUASB joint FAQs on ‘The Impact of Coronavirus on Financial Reporting and the Auditor’s Considerations’ issued in March 2020. Topics are being developed and updated on

	<p>an ongoing basis by the AASB and AUASB technical staff based on the feedback received from stakeholders.</p> <ul style="list-style-type: none"> • The AASB and AUASB’s joint publication on ‘The Impact of COVID-19 on Going Concern and Related Assessments’ issued in May 2020. • AASB 2020-2 ‘Amendments to the Australian Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Entities’ issued in March 2020. • AASB 1060 ‘General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities’ issued in March 2020. <p>Dr Kendall noted that the Not-for-profit private sector framework project has been delayed due to resourcing issues.</p>
<p>4.B</p>	<p>AUDITING STANDARDS</p> <p>Professor Roger Simnett provided an update on the AUASB’s key priorities from February 2020 to May 2020 including:</p> <ul style="list-style-type: none"> • The AASB and AUASB’s COVID-19 Response Action Plan. The plan includes a detailed list of projects that are currently ongoing and future projects to be undertaken in response to the COVID-19 event. • Strategic alignment and collaboration between the AASB and AUASB. A Memorandum of Understanding (MoU) has been signed between the AASB and AUASB, taking effect from 1 July 2020. • The AUASB’s ongoing work project with ASIC and major audit firms to further understand Audit Inspection findings and identify areas where the auditing standards require enhancement or where guidance can be provided to assist auditors. This process resulted in ‘GS 005 Using the Work of Managements’ Experts’ being updated and released in March 2020. <p>Members supported the AUASB’s ongoing working with ASIC and with the accounting firms to identify where auditing standards might need revision.</p> <p>Members noted ASIC’s work on cyber security. ASIC has issued a number of reports in relation to cyber security which are available on ASIC’s website under cyber resilience.</p>
<p>5</p>	<p>OVERSIGHT OF AUDIT QUALITY</p>
<p>5.A</p>	<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. The interim recommendations may appear in the final report and would then be subject to a Government response.</p> <p>Members agreed at the FRC meeting in March 2020 that preparatory work should commence in the background should the recommendations be included in the final report. Implications of COVID-19 has delayed the commencement of the preparatory work.</p>

	<p>The FRC COVID-19 Working Group (comprising relevant parties required to implement the final recommendations) have agreed the relevant parties that need to take preliminary steps to prepare for possible implementation of the interim recommendations, in advance of the final report and the Government's response.</p> <p>Treasury noted the following paragraph on the front page of the inquiry's website 'Following a resolution of the committee on 14 May 2020, and in accordance with the motion agreed in the Senate on 23 March 2020, the reporting date for the inquiry has been extended to 2 December 2020'.</p> <p>The Chair suggested that preparatory work commence out-of-session and to report back to the FRC in July 2020 with an update on progress. The Chair noted that the FRC might need to provide feedback to the PJC in advance of the final recommendations being released.</p>
5.B	<p>FRC AUDIT QUALITY ACTION PLAN</p> <p>Members approved the reformatted FRC Audit Quality Action Plan.</p> <p>Members agreed at the FRC meeting in March 2020 to postpone the Audit Committee Chairs Survey and the Investor Survey due to the disruption caused by COVID-19 and the likely effect on the response rates. Members discussed revised timing options to conduct the two surveys. Members also discussed extending the Audit Committee Chairs survey to include the public sector.</p> <p>AUASB are undertaken research on auditor's reports on interim and annual financial reports submitted to the ASX, and are finding some instances of auditor reporting not necessarily being in accordance with the auditing standards. ASIC invited members to refer any audits that they have any concerns with to them.</p>
6	MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS
6.A	<p>STAKEHOLDER REPORTS</p> <p>Members reviewed reports from eight stakeholders and noted key issues and initiatives.</p>
6.B	<p>REPORT BY XRB</p> <p>Michele Embling provided an update on the key activities of the XRB including:</p> <ul style="list-style-type: none"> • Dr Keith Kendall has been appointed to the New Zealand Accounting Standards Board. • 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	<p>INTERNATIONAL DEVELOPMENTS</p> <p>Members noted the list of the recommendations of Sir Donald Brydon's Independent Review into the Quality and Effectiveness of Audit in the United Kingdom.</p> <p>Members noted that the Monitoring Group intends to issue a report in June 2020 on reforming the International Standards Setting activities which primarily impact the IAASB and the IESBA.</p>

8	OTHER BUSINESS
8.A	FRC ANNUAL REPORT 2019-20 Members noted the proposed contents and timeline for preparing the 2019-20 FRC Annual Report, including approval of the report at the September FRC meeting.
8.B	IFRS FOUNDATION CONTRIBUTION Members strongly supported continuation of the Australian Government’s contribution to the IFRS Foundation.
8.C	AASB DUE PROCESS The Chair reminded members of the AASB Due Process Framework for Setting Standards that was approved at the FRC meeting in November 2019. In accordance with it, members noted the letter from the AASB Chair to the FRC Chair with respect to the due process for AASB 2020-2 and AASB 1060. Members expressed their expectation that the due process for the AASB and AUASB are aligned.
8.D	RESULTS OF CFO SURVEY A survey was issued to Chief Financial Officers (CFOs) to gather their views on audit quality. There were 31 responses to the survey. Members noted the summary of the results.
8.E	LITIGATION FUNDING INQUIRY Members discussed and agreed that the FRC would not make a submission to the Litigation Funding Inquiry.
9	NEXT MEETING AND CLOSE
9.A	The next meeting date is scheduled to be 3 September 2020 but other shorter and more frequent meetings to be considered.