



MINUTES

DATE: Thursday 3 September 2020
TIME: 10 am – 4 pm
LOCATION: Videoconference/Teleconference

ITEM	AGENDA ITEM																				
1	INTRODUCTION																				
	<p>The Chair welcomed Tom Dickson who has recently commenced as the Principal Adviser, Market Conduct Division in Treasury. Tom has replaced Kate O’Rourke who is not returning to that role. John Price has retired as a Commissioner at ASIC and has not been replaced as yet. Doug Niven has recently been promoted to Chief Accountant at ASIC. The Chair congratulated Doug on his promotion on behalf of the FRC.</p> <p>The Chair noted there has been significant change to the FRC members and observers over the last two years.</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>Greg Yanco, Doug Niven – ASIC</td> </tr> <tr> <td>Keith Kendall – AASB Chair</td> <td>Tom Dickson, Charles Brukner, Dee Oxley – 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>Guests:</td> </tr> <tr> <td>Lawrie Tremaine</td> <td>Joanna Perry – IFRS Foundation Trustees</td> </tr> <tr> <td>Stewart Walters</td> <td></td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge – Chair	Greg Yanco, Doug Niven – ASIC	Keith Kendall – AASB Chair	Tom Dickson, Charles Brukner, Dee Oxley – 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	Guests:	Lawrie Tremaine	Joanna Perry – IFRS Foundation Trustees	Stewart Walters	
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1.B	REGISTER OF INTERESTS																				
	Members confirmed their entries as recorded in the Register of Interests.																				
2	MATTERS FOR APPROVAL																				
2.A	MINUTES OF THE PREVIOUS MEETING – 22 MAY 2020																				
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2.B	<p>MINUTES OF THE PREVIOUS MEETING – 7 AUGUST 2020</p> <p>Members noted the minutes from the FRC meeting on 7 August 2020 which had been approved out-of-session.</p>
2.C	<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> <p>The Chair noted that the FRC approved the annual payment of \$1 million to the IFRS Foundation at the FRC meeting in May 2020. This payment has not been paid yet. Treasury advised that the expenditure had been reclassified and will now be considered as a grant. Treasury is working on the logistics of the grant and will provide confirmation to the FRC once the payment has been made.</p>
3	<p>FRC ANNUAL REPORT</p>
3.A	<p>APPROVAL OF FRC ANNUAL REPORT 2019-20</p> <p>Members approved the FRC Annual Report 2019-20 and noted that the report will be provided to the Minister and tabled in Parliament in mid-October 2020.</p> <p>Members discussed suggestions for improvement in the process and content for the FRC Annual Report 2020-21. A small team comprising of the Chair, Lawrie Tremaine and Suzanne Bell will meet offline and prepare a paper for consideration at the FRC meeting in November 2020.</p> <p>Members noted that there is a requirement to provide a certain amount of hard copies of the Annual Report to be tabled in Parliament and discussed digital reporting. Members noted that there is a capability for Annual Reports to be created in digital form first through MasterDocs. MasterDocs is an online tool for government agencies to author, coordinate and publish annual reports. MasterDocs feeds into the Transparency Portal, a central repository of publicly available corporation information for all Commonwealth bodies.</p> <p>The Chair acknowledged and thanked the AASB, AUASB, ASIC, CA ANZ, CPA Australia and IPA for providing input to the report. The Chair also thanked the FRC Secretariat and members for their assistance and comments on the Annual Report.</p>
4	<p>FRC STRATEGY</p>
4.A	<p>FRC STRATEGY 2021-2024</p> <p>Members noted the joint AASB and AUASB Corporate Plan 2020-21, particularly pages 5-8 which includes its strategic objectives. A preface was introduced for the first time which includes its objectives for 2021 and response to the current environment. The AASB and AUASB will align its structures following the release of the Corporate Plan 2020-21.</p> <p>Members noted that the FRC Strategy 2021-2024 would be prepared similar to the AASB and AUASB's strategic objectives, along with consistency and alignment. A small team comprising of the Chair, Lawrie Tremaine and Suzanne Bell will meet offline to prepare a draft FRC Strategy 2021-2024.</p>
5	<p>FRC POLICY</p>
5.A	<p>CODE OF CONDUCT AND DISCLOSURES OF INTERESTS</p>

