



# MINUTES

**DATE:** Thursday 5 November 2020  
**TIME:** 10 am – 4 pm  
**LOCATION:** Videoconference/Teleconference

ITEM	AGENDA ITEM																						
<b>1</b>	<b>INTRODUCTION</b>																						
	<p>The Chair noted that Stein Helgeby will move to a new role, effective from 18 November 2020, as the Parliamentary Budget Officer. Dr Helgeby will no longer be either a preparer or a standard setter for the Commonwealth public sector. Treasury is considering how this appointment would affect his position on the FRC. Dr Helgeby is an apology for the meeting.</p> <p>The Chair noted that Cathie Armour, Commissioner at ASIC has taken over responsibility for financial reporting and audit following John Price’s departure from ASIC.</p> <p>Members confirmed that there were no conflicts of interest raised by agenda items for this meeting.</p>																						
<b>1.A</b>	<b>ATTENDEES AND APOLOGIES</b>																						
	<table border="1"> <thead> <tr> <th>Members in attendance:</th> <th>Observers:</th> </tr> </thead> <tbody> <tr> <td>Bill Edge – Chair</td> <td>Cathie Armour, Greg Yanco, Doug Niven – ASIC</td> </tr> <tr> <td>Keith Kendall – AASB Chair</td> <td>Tom Dickson – Treasury</td> </tr> <tr> <td>Roger Simnett – AUASB Chair</td> <td>Justin Williams - AASB</td> </tr> <tr> <td>Suzanne Bell</td> <td>Anne Waters - AUASB</td> </tr> <tr> <td>Michele Embling – XRB Chair</td> <td>Anita Cuming – FRC Secretariat</td> </tr> <tr> <td>Cameron McDonald</td> <td><b>Guests:</b></td> </tr> <tr> <td>Lawrie Tremaine</td> <td>Joanna Perry – IFRS Foundation Trustees</td> </tr> <tr> <td>Stewart Walters</td> <td><b>Apologies:</b></td> </tr> <tr> <td></td> <td>Stein Helgeby – Deputy Chair</td> </tr> <tr> <td></td> <td>April Mackenzie - XRB</td> </tr> </tbody> </table>	Members in attendance:	Observers:	Bill Edge – Chair	Cathie Armour, Greg Yanco, Doug Niven – ASIC	Keith Kendall – AASB Chair	Tom Dickson – Treasury	Roger Simnett – AUASB Chair	Justin Williams - AASB	Suzanne Bell	Anne Waters - AUASB	Michele Embling – XRB Chair	Anita Cuming – FRC Secretariat	Cameron McDonald	<b>Guests:</b>	Lawrie Tremaine	Joanna Perry – IFRS Foundation Trustees	Stewart Walters	<b>Apologies:</b>		Stein Helgeby – Deputy Chair		April Mackenzie - XRB
Members in attendance:	Observers:																						
Bill Edge – Chair	Cathie Armour, Greg Yanco, Doug Niven – ASIC																						
Keith Kendall – AASB Chair	Tom Dickson – Treasury																						
Roger Simnett – AUASB Chair	Justin Williams - AASB																						
Suzanne Bell	Anne Waters - AUASB																						
Michele Embling – XRB Chair	Anita Cuming – FRC Secretariat																						
Cameron McDonald	<b>Guests:</b>																						
Lawrie Tremaine	Joanna Perry – IFRS Foundation Trustees																						
Stewart Walters	<b>Apologies:</b>																						
	Stein Helgeby – Deputy Chair																						
	April Mackenzie - XRB																						
<b>1.B</b>	<b>REGISTER OF INTERESTS</b>																						
	Members confirmed their entries as recorded in the Register of Interests.																						
<b>2</b>	<b>MATTERS FOR APPROVAL</b>																						
<b>2.A</b>	<b>MINUTES OF THE PREVIOUS MEETING – 3 SEPTEMBER 2020</b>																						
	Members noted the minutes from the FRC meeting on 3 September 2020 which had been approved out-of-session.																						

