



# MINUTES

**DATE:** Wednesday 31 March 2021

**TIME:** 10 am – 4 pm

**LOCATION:** Microsoft Teams meeting

All agenda items except item 1 were discussed in public.

ITEM	AGENDA ITEM	
	<b>NON-PUBLIC SESSION</b>	
<b>1</b>	<b>MATTERS FOR NON-PUBLIC SESSION</b>	
	This agenda item was discussed in private.	
	<b>PUBLIC SESSION</b>	
<b>2</b>	<b>INTRODUCTION</b>	
	Members confirmed that there were no conflicts of interest raised by agenda items for this meeting.	
2.A	<b>ATTENDEES AND APOLOGIES</b>	
	<b>Members in attendance:</b>	<b>Observers:</b>
	Lawrie Tremaine – A/g FRC Chair	Cathie Armour, Greg Yanco, Doug Niven, Thea Eszenyi – ASIC
	Keith Kendall – AASB Chair	Anne Waters, Marina Michaelides - AUASB
	Bill Edge – A/g AUASB Chair	April Mackenzie - XRB
	Suzanne Bell	Tracey Carroll – Department of Finance
	Michele Embling – XRB Chair	Anita Cuming – FRC Secretariat
	Cameron McDonald	<b>Guests:</b>
	Stewart Walters – HoTARAC Chair	Joanna Perry – IFRS Foundation Trustees
2.B	<b>REGISTER OF INTERESTS</b>	
	Members confirmed their entries as recorded in the Register of Interests.	
<b>3</b>	<b>MATTERS FOR APPROVAL</b>	
3.A	<b>MINUTES OF THE PREVIOUS MEETING – 16 DECEMBER</b>	
	Members noted the minutes from the FRC meeting on 16 December 2020 which had been approved out-of-session.	

<p>3.B</p>	<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> <p>Bill Edge proposed to arrange a meeting with FRC stakeholders within the next three months to discuss the FRC stakeholder report template and how the FRC can better engage with stakeholders.</p> <p>Members noted that the Public Sector Working Group needs to be reconstituted to progress the outstanding action items.</p>
<p>4</p>	<p><b>OVERSIGHT OF AUSTRALIAN STANDARDS</b></p>
<p>4.A</p>	<p><b>ACCOUNTING STANDARDS</b></p> <p>Dr Keith Kendall provided an update on the Australian Accounting Standards Board’s (AASB’s) key priorities from October 2020 to February 2021 including:</p> <ul style="list-style-type: none"> <li>• Request for Quotation – Post-implementation Review of AASB 1049. The AASB expect that the post-implementation review will be completed by November 2021.</li> <li>• AASB Research Report 15 – Review of Auditor Remuneration Disclosures Requirements.</li> </ul> <p>Members raised whether the AASB and AUASB are going to issue COVID-19 guidance for preparers and auditors for the upcoming financial reporting season. The AASB and AUASB agreed to reference last year’s COVID-19 guidance in an upcoming newsletter.</p>
<p>4.B</p>	<p><b>AUDITING STANDARDS</b></p> <p>Mr Bill Edge provided an update on the Auditing and Assurance Standards Board’s (AUASB’s) key priorities from October 2020 to February 2021 including:</p> <ul style="list-style-type: none"> <li>• The AUASB has released revised Quality Management Standards which were approved at its Board meeting in March 2021. The Quality Management Standards have been significantly enhanced from the existing standards in the aim of improving audit quality.</li> <li>• The AUASB is finalising a detailed strategic plan to support Extended External Reporting (EER) and assurance in Australia which includes a communications and stakeholder engagement plan. This incorporates initiatives for the AASB and AUASB.</li> <li>• The International Auditing and Assurance Standards Board (IAASB) is finalising EER Non-Authoritative Guidance for approval at its March 2021 meeting and the AUASB will issue shortly in Australia in accordance with its strategic plan.</li> <li>• The AUASB will issue a bulletin shortly providing guidance for auditors on matters to consider as the removal of Special Purpose Financial Statements (SPFS) comes into effect on 30 June 2021.</li> <li>• The AUASB has prioritised the importance of providing guidance to auditors on technology matters. The AUASB has set up a Technology Project Advisory Group to inform them of relevant issues that need to be addressed. The first output is a bulletin on Cybersecurity which will be released shortly.</li> <li>• The AUASB is finalising its new digital portal to make the auditing standards and other pronouncements more easily accessible online. This will be released during April 2021.</li> <li>• The AASB and AUASB’s websites are currently being updated and are expected to go live during April 2021.</li> </ul>