	<p>The Parliamentary Joint Committee on Corporations and Financial Services (PJC) in its April 2019 Report on the 2017-18 annual reports of bodies established under the ASIC Act made several recommendations relating to codes of conduct for members of bodies established under the ASIC Act, including disclosures of interests requirements.</p> <p>There has not yet been a Government Response to the recommendations.</p> <p>It is proposed that, pending a Government Response, the FRC abide by a code of conduct, and disclosures of interests requirements, that adopt the most appropriate requirements of those included in Table 2.1 of the PJC April 2019 Report on the 2017-18 annual reports of bodies established under the ASIC Act.</p> <p>Members discussed and agreed to comply with the provisions of the Public Governance Performance and Accountability (PGPA) Act 2013 as a Code of Conduct. Whilst FRC members are not officials for the purpose of the PGPA Act 2013, the sections do include requirements considered appropriate for FRC members to adopt.</p> <p>Members also agreed to amend the FRC Rules of Procedure for Disclosures of Interests. The FRC Secretariat will continue to maintain a Register of Interests and the Chair will continue to call for any conflicts of interest raised by agenda items at the beginning of and during each meeting.</p>
<p>5.B</p>	<p>FRC MEETINGS – OPENING TO THE PUBLIC</p> <p>The FRC discussed in November 2019 whether the FRC meetings should be open to the public to provide greater transparency, but any discussion was deferred until face-to-face meetings resumed post-COVID-19. The AASB, AUASB, XRB, NZASB and NZAuASB meetings are open to the public and operate successfully. Section 235C of the ASIC Act provides that ‘the FRC may determine its own procedural rules (including rules as to notice of meetings, quorum and voting)’.</p> <p>Members discussed proposed amendments to the FRC Rules of Procedure and a process for public attendance at FRC meetings and recommended some changes. The Chair will revise the proposed FRC Rules of Procedure and process for public attendance at FRC meetings for approval at the FRC meeting in November 2020.</p> <p>Members discussed what should be considered during the public and private parts of the meetings.</p> <p>Members agreed to open FRC meetings to the public, online only, from 1 January 2021 to align processes with the AASB and AUASB. The AASB Chair noted that public attendance had substantially increased at AASB meetings and events since they were held online.</p>
<p>6</p>	<p>OVERSIGHT OF AUSTRALIAN STANDARDS</p>
<p>6.A</p>	<p>ACCOUNTING STANDARDS</p> <p>Dr Keith Kendall provided an update on the AASB’s key priorities from May 2020 to August 2020 including:</p> <ul style="list-style-type: none"> • The draft AASB For-Profit Entity Standard-Setting Framework; and • The draft AASB Not-for-Profit Entity Standard-Setting Framework. <p>Members discussed the AASB’s remit in terms of standard setting on external reporting and provided feedback on the draft Standard-Setting Frameworks.</p> <p>The AASB Chair noted that the AASB has nominated an Australian representative for the IFRS Advisory Council.</p>
<p>6.B</p>	<p>AUDITING STANDARDS</p>

