



Australian Government

Financial Reporting Council

# Financial Reporting Council

ANNUAL REPORT  
2020–21



The background of the cover features a series of thin, light blue lines that flow and curve across the page, creating a sense of movement and depth. These lines are more densely packed on the right side and become sparser towards the left.

# Financial Reporting Council

**ANNUAL REPORT**  
2020–21

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ISSN 2204-0935 (Print)

ISSN 2204-0943 (Online)

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**Financial Reporting Council**

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17 September 2021

The Hon Michael Sukkar MP  
Assistant Treasurer  
Minister for Housing  
Minister for Homelessness, Social and Community Housing  
Parliament House  
CANBERRA ACT 2600

Dear Minister

I have pleasure in presenting the annual report of the Financial Reporting Council (FRC) for the year ended 30 June 2021.

The report has been prepared in accordance with section 235B of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) for tabling in the Parliament. Subsection 235B(1) of the ASIC Act requires the FRC to prepare a report on its operations during the year, and on the achievement of the objects of Part 12 of the ASIC Act, which relates to the Australian financial reporting system.

As required by subsection 235B(2), the report includes details of advice the FRC provided to the Australian Accounting Standards Board, the Auditing and Assurance Standards Board and their offices over the year. Subsection 225(2B) of the ASIC Act further requires the FRC to provide strategic policy advice and reports on the quality of audits conducted by Australian auditors.

Subsection 235B(4) of the ASIC Act requires the report to be tabled in each House of the Parliament as soon as practicable.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Lawrie Tremaine'.

Lawrie Tremaine  
Chair



# Contents

## A snapshot of key and ongoing initiatives

COVID-19	1
Inquiry into regulation of auditing	1
Audit quality	1
The Australian Financial Reporting Framework Project	2
Public sector reporting and auditing	2
Extended External Reporting	2
Other international developments	3
Transparency and stakeholder engagement	3

## FRC objectives and functions

The financial reporting system	5
Functions of the FRC	5
Statutory obligations	6

## Oversight of Australian standard setting

FRC's role in the standard setting process	8
Determining strategic direction of the AASB and AUASB	8
Monitoring the operation of accounting and auditing standards	8
Giving advice or feedback to the AASB, AUASB and their offices	9
Monitoring the development of international standards	11
Regional relationships	12

## Audit quality

FRC Audit Quality Action Plan	13
PJC inquiry into regulation of auditing	14
ASIC initiatives to support and review audit quality	14
Accounting profession initiatives to support and review audit quality	17

## FRC Nominations Committee

FRC Nominations Committee members	22
Operations of the FRC Nominations Committee	22
Appointment of members to the AASB and AUASB	22
Attendance at FRC Nominations Committee meetings	22

## Other matters

Communication and consultation	24
Finances	24
Information Publication Scheme	24
Regulation Impact Statements	24

## Membership of the FRC

FRC members	25
Transparency	30
Disclosure and conflict of interests	30
Attendance at FRC meetings	30

## Abbreviations





# A snapshot of key and ongoing initiatives

## COVID-19

The COVID-19 pandemic has continued to have a dramatic impact on the health and well-being of many Australians and of the Australian economy. It has also had a substantial impact on the Australian financial reporting system.

Accordingly, in March 2020, the FRC established an FRC COVID-19 Working Group to ensure a coordinated and timely response by regulators and standard-setters. The group is chaired by the FRC Chair and comprises senior representatives from ASIC, ASX, APRA, AASB, AUASB, APESB and Treasury.

The FRC COVID-19 Working Group met regularly through 2020–21 to monitor the financial reporting and auditing issues and consequent regulatory implications of COVID-19. The Group also monitored key guidance on matters such as extension of reporting deadlines, timing of Annual General Meetings, continuous disclosure obligations, and going concern and related assessments, issued by the representative organisations.

## Inquiry into regulation of auditing

On 11 November 2020, the PJC's *Regulation of Auditing in Australia: Final Report* was tabled in Parliament. In this report, the PJC noted it stood by the recommendations it made in *Regulation of Auditing in Australia: Interim*

*Report* dated February 2020. The Government has not yet responded to the interim or final reports. The FRC has provided Treasury with its view on each recommendation in the PJC's interim report.

The recommendations in the PJC's interim report propose actions by the Australian Government, FRC, ASIC and APESB. The FRC has established an FRC PJC Inquiry Working Group comprising representatives from key stakeholders, including ASIC, APESB, AASB, AUASB and Treasury, to coordinate consideration of the PJC's findings. This group is conducting initial preparations as it waits for a response from the Government.

The PJC's report and the FRC's actions in response to the report are covered in detail in Section 3 of this annual report.

## Audit quality

The FRC acknowledges ASIC's inspection findings indicate a need for further improvement in audit quality. However, the FRC notes that to date, evidence from other sources, including user surveys and targeted consultations, indicates external audits, overall, continue to assist in maintaining trust and confidence in financial reports.

The FRC notes it has been implementing its FRC Audit Quality Action Plan with the assistance of the AUASB. Some work in this area had been curtailed whilst the FRC monitored the PJC's inquiry into the regulation of auditing in Australia and its recommendations.

Audit quality, and the FRC Audit Quality Action Plan, are discussed at length in Section 3 of this annual report.

## The Australian Financial Reporting Framework Project

The FRC continues to support the Australian Financial Reporting Framework Project led by the AASB with support from the AUASB. The aim of the project is to clarify and simplify the Australian financial reporting framework, with the AASB working in conjunction with Commonwealth, State and Territory regulators. In 2020–21, the AASB issued AASB 2021–1 Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities as part of this project.

## Public sector reporting and auditing

The FRC continues to monitor financial reporting and auditing issues relevant to the public sector through its FRC Public Sector Working Group, comprising members of the FRC and the public sector.

The working group was established following the release of *AASB Research Report No 6: Financial Reporting Requirements Applicable to Public Sector Entities* and *AASB Discussion Paper: Improving Financial Reporting for Australian Public Sector*, which found financial reporting in

the public sector appears to be more complex than necessary to meet user needs.

The FRC Public Sector Working Group will focus on the following three priorities in 2021–22 and 2022–23:

- conducting a post-implementation review of AASB 1049 *Whole of Government and General Government Financial Sector Reporting* and the FRC's direction to require the AASB to pursue the harmonisation of GFS
- considering the potential for a third tier of reporting requirements
- considering domestic and international developments in setting standards for sustainability-related financial disclosure.

The FRC also continues to oversee the AASB's approach to IPSAS.

## Extended External Reporting

There were significant developments in relation to EER in 2020–21.