	Members discussed the AASB and AUASB issuing guidance in Australia in advance of international guidance.
<b>5</b>	<b>OVERSIGHT OF AUDIT QUALITY</b>
5.A	<p><b>PARLIAMENTARY INQUIRY</b></p> <p>The Government has not responded to the final report to the Parliamentary Joint Committee on Corporations and Financial Services (PJC) Inquiry into the Regulation of Audit.</p> <p>Initial preparations are being undertaken by the FRC, ASIC, AASB, AUASB and Accounting Professional and Ethical Standards Board (APESB).</p> <p>An FRC PJC Inquiry Working Group has been established comprising representatives from the above organisations. It meets virtually every two weeks so that preparations are coordinated and duplication does not occur.</p> <p>Bill Edge noted that action may be taken ahead of a response on some of the recommendations.</p>
5.B	<p><b>AUDIT COMMITTEE CHAIRS (ACCs) SURVEY</b></p> <p>The report Audit Quality in Australia: The Perspective of Audit Committee Chairs – 2<sup>nd</sup> Survey was released on 1 March 2021.</p> <p>Overall the results indicate that ACCs are very satisfied with the quality of their auditors (in the 2021 survey 94% considered their external auditor to be ‘above average’ or ‘excellent’ which is up from 92% in 2018).</p> <p>The results of this survey were included in ASIC’s Report 678 ‘Audit quality measures, indicators and other information: 2019-20’.</p>
5.C	<p><b>PROFESSIONAL INVESTORS SURVEY</b></p> <p>The FRC is in the process of carrying out the second survey of professional investors, with the assistance of the Australian Council of Superannuation Investors and Australian Institute of Superannuation Trustees.</p> <p>A report is expected to be completed by May 2021.</p> <p>The FRC might need to investigate alternative mechanisms if the response rate to the survey is low.</p>
5.D	<p><b>REVIEW OF ASIC PROGRAMS</b></p> <p>A two hour private FRC meeting was held on 1 March 2021 to discuss potential improvements to ASIC Audit Inspection Program and ASIC Financial Reporting Surveillance Program.</p> <p>ASIC thanked members for attending the private meeting and for providing comments. ASIC will report back on its progress over the coming months.</p>
<b>6</b>	<b>FRC STRATEGY</b>
6.A	<p><b>FRC STRATEGY 2021-2024 FOR APPROVAL</b></p> <p>Members discussed the draft FRC Strategic Plan 2021-2024 and recommended further changes.</p> <p>Members discussed the purpose/objectives of the FRC and the limited resourcing of the FRC.</p> <p>Members discussed the need and difficulty in measuring the FRC impact on objectives in the broader market, such as lower cost of capital.</p>

	<p>Members discussed the decline in Registered Company Auditors and it was agreed to include this as a specific agenda item for the next meeting.</p> <p>Members agreed to continue to monitor current and emerging topics and to consider how they are being addressed. The role of the FRC, AASB and AUASB will be considered in relation to those topics.</p>
<b>7</b>	<b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b>
7.A	<p><b>STAKEHOLDER REPORTS</b></p> <p>Members reviewed reports from 11 stakeholders and noted key issues and initiatives.</p>
7.B	<p><b>REPORT BY EXTERNAL REPORTING BOARD (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.</li> <li>• Lawrie Tremaine is attending meetings of the XRB as an observer whilst he is acting Chair of the FRC, and Bill Edge has been temporarily appointed to the NZ AuASB whilst he is acting Chair of the AUASB.</li> </ul>
<b>8</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
8.A	<p><b>INTERNATIONAL DEVELOPMENTS</b></p> <p>Members noted that on 18 March 2021 the United Kingdom Government issued a consultation paper with proposed reforms to address the three independent reviews (Sir John Kingman, Sir Donald Brydon and the Competition and Markets Authority) into how to improve the audit, corporate reporting and corporate governance systems. The proposed reforms include new measures in relation to directors, auditors and audit firms, shareholders and the audit regulator. Consultation closes on 8 July 2021.</p>
8.B	<p><b>IFRS FOUNDATION TRUSTEES</b></p> <p>The Trustees of the IFRS Foundation met on 2-4 March 2021 to continue their analysis and discussions of the feedback received to their <i>'Consultation Paper on Sustainability Reporting'</i>.</p> <p>Feedback to the 2020 Consultation confirmed an urgent need for global sustainability reporting standards and support for the IFRS Foundation to play a role their development. The Trustees are therefore continuing their work on the establishment of an international sustainability reporting standards board within the existing governance arrangements of the IFRS Foundation.</p> <p>The Trustees plan to make a final determination about a new board in advance of the November 2021 United Nations COP26 Conference.</p>
<b>9</b>	<b>OTHER BUSINESS</b>
	<p>Bill Edge and Keith Kendall provided a debrief from the AASB and AUASB joint Board strategy meeting in March 2021.</p>
9.A	<p><b>UPDATE ON EXTENDED EXTERNAL REPORTING (EER)</b></p> <p>The FRC has monitored EER for a couple of years and has issued a couple of FRC Position Statements.</p>

	<p>The FRC will monitor how the XRB in New Zealand develops a framework to allow a climate reporting standard to be produced.</p> <p>Marina Michaelides, a staff member of the AUASB, is working with the AASB on a plan going forward. Bill Edge and Keith Kendall will bring this plan to the FRC in the near future.</p> <p>The Australian Business Reporting Leaders Forum (BRLF) has written to the Minister offering to provide a briefing to the Minister and Treasury so that the Government is fully aware of the international developments.</p> <p>Members noted that there will be a need in the future to recruit a different skills set. The AASB has already held discussions internally to obtain capability in this area and has identified some potential people.</p> <p>Members noted that clarification will be sought in the near future with the Australian Government Solicitor (AGS) regarding the existing mandate of the FRC, AASB and AUASB. In particular, clarification is required whether the words 'integral to understanding financial information' covers other information such as climate change reporting.</p>
<b>10</b>	<b>NEXT MEETING AND CLOSE</b>
10.A	The next FRC meeting will be held on Thursday 3 June 2021. The Chair will consult with members prior to the next meeting regarding whether to hold the next meeting virtually or face-to-face.