	<p>Professor Roger Simnett provided an update on the AUASB’s key priorities from May 2020 to August 2020 including:</p> <ul style="list-style-type: none"> • The AUASB has continued to prioritise addressing COVID-19 matters and completed the initial issuance of FAQs by the end of June 2020 to assist auditors during the reporting season. The AUASB has issued revised FAQs in respect of subsequent events resulting from the reintroduction of COVID related restrictions by the Victorian Government in July 2020. The AASB, AUASB and ASIC have now frozen their FAQs. • The AUASB are reviewing auditor reporting during the June 2020 reporting season to identify any issues which may need to be addressed. To date no significant issues have been identified. • The AUASB conducted a survey of the leaders of the major Australian Auditing and Assurance practices and auditors of ASX Listed Entities to ensure they were aware of the guidance materials the AASB and AUASB has issued in response to COVID-19, and to seek feedback on any additional areas they should focus on in the immediate future. The feedback received was that the guidance issued was considered very useful and addressed all the key areas. • The AUASB’s work programme is being revisited to reflect the changes in the IAASB’s work plan and the AUASB’s capacity for the rest of the 2020-21 financial year.
7	OVERSIGHT OF AUDIT QUALITY
7.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. The interim recommendations may appear in the final report and would then be subject to a Government response.</p> <p>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>Members agreed at the FRC meeting in March 2020 that preparatory work should commence in the background should the interim recommendations be included in the final report. Implications of COVID-19 has delayed the extent 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 each of the interim recommendations, in advance of the final report and the Government's response. The Chair noted that the FRC COVID-19 Working Group has prepared a draft paper of issues for the FRC to consider and will circulate it to members out-of-session for comments.</p> <p>Members noted that two additional public hearings dates have been scheduled on 5 November 2020 and 13 November 2020 in Canberra.</p>
7.B	<p>AUDIT COMMITTEE CHAIRS (ACCs) SURVEY</p> <p>A survey of ASX Top 300 Audit Committee Chairs (ACCs) was conducted in 2018 by the FRC and AUASB. The intention was to replicate this survey in early 2020, but this was deferred due to COVID-19. It is now proposed to conduct the survey in October 2020. The survey will be electronic and supported by ORIMA Research. The mail out will be conducted with the assistance of ASIC and the large accounting firms. ASIC are proposing to hold a forum of ACCs later in the year. It is</p>

	<p>proposed to replicate the ACCs survey every two years. Members provided feedback on the proposed questions.</p> <p>A replication of the 2018 Investor Survey has been deferred at this stage.</p>
7.c	<p>FRC COVID-19 WORKING GROUP</p> <p>The FRC established an FRC COVID-19 Working Group in March 2020 to ensure a coordinated response by regulators and standard setters, and to ensure such response was timely. The FRC COVID-19 Working Group comprises representatives from FRC, ASIC, ASX, APRA, AASB, AUASB, APESB and Treasury. Its purpose is to continuously monitor the financial and reporting issues and consequent regulatory implications of COVID-19. The FRC COVID-19 Working Group has met once a week since April 2020 to oversee key guidance issued on COVID-19 to ensure consistency of messages. 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', on the AUASB website at 'COVID-19 Guidance', on the ASIC website at 'COVID-19 information' and on the FRC website at 'FRC COVID-19 Working Group'. The Chair noted that positive feedback has been received on key guidance issued and acknowledged the work of all Working Group members.</p>
8	PUBLIC SECTOR
8.A	<p>REPORT BY THE PUBLIC SECTOR WORKING GROUP</p> <p>Dr Helgeby provided an update on behalf of the Public Sector Working Group on the Future of Financial Reporting in the Public Sector. A consultation paper has been prepared on a specimen set of Tier 3 Public Sector Entity financial statements, with further stakeholder consultation now planned.</p>
9	NOMINATIONS COMMITTEE
9.A	<p>REPORT BY THE NOMINATIONS COMMITTEE CHAIR</p> <p>Dr Helgeby provided an update on the AASB recruitment process, including the following recommendations for appointment/reappointment:</p> <ul style="list-style-type: none"> • Appoint Toby Langley, Executive General Manager – Head of Investor Relations, Xero; • Appoint Dean Hanlon, Associate Professor, Department of Accounting, Monash University; • Appoint Caroline Spencer, Auditor-General for Western Australia; and • Reappoint Alison White, Partner, Audit and Assurance, Deloitte Touche Tohmatsu. <p>The FRC approved all recommended appointments. All appointments will commence on 1 January 2021 for a period of three years.</p> <p>Dr Helgeby thanked the Nominations Committee, Carmen Ridley (retiring AASB member) and the FRC Secretariat for their assistance with the recruitment process.</p> <p>The Chair noted that Dr Helgeby will step down from the Nominations Committee at the end of this year. Lawrie Tremaine will replace Dr Helgeby as Chair of the Nominations Committee in 2021 and Suzanne Bell will join as a new member in 2021.</p> <p>The Nominations Committee will meet again in September 2020 for a debrief on the recent recruitment round and in December 2020 to discuss the 2020 AASB and AUASB peer review results.</p>