- In September 2020, the IFRS Foundation issued its *Consultation Paper on Sustainability Reporting*, which sought feedback on the role of the IFRS Foundation in setting global sustainability reporting standards. Stakeholder feedback in response to the consultation confirmed an urgent need for global sustainability reporting standards and support for the IFRS Foundation to play a role in their development. This was consistent with the joint submission by the FRC, AASB and AUASB in response to the consultation.
- Also in September 2020, the New Zealand Government announced its intention to

implement mandatory reporting on climate risks, and tasked the XRB with developing reporting standards to support the new reporting regime.

- In April 2021, the Trustees of the IFRS Foundation published an Exposure Draft of proposed amendments to the IFRS Foundation Constitution for the potential formulation of a new International Sustainability Standards Board within the governance structure of the organisation. The FRC, AASB and AUASB made a submission on these proposed amendments.

Finally, in April 2021, the IAASB issued *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Extended External Reporting Assurance Engagements*. The AUASB issued this guidance in Australia.

As developments in corporate reporting evolve globally, the FRC considers it would be best placed to provide oversight and assurance over reporting on non-financial information (or EER), if such reporting is warranted in Australia.

## Other international developments

The FRC continues to monitor international developments to ensure international best practice is considered for adoption in Australia.

In addition to the developments in EER referred to above, the FRC has continued to monitor UK developments following the release of:

- *Independent Review of the Financial Reporting Council* by Sir John Kingman, dated December 2018

- *Statutory audit services market study: Final report* by the Competition & Markets Authority, dated 18 April 2019
- *Assess, Assure and Inform: Improving Audit Quality and Effectiveness: Report of the Independent Review into the Quality and Effectiveness of Audit* by Sir Donald Brydon CBE, dated December 2019.

In March 2021, the Secretary of State for Business, Energy & Industrial Strategy released the consultation paper *Restoring trust in audit and corporate governance*, which sought feedback on the UK Government's response to the key findings of these reviews.

## Transparency and stakeholder engagement

In 2020–21, the FRC agreed to open its meetings to the public, to demonstrate its strong commitment to transparency and stakeholder engagement.

The FRC considers it essential that regular contact be maintained, and communication continually strengthened with all stakeholders interested in, or affected by, financial reporting.



# 01 FRC objectives and functions

## The financial reporting system

Part 12 of the ASIC Act establishes the framework for Australia's financial reporting system. The objectives of Part 12 are set out in section 224 of the ASIC Act, and include:

- facilitating the development of accounting standards that require the provision of information that:
  - allows users to make and evaluate financial decisions
  - assists directors to fulfil their statutory financial reporting obligations
  - is relevant, reliable, easy to understand and facilitates comparability
- facilitating the development of auditing and assurance standards that provide Australian auditors with relevant and comprehensive guidance in determining whether financial reports comply with statutory requirements, and require auditors' reports to be reliable and readily understood by users
- facilitating the Australian economy by:
  - reducing the cost of capital
  - enabling Australian entities to compete effectively overseas
  - having accounting and auditing standards that are clearly stated and easy to understand
- maintaining investor confidence in the Australian economy (including its capital markets).

## Functions of the FRC

The FRC is the peak body responsible for overseeing the effectiveness of the financial reporting system in Australia.

The FRC's functions, as set out in the ASIC Act, include:

- providing broad oversight of the accounting and auditing standard setting processes and giving the Minister reports and advice about such matters
- establishing appropriate consultative mechanisms
- appointing members of the AASB and AUASB (other than the Chairs)
- giving advice or feedback to the AASB and AUASB on their priorities, business plans and procedures
- giving advice or feedback to the offices of the AASB and AUASB on their budget and staffing arrangements
- determining the broad strategic direction of the AASB and AUASB
- monitoring the operation of accounting and auditing standards and the effectiveness of consultative arrangements of the AASB and AUASB
- giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors

- monitoring the development of international accounting and auditing standards
- furthering the development of a single set of both accounting and auditing standards for world-wide use
- promoting the continued adoption of international best practice standards in the Australian standard setting processes.

The FRC is also responsible for advancing and promoting the main objects of Part 12 of the ASIC Act, concerning the Australian financial reporting system.

## Statutory obligations

Each year the FRC conducts a review of its performance against the obligations required of it under the ASIC Act. The review for 2020–21 confirmed the FRC continues to satisfy its statutory obligations.

In particular, the following FRC activities in 2020–21 advanced and promoted the objects of the ASIC Act relating to the Australian financial reporting system:

- Appointed four new members and reappointed one member of the AASB. Each appointee brought significant depth of expertise in areas relevant to the work of the AASB, and so facilitated the development of relevant, reliable, comparable, understandable, and usable accounting standards.
- Appointed one new member and reappointed two members to the AUASB. Each appointee brought significant depth of expertise in areas relevant to the work of the AUASB, and so facilitated the development

of auditing and assurance standards and related guidance materials that provide relevant and comprehensive guidance and support reliable and understandable auditor reports.

- Continued to convene the FRC Public Sector Working Group, to monitor reporting and auditing issues relevant to the public sector. The Working Group has developed a project plan to simplify financial reporting in the public sector to better meet user needs. This work seeks to facilitate the economy by having accounting and auditing standards that are clearly stated and easy to understand.
- Participated in domestic and international dialogue on the development of standards for EER reporting, including by submitting to consultations by the IFRS Foundation and engaging with other jurisdictions on a bilateral basis. The FRC considers this work will contribute to the Australian economy by expanding Australia's influence on developments in global financial reporting and so enabling Australian entities to compete effectively overseas.
- Continued to convene the FRC COVID-19 Working Group to ensure a coordinated and timely approach by regulators and standard setters to financial and reporting issues and consequent regulatory impacts of COVID-19. This work seeks to support ongoing investor confidence in the Australian economy.

## Access to capital in the context of COVID-19

The FRC's statutory obligation to facilitate and maintain investor confidence in the Australian economy is of particular importance in the context of the economic impacts of COVID-19 and the economic recovery.

Australia makes up just over two percent of the Morgan Stanley Capital International World index. As a small, open economy it is essential to Australia's wellbeing that Australian firms have access to capital to grow at the lowest possible cost. To achieve this, domestic capital market must operate effectively and efficiently and Australia must be an attractive investment location to compete for overseas capital. The work of the FRC detailed in this report has contributed to achieving these conditions.

The FRC has continued its efforts to enhance the quality of financial reports, contribute to the development of common international accounting and auditing standards, and facilitate harmonisation of Australian standards with international standards. This supports investor confidence in Australian firms, promotes cross-border comparisons by investors, and enables Australian firms to access international capital markets at lower cost.