2.B	<p><b>MATTERS ARISING</b></p> <p>The Chair reported that matters arising had been completed, were on the current agenda, or were still in progress.</p>
3	<p><b>FRC ANNUAL REPORT</b></p>
3.A	<p><b>PJC RECOMMENDATIONS ON FRC ANNUAL REPORT 2018-19</b></p> <p>Members discussed the recommendations for the FRC included in paragraph 3.10 from the Parliamentary Joint Committee on Corporations and Financial Services Report on the 2018-19 annual reports of bodies established under the ASIC Act issued on 3 September 2020. The Chair noted that the report was received too late to address the recommendations in the FRC Annual Report 2019-20.</p> <p>Members discussed how to measure the cost of capital and investor confidence. Members discussed gathering and capturing data during the annual report cycle to include in the FRC Annual Report. Members also discussed issuing a survey in 2021 regarding the cost of capital and investor confidence.</p> <p>Members noted the three year project that the AASB and AUASB are supporting from a group of academics looking at the impact on cost of capital of accounting and auditing standards.</p> <p>Members discussed the advice the FRC provides the AASB and AUASB during the year and to better articulate the outcomes in the FRC minutes and FRC Annual Report. Members also discussed better linkages between the AASB, AUASB and FRC Annual Reports and how the FRC has overseen what the AASB and AUASB has achieved.</p>
3.B	<p><b>REVIEW OF POTENTIAL IMPROVEMENTS TO FRC ANNUAL REPORT 2019-20</b></p> <p>The Chair noted that the FRC Annual Report 2019-20 had been tabled in Parliament. Copies of the Annual Report have been sent to stakeholders and is available on the FRC website.</p> <p>The Chair noted that the joint AASB and AUASB Annual Report 2019-20 had also been tabled.</p> <p>The Chair noted that he met offline with Suzanne Bell and Lawrie Tremaine on 30 September 2020 to discuss potential improvements to the FRC Annual Report 2019-20, for implementation to the FRC Annual Report 2020-21. Members discussed and agreed with the suggestions for implementation to the FRC Annual Report 2020-21. Members also agreed to engage early.</p>
4	<p><b>FRC STRATEGY</b></p>
4.A	<p><b>DRAFT FRC STRATEGY 2021-2024</b></p> <p>Members discussed the draft FRC Strategic Plan 2021-24. The Chair noted that it could be enhanced by an environmental analysis. It also aims to be consistent in appearance and content to that of the AASB and AUASB.</p> <p>Members noted the AASB and AUASB Corporate Plan 2020-21, particularly pages 5-8 and the XRB Strategic Plan 2019-24.</p> <p>The FRC advised the AASB and AUASB to continue to be mindful of the main objects of the Australian financial reporting system as outlined in section 224 of the ASIC Act.</p> <p>Members noted that the AASB and AUASB propose to hold a joint board meeting in the future once face to face meetings resume.</p>

