



# MINUTES

**DATE:** Thursday 3 June 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 – Acting FRC Chair	Cathie Armour, Greg Yanco, Doug Niven, Thea Eszenyi – ASIC
	Keith Kendall – AASB Chair	Tom Dickson, Vaishali Dave - Treasury
	Bill Edge – Acting AUASB Chair	Justin Williams, Nikole Gyles - AASB
	Suzanne Bell	Anne Waters, Matthew Zappulla - AUASB
	Tracey Carroll	Anita Cuming – FRC Secretariat
	Michele Embling – XRB Chair	<b>Apologies:</b>
	Cameron McDonald	April Mackenzie
	Stewart Walters – HoTARAC Chair	
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 – 31 MARCH 2021</b>	
	Members noted the minutes from the FRC meeting on 31 March 2021 which had been approved out-of-session.	

3.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>
4	<p><b>OVERSIGHT OF AUSTRALIAN STANDARDS</b></p>
4.A	<p><b>ACCOUNTING STANDARDS</b></p> <p>Keith Kendall provided an update on the Australian Accounting Standards Board's (AASB's) key priorities from March to May 2021 including:</p> <ul style="list-style-type: none"> <li>• The AASB is consulting with stakeholders via 'ITC 44 Request for Comment on the International Accounting Standards Board (IASB) Request for Information on Third Agenda Consultation' on the IASB's agenda consultation for 2022 to 2026 to help shape the AASB's submission. The AASB will also conduct a domestic Agenda Consultation process during 2021/22 via a separate ITC.</li> <li>• The AASB Chair has recently undertaken several stakeholder outreach meetings with different stakeholders, regulators, preparers, and academia to obtain feedback and to raise the Agenda Consultation process.</li> <li>• In May 2021, the IASB published the Exposure Draft 'Management Commentary'. The Exposure draft sets out the Board's proposal for a comprehensive new framework for preparing management commentary. The proposed framework would replace IFRS Practice Statement 1 Management Commentary. The AASB released in May 2021 an 'AASB Staff Paper: Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities'.</li> <li>• As the Australian Government is yet to accept or otherwise respond to the Parliamentary Joint Committee on Corporations and Financial Services (PJC) Inquiry into the Regulation of Audit report recommendations, the AASB will develop a preliminary Exposure Draft with proposed revised auditor remuneration disclosures based on the work presented in 'AASB Research Report 15 Review of Auditor Remuneration Disclosure Requirements' and other outreach and research activities. This preliminary Exposure Draft will only be finalised once, and if, the PJC recommendations are accepted by Government.</li> </ul> <p>The AASB Chair noted that links to the COVID-19 Guidance is highlighted in a weekly update newsletter. The AASB and AUASB have examined whether there is a need for any further COVID-19 Guidance and concluded no further guidance is required at this stage.</p> <p>The AASB Chair noted that the Post-implementation Review of AASB 1049 is expected to be completed by November 2021.</p>
4.B	<p><b>AUDITING STANDARDS</b></p> <p>Bill Edge provided an update on the Auditing and Assurance Standards Board's (AUASB's) key priorities from March to May 2021 including:</p> <ul style="list-style-type: none"> <li>• The AUASB has finalised and launched its new digital portal to make the auditing standards and other pronouncements more easily accessible online.</li> <li>• The AASB and AUASB's websites have been updated and went live in early June 2021.</li> <li>• The AUASB have prioritised the importance of providing guidance to auditors on technology matters in advance of the International Auditing and Assurance Standards Board (IAASB). The first output is a bulletin on 'The Consideration of Cybersecurity Risks in an Audit of a Financial Report' which was issued in May 2021. The next priority is a bulletin on auditor's</li> </ul>