Australian firms continue to be able to successfully raise capital. This is exemplified by the number of Australian firms that were able to raise capital or refinance despite COVID-19, the number of ASX listings and scale of ASX market capitalisation, and the number and structure of recent equity capital market transactions. In the first half of 2021, the value of equity capital market transactions in Australia was \$20 billion, compared to \$13 billion in the first half of 2019.

# Oversight of Australian standard setting

## FRC's role in the standard setting process

As noted above, the FRC's role includes oversight of accounting and auditing standard setting processes, as well as oversight of the AASB and AUASB. The FRC also provides strategic policy advice on standard setting processes and audit quality to the Minister.

However, the ASIC Act expressly limits the FRC's ability to direct the AASB or AUASB in relation to the development, or making, of a particular standard. The FRC does not have the power to veto a standard made, formulated, or recommended by the AASB or AUASB.

## Determining strategic direction of the AASB and AUASB

Since its establishment, the FRC has made three determinations concerning the broad strategic direction of the AASB and AUASB:

- to require the AASB to work towards the adoption of accounting standards that are the same as those issued by the IASB (Direction approved 5 September 2002)
- to require the AASB to pursue the harmonisation of GFS and GAAP reporting (Direction approved 12 December 2002)
- to require the AUASB to use auditing standards issued by the IAASB as a base from which to develop the Australian standards, to develop auditing and assurance standards other than for historical financial information, and to participate in audit research that is conducive to the AUASB's standard-setting activities (Direction approved 4 April 2005).

Each of these directions is still current and the FRC continues to monitor their appropriateness. The FRC is satisfied that the AASB and the AUASB have implemented these directions to the extent practicable.

## Monitoring the operation of accounting and auditing standards

The FRC monitors the operation of Australian accounting and auditing standards to assess their continued relevance and effectiveness in achieving their objectives in respect of both the private and public sectors in the Australian economy. Based on the reports of the Chairs of the AASB and AUASB and the FRC members' knowledge of how the standard setting processes and standards themselves operate in practice, the FRC is satisfied that the AASB and AUASB:

- have incorporated IFRS and ISA within reasonable timeframes in accordance with the above mentioned strategic directions



- have adequate post implementation review processes to assess the effectiveness of new standards and guidance
- have regular consultation processes to identify where further guidance is necessary for existing accounting and auditing standards
- consult appropriately before issuing new standards or guidance
- have consultation mechanisms that appropriately include roundtables, targeted outreach, education sessions, webinars, podcasts, LinkedIn and Twitter.

## Giving advice or feedback to the AASB, AUASB and their offices

The FRC continues to encourage alignment of plans, projects and activities of the AASB and AUASB wherever practicable.

The Chairs of the AASB and AUASB provided written and oral reports on the activities of their respective Boards at each FRC meeting in 2020–21. The reports included items covering:

- AASB and AUASB strategies, including the Revised AUASB Strategy for 2019–2023 and the AASB Strategy for 2017–2021
- AASB and AUASB Corporate Plans for 2020–21
- AASB and AUASB work on key strategic priorities, such as extended external reporting.

FRC members reviewed these reports and provided advice and feedback to the AASB and AUASB at FRC meetings, including on AASB and AUASB strategic priorities, business plans

and emerging topics. The FRC also provided advice and feedback to the AASB and AUASB on staffing arrangements through its recruitment and appointment of appropriate AASB and AUASB members to meet relevant skills and qualifications needed by those Boards (see section 4 of this annual report). The FRC did not provide advice to the Offices of the AASB and the AUASB on their budgets in 2020–21.

The AASB and the AUASB have continued to work together and formally met in February 2021 as a Joint Board Meeting to discuss how best to collaborate and work effectively on joint projects where it is appropriate to do so.

In 2020–21, the AASB and AUASB worked together on:

- issuing guidance and holding webinars for accounting and audit professionals on the removal of Special Purpose Financial Statements
- continuing to monitor the impacts of COVID-19 on financial reporting and audit
- responding to the IFRS Foundation's *Consultation Paper on Sustainability Reporting* (with the FRC)
- developing a strategic plan to support EER in Australia
- updating their respective websites.

Also, the AUASB has released a new digital portal to make its standards and other pronouncements more accessible online. The same approach is being considered by the AASB.

The AASB and AUASB Chairs and senior technical staff in their offices are members of

the FRC PJC Inquiry Working Group, through which planning is underway to respond to the recommendations in the final report of the PJC's inquiry into regulation of auditing in Australia. The AASB and AUASB are working together on implementation plans for the recommendations relevant to their respective mandates.

Additionally, the AASB and AUASB undertook the following other activities in 2020–21.

## AASB

- Updated *AASB For-Profit Entity Standard-Setting Framework* and *AASB Not-for-Profit Entity Standard-Setting Framework*. These documents set out the principles for setting the requirements of Standards. The updates were to reflect that several policy documents, other documents and Australian Accounting Standards have been superseded, updated or issued since the documents were issued in 2018.
- Commenced an independent post-implementation review of *AASB 1049 Whole of Government and General Government Sector Financial Reporting* to assess how effective AASB 1049 is in achieving the objective of the FRC direction to harmonise GFS and GAAP.
- Revised Australian Accounting Standards based on equivalent IFRS which are an enhancement of the existing standards.
- Introduced a new principal standard *AASB 1048 Interpretation of Standards*, which lists the interpretations and conceptual framework documents that are cross-referenced in Australian Accounting Standards.

- Released AASB Research Report 15 *Review of Auditor Remuneration Disclosure Requirements*, which compares Australian and selected overseas jurisdictions' auditor remuneration disclosure requirements and identifies factors that could be considered in implementing the PJC's recommendation on the audit and non-audit services fee disclosure requirements.
- Released AASB Research Report 16 *Financial Reporting by Non-corporate or Small Entities*, which outlines academic literature on financial reporting by non-corporate and small entities to answer key questions about the coverage of non-corporate and small entities' reports, their user and stakeholder needs, and their compliance and regulatory oversight.