10	MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS
10.A	<p>STAKEHOLDER REPORTS</p> <p>Members reviewed reports from eleven stakeholders and noted key issues and initiatives.</p>
10.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"> • Continued work on Extended External Reporting, noting an increasing focus by the New Zealand Government on climate change; and • Proposed going concern disclosures in response to COVID-19.
11	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
11.A	<p>INTERNATIONAL DEVELOPMENTS</p> <p>Members noted that the Monitoring Group presented in July 2020 its recommendations <i>Strengthening the International Audit and Ethics Standard-Setting System</i>.</p> <p>The FRC continues to wait for the UK Government’s response to the following documents:</p> <ul style="list-style-type: none"> • <i>Independent Review of the Financial Reporting Council</i> led by Sir John Kingman in December 2018; • UK Competition and Markets Authority (CMA) Final Report <i>Statutory audit services market study</i> in April 2019. • <i>Report of the Independent Review into the Quality and Effectiveness of Audit</i> by Sir Donald Brydon in December 2019.
11.B	<p>IFRS FOUNDATION TRUSTEES</p> <p>Joanna Perry provided an update from the IFRS Foundation Trustees meeting held on 9-11 June 2020 which included a report from the Trustee Taskforce on global developments with sustainability reporting and an initial focus on climate change. Further work is being undertaken and a formal consultation paper is being developed for release by the end of the year.</p>
12	OTHER BUSINESS
12.A	<p>MEMORANDA OF UNDERSTANDING (MOUs) WITH ACCOUNTING BODIES</p> <p>Members reviewed amended MOUs with the professional accounting bodies which have been updated to reflect the roles and responsibilities of the FRC with respect to audit quality. The purpose of the MOUs is to facilitate cooperation and the sharing of information between the FRC and the professional accounting bodies. Members approved the Chair to finalise and sign the amended MOUs with each of the professional accounting bodies on behalf of the FRC.</p>
12.B	<p>UPDATE ON EXTENDED EXTERNAL REPORTING (EER)</p> <p>Members support the need to address international developments in regards to EER.</p> <p>Members discussed and agreed to clarify with AGS the existing mandate of the FRC, AASB and AUASB to set standards on non-financial information. In particular, clarification is required whether</p>

	<p>the words ‘integral to understanding financial information’ covers other information such as climate change reporting.</p> <p>Members discussed and supported the AASB’s proposal to update its Outcome Statement to reflect the remit of the AASB. Treasury will help the FRC facilitate advice to the Finance Minister on this after the 2020-21 Budget.</p> <p>Members noted that legislative changes may be required and would be explored in 2021 following the outcomes of the PJC Inquiry.</p> <p>Members noted that it was useful to receive a stakeholder report from the Business Reporting Leaders Forum to keep informed of global developments.</p>
12.c	<p>REVIEW OF PERFORMANCE OF FRC’S STATUTORY FUNCTIONS</p> <p>Members reviewed a revised document outlining the FRC’s performance against the legislative requirements and agreed that the FRC was satisfying all requirements.</p>
13	NEXT MEETING AND CLOSE
13.A	<p>The next FRC meeting will be held on Thursday 5 November 2020. The Chair raised whether members would prefer shorter and more frequent meetings rather than a full day meeting. There were mixed responses from members. The Chair proposed to leave the next FRC meeting to be held on Thursday 5 November 2020.</p>