	<p>considerations related to data integrity when using technology in the audit, which is currently in development with assistance from representatives from the major firms.</p> <ul style="list-style-type: none"> <li>• The AUASB has finalised 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. In accordance with the strategic plan, the AUASB will shortly issue an AUASB Bulletin to contextualise the IAASB’s ‘EER Non-Authoritative Guidance’ for the Australian jurisdiction.</li> <li>• The AUASB have issued a bulletin providing guidance for auditors on matters to consider the removal of Special Purpose Financial Statements (SPFS), which comes into effect at 30 June 2022, however early adoption is possible at 30 June 2021. The AUASB and AASB have also conducted a series of joint webinars to support implementation for preparers and auditors.</li> <li>• AUASB staff are presenting implementation support plans to the AUASB at its June 2021 meeting for the following new standards: <ul style="list-style-type: none"> <li>• ASA 315 Identifying and Assessing the Risks of Material Misstatement; and</li> <li>• The Quality Management Standards.</li> </ul> </li> </ul> <p>The AUASB Chair noted that the AUASB conducted research on audit reports that were issued during COVID-19. The AUASB Chair also noted that ad hoc research obtained was that the standards stood up well and there were no issues in applying them. Members highlighted that this research should be included in the FRC Annual Report 2020-21.</p>
<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 of the Parliamentary Joint Committee on Corporations and Financial Services (PJC) Inquiry into the Regulation of Audit.</p> <p>Whilst awaiting that response, the FRC, ASIC, AASB, AUASB and Accounting Professional and Ethical Standards Board (APESB) have been meeting and liaising on preparations should certain recommendations be accepted by the Government.</p> <p>Members discussed the status of the PJC recommendations which are the responsibility of the FRC.</p> <p>Members noted that the APESB issued on 28 May 2021 an Exposure Draft ‘Proposed Amendments to Fee-related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards)’.</p> <p>Members discussed issuing standards and/or other guidance ahead of the Government response. Members also discussed issuing non-authoritative guidance in the short term.</p> <p>Members discussed Audit tenure and the FRC noted that non-authoritative guidance on this issue maybe provided by the Australian Institute of Company Directors (AICD).</p> <p>Members discussed fraud and going concern. The FRC advised the AASB and AUASB to bring these matters forward into their work program and to commence preparatory work.</p> <p>Members noted an update from ASIC on recommendation 4 regarding the decline in Registered Company Auditors.</p>

5.B	<p><b>STAKEHOLDERS VIEWS ON AUDIT QUALITY</b></p> <p>The FRC's Audit Quality Action Plan includes actions to inform the FRC in fulfilling its function to give strategic policy advice to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors.</p> <p>Included in the Audit Quality Action Plan is the survey of users of financial information to better understand their views on audit quality.</p> <p>To date the FRC have conducted surveys of Audit Committee Chairs (2018 and 2020), Investors (2019 and 2021) and Chief Financial Officers, with mixed success due to low response rates.</p> <p>The 2021 investor survey has been distributed with the assistance of Australian Institute of Superannuation Trustees and Australian Council of Superannuation Investors, however the response rate is too low to provide evidence on views of audit quality.</p> <p>The FRC need to explore other ways to gather views of users of financial information on audit quality. Other ways could include targeted interviews or academic research. The AASB and AUASB Chairs agreed to reach out to academics.</p> <p>ASIC noted that it will not issue a report in 2021 on Audit quality measures, indicators and other information.</p>
6	<p><b>FRC NOMINATIONS COMMITTEE</b></p>
6.A	<p><b>REPORT BY FRC NOMINATIONS COMMITTEE CHAIR</b></p> <p>Lawrie Tremaine noted that the FRC Nominations Committee met on 2 June 2021 to discuss AASB and AUASB recruitment and the AASB and AUASB Peer Review process. The AASB will advertise two positions (1 x public sector representative and 1 x large/mid-tier accounting firm representative). The AUASB will advertise three positions (2 x partners of a large accounting firm and 1 x individual currently reporting or providing assurance on non-financial information, including but not limited to climate reporting). Positions will be advertised on the FRC, AASB and AUASB websites on 5 July 2021. Applications will close on 25 July 2021. A report will be provided to the FRC on the recommended appointments for approval at the September FRC meeting. Successful applicant/s will be appointed from 1 January 2022.</p> <p>Members noted that the Nominations Committee agreed to redraft the AASB and AUASB Peer Review questions. The questions will focus more on the objectives of the particular Board, as well as a couple of questions on individual members performance.</p>
7	<p><b>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</b></p>
7.A	<p><b>STAKEHOLDER MEETING</b></p> <p>The FRC held a meeting on 1 June 2021 with invited FRC stakeholders to discuss and potentially update the relationship between the FRC and stakeholder organisations. 26 stakeholders attended from 22 organisations. The opportunity to meet with the FRC was well received by stakeholders. Stakeholders were supportive of the FRC's priorities.</p>
7.B	<p><b>STAKEHOLDER REPORTS</b></p> <p>Members reviewed reports from eight stakeholders and noted key issues and initiatives.</p>