## AUASB

- Issued the following standards, guidance and thought leadership reports to support auditors in improving audit quality:
  - revised Quality Management Standards based on equivalent International Auditing Standards
  - a publication for Assurance Prescribers to assist them to draft clear and effective requirements
  - a bulletin providing guidance for auditors on matters to consider as a result of the removal of Special Purpose Financial Statements
  - frequently Asked Questions related to Auditing Accounting Estimates which continues to be the area with the most findings in ASIC's Audit Inspection Report

- a second survey of *Audit Quality in Australia: The Perspective of Audit Committee Chairs*.
- Issued the IAASB's *Non-Authoritative Guidance on applying ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.
- Prioritised the importance of providing guidance to auditors on technology matters in advance of the IAASB, including:
  - setting up a Project Advisory Group consisting of representatives from the larger accounting firms, the public sector and the professional accounting bodies
  - issuing bulletin *The Consideration of Cybersecurity Risks in an Audit of a Financial Report*.
- Monitored and provided input into the development of the following standards as part of the AUASB's strategy to influence international standards:
  - Quality Management Standards
  - *ISA 600 Special Considerations – Audits of Group Financial Statement*
  - *ASRS 4400 Agreed Upon Procedures*.
- Responded to the IAASB's request for feedback on its:
  - *Fraud and Going Concern in an Audit of Financial Statements* discussion paper
  - survey as part of the post implementation review of the Auditor Reporting standards.
- Completed a full review and update of the AUASB Standard Setting Due Process and Framework documents.

- Issued AUASB Research Report 5: *COVID-19 Snapshot of Auditor Reporting in Australia*.
- Revised Guidance Statement 12 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups*.

## Monitoring the development of international standards

In accordance with the ASIC Act, the FRC's functions include furthering the development of a single set of accounting standards and a single set of auditing standards for world-wide use.


The AASB and AUASB regularly report to the FRC on their activities to build and enhance key relationships with both global and national standard setters designed to monitor and influence international developments.

## International accounting standards

The international accounting standards with the most widespread adoption are the IFRS issued by the IASB. These have been adopted in over 100 countries.

The FRC notes that the AASB also monitors the work of the IPSASB and where appropriate, utilises IPSASB guidance to modify IFRS for the not-for-profit sector.

The FRC and the AASB regularly reassess whether the use of IFRS rather than IPSASB standards as a base for the Australian public sector continues to be appropriate. In October 2019, the AASB issued *The AASB's Approach to International Public Sector Accounting Standards*, which sets out the



appropriate criteria for the AASB to consider adoption of IPSAS and addresses the degree of interaction between the AASB and the IPSASB if IPSAS was not adopted.

## International auditing standards

The international auditing standards with the most widespread adoption are those issued by the IAASB. These have been adopted in over 120 countries.

The AUASB monitors and contributes to the work of the IAASB through Professor Roger Simnett (AUASB Chair until January 2021) who is a member of the IAASB, and Ms Rene Herman (Deputy Technical Director) who acts as Technical Advisor to Professor Simnett.

Both IAASB and AUASB auditing standards are designed to be sector neutral and apply equally to private and public sector audits, with application guidance specific to the audits of public sector entities included where appropriate in AUASB auditing standards.

## International appointments

During 2020–21, Professor Simnett was Chair of the IAASB's Complexity, Understandability, Scalability and Proportionality Working Group and a member of the Extended External Reporting and Audits of Less Complex Entities Working Groups. Ms Herman is a member of the IAASB's Going Concern Working Group.

## Regional relationships

Australia and New Zealand continue to work closely together to facilitate harmonisation of trans-Tasman standard setting.

The XRB's structure comprises the Board of the XRB and two standard setting boards, the NZASB, and the NZAuASB. The FRC Chair is a member of the XRB and the XRB Chair is a member of the FRC as part of the arrangement for cross-appointments between Australia and New Zealand. The Chairs of the AASB and AUASB and the NZASB and NZAuASB are also each a member of their counterpart board.

# 03

## Audit quality

Australia's legislative framework for audit is mainly set out in the Corporations Act. ASIC has key regulatory responsibility for the regime, including for surveillance, investigation and enforcement of audit requirements.

The Corporations Act framework gives legal effect to the auditing standards developed by the AUASB. The auditing standards require auditors to adhere to relevant ethical standards issued by the APESB.

As noted in section 1 above, the FRC's functions under the ASIC Act include giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors. This advice may include matters relating to the Corporations Act audit framework, auditing standards or codes of conduct and quality assurance reviews carried out by the professional accounting bodies.

### FRC Audit Quality Action Plan

In February 2018, the FRC developed an Audit Quality Action Plan. The Plan's objectives included:

- to engage with users of financial reports to better understand their views on audit quality
- to undertake appropriate actions on the learnings of ASIC's audit inspection program

- to contribute to the continuous development of best practice programs to assess audit quality
- to engage with professional accounting bodies, firms providing audit services and other stakeholders to support new initiatives that improve audit quality.

Implementing the Audit Quality Action Plan is an ongoing process that relies on many stakeholders, particularly ASIC, the accounting firms and the professional accounting bodies, to improve audit quality. However, the FRC acknowledges the work in this area was curtailed while the FRC monitored the PJC's inquiry into the regulation of auditing in Australia.

The FRC's progress on the key elements of the Audit Quality Action Plan in 2020–21 included conducting a second survey (following the first in 2018) to gather perspectives on audit quality from 70 Audit Committee Chairs in November 2020. The FRC released the results of the survey in March 2021. The FRC intends to continue conducting the survey periodically to track the views of a range of stakeholders including professional investors, audit chairs and CFOs in the private and public sectors.

## PJC inquiry into regulation of auditing

On 11 November 2020, the PJC's report, *Regulation of Auditing in Australia: Final Report* was tabled in Parliament. In the report, the PJC noted that it stood by the recommendations in its interim report of February 2020.

The interim report recommendations propose actions by the Australian Government, FRC, ASIC and APESB. The recommendations directed to the FRC include:

- Recommendation 3: that the FRC, in partnership with ASIC, by the end of the 2020–21 financial year, oversee consultation, development and introduction under Australian standards of:
  - defined categories and associated fee disclosure requirements in relation to audit and non-audit services
  - a list of non-audit services that audit firms are explicitly prohibited from providing to an audited entity.
- Recommendation 6: that the FRC, by the end of the 2020–21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosures should include both the length of tenure of the entity's external auditor, and of the lead audit partner.

- Recommendation 8: that the FRC oversee a formal review, to report by the end of the 2020–21 financial year, of the sufficiency and effectiveness of reporting requirements under the Australian standards in relation to:
  - the prevention and detection of fraud
  - management's assessment of going concern.
- In 2020–21, the FRC continued its work to understand the implications of the PJC's findings and recommendations pending a Government response to the PJC's final and interim reports. This work is being progressed through the FRC PJC Inquiry Working Group comprising representatives from key stakeholders, including ASIC, APESB, AASB, AUASB and Treasury. The FRC has also provided Treasury with its view on each recommendation in the PJC's interim report.