	<p>Members discussed improving FRC stakeholder engagement to avoid duplication with the AASB and AUASB.</p> <p>Members also discussed the value of the stakeholder reports obtained for the FRC meetings.</p>
<b>5</b>	<b>FRC POLICY</b>
5.A	<p><b>FRC MEETINGS – OPENING TO THE PUBLIC</b></p> <p>Members approved opening FRC meetings to the public from 1 January 2021. Members agreed that the first FRC meeting to be opened to the public on 31 March 2021 would be online only.</p> <p>Members approved the amended Rules of Procedure and Process for Public Attendance at FRC meetings.</p> <p>Members discussed the technology used for FRC meetings.</p>
<b>6</b>	<b>OVERSIGHT OF AUSTRALIAN STANDARDS</b>
6.A	<p><b>ACCOUNTING STANDARDS</b></p> <p>Dr Keith Kendall provided an update on the AASB’s key priorities from August 2020 to September 2020 including:</p> <ul style="list-style-type: none"> <li>• Most of the AASB projects are back on track now following the impact of COVID-19, including work on the draft AASB For-Profit Entity Standard-Setting Framework and draft AASB Not-for-Profit Entity Standard Setting Framework.</li> <li>• Australia and New Zealand presented a thought leadership piece to the International Forum of Accounting Standard-Setters (IFASS) recommending the IASB undertake a project on matters relating to going concern. The IFASS generally supported the recommendation. The AASB will continue its influence via the IASB’s 2021 Agenda Consultation.</li> <li>• The AASB’s website is being updated.</li> <li>• A new stakeholder database is being developed.</li> </ul>
6.B	<p><b>AUDITING STANDARDS</b></p> <p>Professor Roger Simnett provided an update on the AUASB’s key priorities from September 2020 to October 2020 including:</p> <ul style="list-style-type: none"> <li>• The IAASB is seeking feedback on a discussion paper ‘<i>Fraud and Going Concern in an Audit of Financial Statements</i>’ with responses due in early January 2021.</li> </ul> <p>In order to inform the AUASB in its response to the IAASB, the AUASB is performing evidence gathering activities which include holding roundtables with key stakeholders and academics. These activities will also inform the AUASB’s response to any final recommendations arising from the PJC Inquiry.</p> <ul style="list-style-type: none"> <li>• The AUASB is in the process of developing a new digital portal to make their standards and other pronouncements more easily accessible online. It is expected that the portal will be available for AUASB stakeholders by December 2020.</li> <li>• The AUASB website is also currently being updated.</li> </ul>

	<ul style="list-style-type: none"> <li>The IAASB has issued a Staff Audit Practice Alert on <i>'The Consideration of Climate-Related Risks in an Audit of Financial Statements'</i> which builds on the Joint AASB-AUASB publication on Climate Change disclosures issued in 2018.</li> </ul> <p>The AUASB Chair asked the FRC if there are any reporting and auditing matters relating to fraud and/or going concern which the AUASB should focus on in its outreach and response to the IAASB, and in preparation to respond to the PJC inquiry's recommendation.</p> <p>Members noted the comprehensive guidance issued during COVID-19 by the AASB and AUASB.</p> <p>Members discussed the possibility of issuing guidance or updating standards on fraud and going concern in Australia ahead of international guidance/standards.</p> <p>The AUASB Chair noted that it has identified cybersecurity as a key future project. ASIC noted that cybersecurity is a high priority for the Government.</p>
<b>7</b>	<b>OVERSIGHT OF AUDIT QUALITY</b>
7.A	<p><b>PARLIAMENTARY INQUIRY</b></p> <p>Members noted the two draft documents that had been circulated to members on 25 September 2020 summarising the FRC's position with respect to the interim recommendations of the PJC Inquiry into the Regulation of Auditing in Australia.</p> <p>The final report of the inquiry is due to be released on 2 December 2020.</p> <p>Treasury outlined the legislative program process should any changes be required to amend the Corporations Law in 2021.</p> <p>The Chair proposed that a two hour meeting will be scheduled in mid-December 2020 to discuss the FRC's position on the final recommendations of the PJC Inquiry.</p> <p>The Chair encouraged members to read the PowerPoint slides circulated and view the link to the presentation by Professor Stephen Taylor of the 81<sup>st</sup> CPA Australia Annual Research Lecture entitled <i>'Regulation in Auditing: Evidence or Intuition'</i>. Greg Yanco provided some observations from the lecture. Mr Yanco suggested holding a discussion at a future meeting to discuss the FRC's views on the way ASIC conducts its Audit Inspection Program.</p> <p>Professor Simnett noted that he recently presented to the CPA Congress in Canberra on <i>'Maintaining Confidence in Audit in a Changing World'</i>.</p>
7.B	<p><b>AUDIT COMMITTEE CHAIRS (ACCs) SURVEY</b></p> <p>A survey has been sent to Audit Committee Chairs (ACCs) to gather their views on audit quality. Responses are due by 30 November 2020. To date, 24 responses have been received.</p> <p>ASIC reported that it is arranging an ACCs Forum which is likely to be held in the first week of December 2020. Invitations to the virtual Forum will be sent next week to ACCs of the top 300 companies by market capitalisation.</p>
<b>8</b>	<b>NOMINATIONS COMMITTEE</b>
8.A	<p><b>REPORT BY THE NOMINATIONS COMMITTEE CHAIR</b></p> <p>The External Reporting Board (XRB) has recently appointed Carolyn Cordery as the new Chair of the New Zealand Accounting Standards Board (NZASB) for a three year term from 1 February 2021. The FRC and the XRB have agreed that the Chairs of the AASB and NZASB respectively shall be appointed</p>