<p>7.C</p>	<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 the New Zealand legislation on the development of standards related to climate change risks and impacts.</li> </ul>
<p><b>8</b></p>	<p><b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b></p>
<p>8.A</p>	<p><b>INTERNATIONAL APPOINTMENTS</b></p> <p>Members noted the table of International Representation – Australia and New Zealand.</p> <p>The incoming Chair of the AUASB will be nominated as a member to the International Auditing and Assurance Standards Board (IAASB) from 1 January 2022.</p> <p>The Professional Accounting Bodies will nominate representatives for the International Ethics Standards Board for Accountants (IESBA), International Public Sector Accounting Standards Board (IPSAB), and IFAC Nominating Committee.</p> <p>Australia and New Zealand will not nominate a representative for the Accounting Standards Advisory Forum (ASAF) at this point in time.</p>
<p><b>9</b></p>	<p><b>OTHER BUSINESS</b></p>
<p>9.A</p>	<p><b>UPDATE AND DISCUSSION ON EXTENDED EXTERNAL REPORTING (EER)</b></p> <p>Members noted the following developments since the FRC meeting in March 2021:</p> <ul style="list-style-type: none"> <li>The Trustees of the IFRS Foundation have issued proposed amendments to the Constitution of the Foundation to accommodate the potential formulation of a new Sustainability Standards Board (ISSB) within the governance structure of the organisation.</li> <li>The Trustees also published a Feedback Statement that summaries feedback received to their consultation on sustainability reporting.</li> <li>The XRB has established a Project Steering Group to assist with meeting the climate reporting obligations in New Zealand.</li> <li>The IAASB issued Non-Authoritative Guidance on Applying ISAE3000 (Revised) to Extended External Reporting Assurance Engagements. The AUASB has issued this guidance in Australia.</li> <li>The position the FRC has taken on EER in recent meetings from the extracts of minutes from 7 August 2020, 3 September 2020, 5 November 2020 and 31 March 2021.</li> </ul> <p>Michele Embling reported on how the climate reporting obligations evolved in New Zealand.</p> <p>Bill Edge noted that John Stanhope, Chair of the Australian Business Reporting Leaders Forum (BRLF) and he had met with the Hon Michael Sukkar MP at the end of January 2021 to discuss EER. A separate briefing was also scheduled with Treasury.</p> <p>Cathie Armour noted that she will speak at the Minerals Council of Australia event on Thursday 3 June 2021 on ‘Why climate-related financial disclosures matter’.</p> <p>Members discussed and support the FRC writing a proposal to the Minister with options including the pace and scope of international developments.</p>

<p>9.B</p>	<p><b>PUBLIC SECTOR MATTERS</b></p> <p>Stewart Walters has agreed to Chair the FRC Public Sector Working Group following Stein Helgeby's retirement from the FRC.</p> <p>The FRC Public Sector Working Group will focus on three priorities over the next 6-12 months:</p> <ul style="list-style-type: none"> <li>• Post-implementation Review of AASB 1049;</li> <li>• Tier 3 Financial Reporting; and</li> <li>• Sustainability Reporting.</li> </ul> <p>The FRC Public Sector Working Group will update the FRC on progress.</p>
<p>9.C</p>	<p><b>FRC ANNUAL REPORT 2020-21</b></p> <p>Members noted the proposed contents and timeline for preparing the 2020-21 FRC Annual Report, including approval of the report out-of-session.</p>
<p>9.D</p>	<p><b>FRC PEER REVIEW</b></p> <p>Members noted that a Peer Review of FRC members will be held in 2021. A new set of questions will be provided to members for consideration out-of-session.</p>
<p>9.E</p>	<p><b>IFRS FOUNDATION CONTRIBUTION</b></p> <p>The FRC recommended that the Australian Government make an annual contribution of \$1 million to the IFRS Foundation in 2021-22.</p>
<p><b>10</b></p>	<p><b>NEXT MEETING AND CLOSE</b></p>
<p>10.A</p>	<p>The next FRC meeting will be held on Wednesday 22 September 2021.</p>