## ASIC initiatives to support and review audit quality

### ASIC audit inspection program

ASIC inspects audit firms that audit listed entities and significant public interest entities. The reviewed audit partners are all RCAs. The objective of ASIC's audit inspections is to promote the improvement and maintenance of audit quality. ASIC's *Information Sheet 224 ASIC audit inspections* provides further information on ASIC's audit inspection process.

In December 2020, ASIC released the results of audit firm inspections for the 12 months to 30 June 2020 (*ASIC Report 677 Audit inspection report 1 July 2019 to 30 June 2020*). ASIC also issued *ASIC Report 678 Audit quality measures*,

*indicators and other information: 2019–20* to supplement its audit inspection findings.

Report 677 relates to the audits of financial reports up to 31 December 2019 and largely does not reflect the impact of COVID-19 conditions. The report on ASIC’s reviews of audits and firm quality controls in the

12 months to 30 June 2021 will be issued in late 2021, after the date of this annual report.

The results from ASIC’s audit firm inspections are summarised in the table below. ASIC has also published individual audit inspection reports for each of the largest six audit firms for 2019–20 on its website.

**Table 3.1: Adverse findings from ASIC reviews of key audit areas reviewed**

	<b>18 months to 30 June 2018</b>	<b>12 months to 30 June 2019</b>	<b>12 months to 30 June 2020</b>
Audit firms reviewed	20	19	13
Audit files reviewed	98	58	53
Key audit areas reviewed	347	207	179
Key audit areas with findings <sup>1</sup>	24%	26%	27%

Notes

1. Key audit areas with findings means that the auditor did not obtain reasonable assurance the financial report as a whole was free of material misstatement.

ASIC found the largest numbers of adverse findings were in the audit of asset values, particularly impairment of non-financial assets, and the audit of revenue.

ASIC also found that while audit firm action plans remain important in improving audit quality, these alone have not been sufficient to reduce adverse inspection findings. ASIC noted firms should strengthen existing initiatives and implement further new initiatives to improve audit quality. This includes enhancing a culture focused on audit quality, the experience and expertise of partners and others, supervision

and review of audits and accountability of partners and others for audit quality.

The findings of Report 677 do not necessarily mean the audited financial reports were materially misstated. Rather, ASIC considered the auditors did not have a sufficient basis to support their opinion on the financial report. Further, ASIC’s inspections considered a limited number of files and focused on higher risk audit areas and so caution is necessary in generalising the results across the entire market.



Report 677 includes focus areas for audits under COVID-19 conditions. These focus areas include asset values, provisions, going concern assessments and disclosures of key assumptions and sources of estimation uncertainty. ASIC first published the focus areas in May 2020 in its *COVID-19 implications for financial reporting and audit: FAQs*. The FAQs provide guidance to assist directors and auditors in meeting their obligations under COVID-19 conditions. The FAQs have since been updated.

Report 677 also includes better practice recommendations from ASIC's reviews of conflicts of interest, firm governance and accountability for audit quality at the larger audit firms. Audit quality supports financial reporting quality and ASIC believes it is in the interests of directors and audit committees to support the audit process (see ASIC's *Information Sheet 196 Audit quality: The role of directors and audit committees*).

ASIC is developing a possible model to subclassify adverse findings from its audit reviews by severity from the 12 months to 30 June 2022. This would supplement ASIC's extensive existing published information on the severity of findings, including descriptions of each finding in individual audit inspection reports of the largest six firms.

## Other ASIC activities

ASIC's other activities to review audit quality include its financial reporting surveillance program, surveillance of auditors (which is not related to their inspections), investigations into corporate collapses and addressing complaints and other intelligence. The financial reporting surveillance program, a risk-based surveillance

of the financial reports of listed entities and other public interest entities, led to material changes to three to five percent of financial reports reviewed in recent years.

Changes in ASIC's initiatives to promote audit quality in the last two years include:

- increased dedicated resources for auditor enforcement actions
- public transparency of audit findings for each of the largest six firms, including by publishing each firm's individual audit inspection report for the year ended 30 June 2020 on ASIC's website
- reviewed conflicts of interest, firm governance, accountability for quality, culture and talent at the largest audit firms
- planned consultation on whether to routinely report findings to audit committees.

In April 2021, ASIC extended the deadline for both listed and unlisted entities to lodge financial reports by one month for balance dates from 23 June to 7 July 2021 (inclusive) to facilitate the spreading of audit work for smaller entities over a longer period. The extended deadlines are intended to assist with any pressures on resources for the audits of smaller entities and provide adequate time for the completion of the audit process, taking into account challenges presented by COVID-19 conditions. Factors that might affect audit firm resources could include restrictions on travel into Australia and increased staff turnover.

## ASIC international engagement

ASIC works with securities and audit regulators in other countries to promote audit quality,



including meeting with the global leadership of the six largest firms on improving audit quality.

In March 2021, IFIAR released its ninth annual survey of inspection findings from its member regulators' individual inspections of audit firms affiliated with the six largest global audit firm networks. Since first tracking this statistic in 2014, the percentage of audits with findings declined from 47 percent to 34 percent in the 2020 survey. There was a one percent increase in the findings rate in the 2020 survey. The rate of findings remains high and IFIAR urges the Global Public Policy Committee networks and their member firms to continue efforts to address the high level of findings to achieve consistently high quality audit performance.

## Accounting profession initiatives to support and review audit quality

The FRC continues to encourage initiatives by the professional accounting bodies, CA ANZ, CPA Australia and the IPA, to improve audit quality in Australia, including collaboration to achieve improvements.

Each professional accounting body also conducts an inspection or review program to support the regulation of audits and auditors in Australia. The program at each organisation is different, with complementary management of different risks, participants and types of engagement. Accordingly, statistics gathered by each organisation may not be comparable. The professional accounting bodies also enforce professional standards.

Notable audit quality initiatives and an overview of professional accounting body review programs in 2020–21 are detailed below.

## CA ANZ

### Audit quality initiatives

- Undertook research and engagement to tackle imminent and longer term challenges impacting availability of a high quality, sustainable audit workforce. These activities included a broad based, profession-wide engagement strategy encompassed in Talking Talent: A conversation starter about attracting and retaining the most important ingredient for audit quality.
- Undertook a research program aimed at informing key trends and issues impacting audit quality including studies on investor confidence in audited financial statements and trust in auditors, the impacts of major new accounting standards on revenue, leases, and financial instruments, the audit expectations gap, and trends in measuring and impairment of goodwill and intangible assets.
- Hosted an annual Audit Conference focused on audit quality with over 800 participants and key speakers, including from ASIC, government, standard setters and audit and public practice experts.
- Facilitated a fortnightly dialogue involving ASIC, AASB, AUASB, and ASX together with audit and accounting firms to progress key technical matters central to audit quality during the pandemic and other issues.