	<p>to the corresponding Board, as per the protocol for cooperation between Australia and New Zealand.</p> <p>The FRC approved the appointment of Carolyn Cordery to the AASB for a three year term from 1 February 2021.</p>
<b>9</b>	<b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b>
9.A	<p><b>STAKEHOLDER REPORTS</b></p> <p>Members reviewed reports from nine stakeholders and noted key issues and initiatives.</p> <p>Members discussed amending the Stakeholder Report template to ask Stakeholders their views on a particular issue or to comment on 5 or 6 issues.</p> <p>Members discussed holding a dedicated FRC meeting/session with stakeholders once a year.</p>
9.B	<p><b>REPORT BY XRB</b></p> <p>Michele Embling provided an update on the key activities of the XRB including:</p> <ul style="list-style-type: none"> <li>• Continued work on Extended External Reporting, noting proposed legislation by the New Zealand Government on reporting on climate change; and</li> <li>• The XRB has approved an amendment to an accounting standard requiring additional disclosures relating to going concern.</li> </ul>
<b>10</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
10.A	<p><b>INTERNATIONAL DEVELOPMENTS</b></p> <p>Members noted that the Financial Reporting Council in the United Kingdom had released a discussion paper in October 2020 proposing a future for corporate reporting based on a principles-based framework.</p>
10.B	<p><b>IFRS FOUNDATION TRUSTEES</b></p> <p>Joanna Perry noted that webinars discussing the IFRS Foundation’s ‘<i>Consultation Paper on Sustainability Reporting</i>’ issued in September 2020 will be scheduled during the consultation period by members of the Trustees Taskforce. Ms Perry asked members to keep her informed if they hear any negative feedback on the consultation paper. The Chair noted that he will reach out to key users in Australia to encourage them to put in a submission.</p>
<b>11</b>	<b>OTHER BUSINESS</b>
11.A	<p><b>UPDATE ON EXTENDED EXTERNAL REPORTING (EER)</b></p> <p>Members discussed the IFRS Foundation’s ‘<i>Consultation Paper on Sustainability Reporting</i>’ issued in September 2020. Comments on this paper are due by 31 December 2020. The Chair noted that the FRC, AASB and AUASB will provide a joint submission to the consultation paper. A copy of the draft FRC, AASB and AUASB joint submission will be sent to the FRC for comments prior to lodgement. If required, a discussion on the draft FRC, AASB and AUASB joint submission can be held at the FRC meeting proposed to be scheduled in mid-December 2020 to discuss the FRC’s position on the final recommendations to the PJC Inquiry into the Regulation of Auditing in Australia.</p> <p>The Chair noted that the AASB and AUASB will start preparatory work should it eventuate in the introduction of standards on non-financial information.</p>

11.B	<p><b>FRC WEBSITE STATISTICS</b></p> <p>Members noted the FRC website statistics for the periods 17 October 2018 to 30 June 2019, 1 July 2019 to 31 December 2019 and 1 January 2020 to 30 April 2020.</p>
11.C	<p><b>FRC MEETING DATES FOR 2021</b></p> <p>Members noted the FRC meeting dates for 2021.</p> <p>Meeting dates for 2021 are:</p> <ul style="list-style-type: none"> <li>• 31 March 2021;</li> <li>• 3 June 2021;</li> <li>• 22 September 2021; and</li> <li>• 3 November 2021.</li> </ul>
<b>12</b>	<b>NEXT MEETING AND CLOSE</b>
12.A	<p>The Chair noted that an additional two hour FRC meeting will be scheduled in mid-December 2020 to discuss the FRC’s position on the final recommendations to the PJC Inquiry into the Regulation of Auditing in Australia due to be released on 2 December 2020.</p>