### Review

CA ANZ's QRP is an integral component of its professional compliance framework. The reviews seek to assess whether a firm has implemented an appropriate system of quality control as set out in APES 320 and *Auditing*

*Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements.*

CA ANZ members in public practice are eligible to be selected for a review. Firms providing audit services are eligible for a review more frequently.

CA ANZ has developed an alternative review approach for firms included in ASIC’s audit inspection program. In contrast to the ASIC audit inspection program, CA ANZ’s quality reviews are not designed, or intended to, assess the appropriateness of the opinions issued, or the advice provided, by members, nor do they seek to review higher risk engagements.

COVID-19 had a significant impact on the number of reviews completed during 2020 and 2021. Due to government travel restrictions and social distancing rules CA ANZ introduced greater flexibility into the review process in 2021, including through remotely conducted reviews and desktop reviews, resulting in an overall increase in reviews completed during the year.

During the year, CA ANZ completed reviews of 247 firms, including audit firms, non-audit firms and mixed firms. Two major firms were reviewed during the year. The review of one major firm was in progress as at 30 June 2021. To minimise duplication of work performed by ASIC, CA ANZ adopted an alternative review approach for these firms. The review of the other firms included 179 members providing audit services and 260 audit engagement files.

The results for firms providing audit services are summarised in the following table.

**Table 3.2: CA ANZ Quality Review Program – firms providing audit services**

	2019–20	2020–21
Satisfactory	77%	82%
Re-review required in 12 months	22%	16%
Unsatisfactory	1%	2%

The 2021 reviews revealed the majority of reviewed practices had adequate quality controls in place which is reflected in the overall improvement in the results. The majority of re-reviews and the unsatisfactory reviews were due to inadequate quality control procedures and/or insufficient documentation of audit evidence.

CA ANZ encourages firms providing audit services to focus on adequately documenting audit evidence. Areas requiring improved documentation, include:

- subsequent events
- analytical review not performed as part of risk assessment procedures
- analytical review applied and/or documented at the final stage of the audit
- materiality, including performance materiality
- going concern
- audit report not being in accordance with auditing standards (emphasis of matter).

Many of these findings are consistent with those identified by ASIC.

The QRP has an educational focus and CA ANZ works with individual firms to remediate non-compliance issues within a reasonable

timeframe. CA ANZ assists members achieve compliance by providing them with tools and resources including training, manuals, checklists and mentoring.

CA ANZ is investing in the digitalisation of the QRP during 2022. This will increase the efficiency of the program and, together with other changes, increase the number of reviews completed annually.

## CPA Australia

### Audit quality initiatives

- Made a submission to the IAASB on its fraud and going concern discussion paper.
- Engaged in raising awareness of impacts of climate risk on financial report audits by issuing a climate change policy statement, initiating and contributing to forums on climate-related risk and disclosures with industry groups, regulators, standards-setters and other stakeholders, publishing research and articles and holding a webinar on this topic for auditors.
- Raised awareness and supported implementation of available technological tools to improve efficiency and effectiveness of audits through a series of webinars with key technology providers and auditors along with several articles and podcasts.
- Provided both formal and informal submissions to the Deregulation Task Force recommending that for any legislation or regulation requiring reporting or audit, that proper consultation is undertaken with, and clearance received from, the AASB and AUASB, to promote consistency with the standards and reduced regulatory burden.

### Review

In 2020–21, CPA Australia redesigned its QRP based on best practice insights from a scan of the international accounting environment and extensive member feedback.

The program educates members on their professional and ethical obligations, and the importance of upholding a high level of integrity in their role as professional accountants. The program also focusses on identifying business needs, mitigating risks and developing an ongoing support plan that connects CPA Australia members to learning tools and resources.

Throughout 2020–21 CPA Australia has been:

- designing its new CPA Australia Best Practice program assessment methodology
- designing tailored technology to support the program
- engaging with external stakeholders to test design principles
- recruiting both internal and external CPA Australia Best Practice Program assessors to deliver the program.

CPA Australia is piloting the Best Practice assessment from June to December 2021. Members participating in the pilot will be issued a successful completion letter that confirms they have met their membership obligation to successfully undergo a Best Practice assessment. CPA Australia anticipates completing approximately 100 assessments this year.

The CPA Australia peer consultation is a new introduction to the CPA Australia Best Practice Program designed to support Public Practice

Certificate holders in the early stage of their professional journey and to help prepare them for their future Best Practice assessment. CPA Australia piloted the peer consultation in March 2021 and launched the service to members in July 2021. Assessors identified that more than half of the pilot participants self-assessed technology, culture and compliance as their strongest performing areas in practice. Business strategy and practice management were areas where practitioners needed most support from CPA Australia.

## IPA

### Audit quality initiatives

- Completed the annual updating of: Who Can Audit What member guidance based on state legislation, Quality Control Manual and the Professional Practice Program, which includes sections on audit quality, with a focus on independence.
- Continued developing the QRP which has been modularised enabling greater focus on improving audit quality. A pilot to gamify audit reviews has been developed with a regtech / fintech provider which also allows for 'certification' and benchmarking. The intention is to extend the program into other segments of the membership during the next 12 months.

The IPA Deakin SME Research Centre and its collaborators prepared a paper providing an auditing perspective on why differential reporting failed among proprietary companies in Australia. Outcomes from the research relate to the relationship between pricing, type of reporting, size of the firm, risk treatment and transparency.

### Review

The IPA requires all members to undertake a quality assurance review every three to six years. All RCAs and SMSF Auditors are required to be reviewed every three years. As in 2020, the IPA has 114 RCAs and 685 SMSF Auditors.

The IPA suspended reviews from March to December 2020 due to COVID-19. However, prior to March 2020, the IPA had commenced a pilot of its new QRP, which involved 350 members. During 2020 and into 2021, the IPA assessed the effectiveness of the pilot and formed a project team to improve the process and the quality of outputs from the review. The IPA also revised its internal policies and procedures and commenced a communications campaign to explain the changes and benefits to members.

In 2021, the QRP was divided into three 'batches' of 300 members (a total of 900 reviews for the 12 month period). Members receive two months' advance warning that they have been selected for a review and are provided with tools and resources to assist them with compliance. The most recent 'batch' of members who completed their review included 10 RCAs and 70 SMSF Auditors. Of these, approximately 75 per cent were 'fully compliant' and the remainder were 'non-compliant' for minor or administrative matters, which have been addressed.

The following table outlines the outcomes of IPA's QRP.

**Table 3.3: IPA Quality Review Program**

	2019	2020 reviews suspended	2021 (to Jul-21)
Fully compliant <sup>1</sup>	77%	nil	41.1%
Non-compliant (before IPA assistance) <sup>2</sup>	17%	nil	41.5%
Disciplinary action or follow up required <sup>3</sup>	6%	nil	nil
QRP in progress	nil	nil	17.4%

**Notes**

1. Fully compliant means members were compliant with the APES and IPA requirements without any intervention.
2. Non-compliant (before IPA assistance) means members were initially non-compliant and achieved compliance with IPA assistance.
3. Disciplinary action or follow up required means members who were initially non-compliant and despite follow up action or requests from IPA, failed to achieve compliance or did not complete the review.

Members in the 'Disciplinary action or follow up required' cohort may be referred to *Pronouncement 12 – Administration of Member Compliance* to be further managed through disciplinary action, which may result in suspension or forfeiture of membership.

# 04 FRC Nominations Committee

## FRC Nominations Committee members

As at 30 June 2021, the FRC Nominations Committee comprised Lawrie Tremaine (Chair), Keith Kendall, Bill Edge and Suzanne Bell. Stein Helgeby's and Roger Simnett's terms expired on 31 December 2020.

## Operations of the FRC Nominations Committee

In 2020–21, the FRC Nominations Committee:

- reviewed the composition of, and criteria for appointment to, the AASB and the AUASB
- made recommendations to the FRC for the appointment of members to the AASB and AUASB
- reviewed the succession needs of the AASB and AUASB
- considered and reported to the FRC on the performance of the AASB and AUASB members including through peer review.

## Appointment of members to the AASB and AUASB

In 2020–21, the FRC approved the following appointments and reappointments to the AASB and AUASB for terms commencing in 2021.

### AASB

- Carolyn Cordery (appointment)
- Dean Hanlon (appointment)
- Toby Langley (appointment)
- Caroline Spencer (appointment)
- Alison White (reappointment).

### AUASB

- Julie Crisp (reappointment)
- Noel Harding (reappointment)
- Michelle Shafizadeh (appointment).

The FRC acknowledges the contributions of Mike Blake, Kimberly Crook, Ken Liow and Carmen Ridley who retired from the AASB and Justin Reid who retired from the AUASB in 2020–21.

## Attendance at FRC Nominations Committee meetings

The FRC Nominations Committee held five meetings in 2020–21.

Members' attendance is shown in the table on the following page.

**Table 4.1: FRC Nominations Committee meeting attendance in 2020–21**

Member	Scheduled meetings	Additional meetings
	No. meetings attended / No. eligible to attend	No. meetings attended / No. eligible to attend
S Helgeby (Chair) (until 31 December 2020)	4 of 4	1 of 1
L Tremaine (Chair) (from 1 January 2021)	4 of 5	2 of 2
S Bell (from 1 January 2021)	1 of 1	1 of 1
B Edge	5 of 5	2 of 2
K Kendall	4 of 5	1 of 2
R Simnett (until 31 December 2020)	4 of 4	1 of 1

# 05

## Other matters

### Communication and consultation

The FRC uses its website ([www.frc.gov.au](http://www.frc.gov.au)) and meetings with stakeholders and other interest groups as its primary means of communication and consultation. Key stakeholders are invited to prepare a Stakeholder Report for each FRC meeting. An FRC Communique from each FRC meeting is published on the website and distributed to key stakeholders. The website also includes information about FRC members, minutes of meetings, published reports and procedural rules.

### Finances

In 2020–21, the Australian Government provided funding through the Treasury to support the FRC. The FRC’s Secretariat is provided by staff of Treasury’s Markets Group. Expenditure and performance of its functions are included in Treasury’s annual financial statements.

Information about the funding of the AASB and AUASB (including the sources of that funding) is included in the annual report of the AASB and AUASB.

### Information Publication Scheme

Agencies subject to the FOI Act are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the FOI Act. Each agency must display a plan on its website showing what information it publishes in accordance with the Information Publication Scheme requirements. All information published by the FRC can be accessed from links on the home page of the FRC’s website ([www.frc.gov.au](http://www.frc.gov.au)).

### Regulation Impact Statements

The FRC did not submit any Regulation Impact Statements in 2020–21.



# 06 Membership of the FRC

## FRC members

Members of the FRC are appointed on a part-time basis by the Minister, typically for a term of three years.

In 2020–21:

- Bill Edge stood down as Chair of the FRC on 31 December 2020 to take up a position as Acting Chair of the AUASB, but remained a member of the FRC
- Lawrie Tremaine was appointed Chair of the FRC from 1 January 2021 to 31 March 2021 and was reappointed Chair of the FRC from 1 April 2021 to 30 June 2021
- Tracey Carroll was appointed to the FRC on 16 April 2021
- Stein Helgeby's term on the FRC expired on 31 December 2020
- Roger Simnett's term on the FRC expired on 31 December 2020.

The FRC thanks Stein and Roger for their significant contributions to the FRC over the term of their appointment. Stein was appointed to the FRC in 2010 and served as Deputy Chair and Chair of the FRC Nominations Committee in that time. Roger was appointed in 2017 and was a member of the FRC Nominations Committee.

The FRC also thanks Bill for his contributions as Chair of the FRC until 31 December 2020, and looks forward to his ongoing participation as a member of the FRC.

The membership of the FRC in 2020–21 is set out on the following pages.

### **Mr Lawrie Tremaine** Chair

Lawrie was appointed Chair of the FRC from 1 January 2021 to 31 March 2021 and was reappointed Chair of the FRC from 1 April 2021 to 30 June 2021.



Lawrie joined Origin Energy in June 2017 and holds the position of Chief Financial Officer. He leads the teams responsible for all finance activities, strategy, mergers and acquisitions, procurement and investor relations.

He has over 30 years' experience in financial leadership, predominantly in the resources and minerals processing industries.

Throughout his career, Lawrie has also held senior positions at Woodside Petroleum including Chief Financial Officer for over 6 years. Prior to Woodside, Lawrie worked at Alcoa for 17 years including 5 years in Tokyo and Beijing.

Lawrie was appointed to the FRC on 29 April 2019 and his term as a member expires on 28 April 2022.

### **Dr Stein Helgeby**

Deputy Chair

Stein was appointed Deputy Chair of the FRC from 22 May 2019 to 31 December 2020.



Stein was appointed Parliamentary Budget Officer on 18 November 2020. He was previously the Deputy Secretary of Governance and Resource Management at the Department of Finance. Stein joined the Department of Finance in February 2010 as the Deputy Secretary of the former Financial Management Group.

Through his career, Stein has worked in the Victorian Department of Treasury and Finance, where he was responsible for budget and financial management, long-term policy research, taxation, business tax reform and intergovernmental relations. He also worked in the Department of Premier and Cabinet on national reform and climate change issues. Prior to joining the Victorian Public Service, he held various Budget and corporate services senior executive positions within the then Commonwealth Department of Finance and Administration.

Stein was appointed to the FRC on 24 February 2010 and his term expired on 31 December 2020.

### **Dr Keith Kendall**

Chair, AASB

Keith joined the AASB as Chair in May 2020. Prior to his appointment, he was a Partner at Rigby Cooke Lawyers, a Victorian barrister, and a Senior Lecturer at La Trobe University. His experience across law, academia, accounting, and government (as a member of the Administrative Appeals Tribunal), allows him to bring a well-rounded perspective to the AASB's strategic direction and relevant projects.



Keith was appointed to the FRC on 3 May 2020 and his term expires on 2 May 2025.

### **Professor Roger Simnett AO**

Chair, AUASB

Roger was appointed Chair of the AUASB from 2017 to 2020.

He was also a Scientia Professor of Accounting at UNSW Sydney Business School from 1987

to 2020. Roger is currently a member of the IAASB and an Emeritus Professor at UNSW Sydney. He is also a Fellow of the Academy of the Social Sciences in Australia.

Roger has extensive experience in the auditing industry including significant involvement on international committees and advisory panels relating to auditing and assurance.

Roger was appointed to the FRC on 1 April 2017 and his term expired on 31 December 2020.



### **Mr Bill Edge**

Acting Chair, AUASB

Bill was the Chair of the FRC from 29 April 2016 to 31 December 2020.

He was subsequently appointed Acting Chair of the AUASB from 1 January 2021 to 31 March 2021 and was reappointed Acting Chair of the AUASB from 1 April 2021 to 30 June 2021. He was also previously Chair of the AUASB from 2002 to 2004.

Bill was a partner of PwC for 18 years. For his last eight years, he led the PwC Australia Risk and Quality Group, which was responsible for risk management and quality control, including methodologies and technologies, across all of the firm's business units. He served on PwC's Global and Asian Risk and Quality Leadership Teams. He also spent six years leading the PwC Australian Professional Standards Group responsible for the firm's financial reporting and auditing policies and advice.

Bill was appointed to the FRC on 29 July 2014 and his term expires on 28 July 2022.



### **Ms Michele Embling**

Chair, XRB

Michele was appointed to the XRB in 2011 and was appointed Chair in 2019. She was also the inaugural Chair of the NZASB and is a former member of the AASB.

She has extensive experience in standard setting.



Michele is the former Chair of PwC in New Zealand and previously led the National Assurance practice for 3 years. She is also the former Co-Chair of Champions for Change, a group of over 50 of New Zealand's leading CEOs and Board Chairs committed to diversity and inclusion.

Michele was appointed to the FRC on 10 October 2019 and her term expires on 30 April 2024.

### **Ms Suzanne Bell**

Suzanne has over 25 years' experience with KPMG, focused on providing audit and advisory services to a broad range of clients from start-ups to some of Australia's largest

global companies. Suzanne's experience also includes international transfers, secondments to KPMG's technical department, leading KPMG's Consumer and Industrial Markets Group (Melbourne audit) and Partner in Charge of People, Performance and Culture (Melbourne audit).



She is a former Board member of Plan International Australia and the Melbourne Fringe Festival. Suzanne has also been a senior member of the Australian Davos Connection's Future Summit project team and a former Chair of the Future Summit Leadership Awardee program.

Suzanne was appointed to the FRC on 29 April 2019 and her term expires on 28 April 2022.

### **Ms Tracey Carroll**

Tracey is First Assistant Secretary of the Financial Analysis, Reporting and Management Division in the Department of Finance.



Tracey is responsible for the preparation of the Australian Government Consolidated Financial Statements, monthly financial statements and budget estimates, development and implementation of Australian Government accounting policy and cash and appropriations management. Tracey is also Chair of the Australian Government Portfolio Department CFO Forum and a leader of the finance and accounting profession in the Australian Public Service.

Prior to working in the Department of Finance, Tracey has held several senior executive roles across a range of Australian Government entities, including the Department of Social Services and the Department of the Prime Minister and Cabinet.

Tracey was appointed to the FRC on 16 April 2021 and her term expires on 15 April 2024.

### **Mr Cameron McDonald**

Cameron is the Head of Research for Evans and Partners. In addition to overseeing the research team, Cameron also utilises his extensive experience within the transport and infrastructure sectors to make investment recommendations on securities within those sectors.



Prior to joining Evans and Partners, Cameron was at Hastings Funds Management as Director and Deputy Portfolio Manager for The Utilities Trust of Australia, a multi-billion-dollar unlisted infrastructure fund of global assets. As part of this role, he also served as a non-executive director on the board of Perth Airport.

During his career, Cameron spent more than 10 years at Deutsche Bank where he was Director and Head of Transport and Infrastructure Research. He has also held other roles within Westpac Institutional Bank, Shell and BHP.

Cameron was appointed to the FRC on 4 April 2020 and his term expires on 3 April 2023.

### Mr Stewart Walters

Stewart joined NSW Treasury in 2016 and is a member of the Treasury leadership team.



The portfolio spans all State financial reporting including Budget aggregates, reporting analytics, supports the budgeting platform that underpins the data, provides advice and leadership to the sector on financial and accounting policies matters and the provision of Internal Audit and Risk for Treasury.

Stewart has worked as a Chief Financial Officer and Chief Operating Officer in various global service delivery organisations as well on successful teams bidding for Public Private Partnership infrastructure projects in Australia, New Zealand and Southeast Asia.

Stewart is also the current Chair of the Heads of Treasuries Accounting and Reporting Advisory Committee.

Stewart was appointed to the FRC on 26 March 2020 and his term expires on 12 March 2020.

## Transparency

In 2020–21, the FRC agreed to allow members of the public to observe its meetings, demonstrating the FRC's strong commitment to transparency and stakeholder engagement.

## Disclosure and conflict of interests

The FRC has processes to manage conflicts of interest of members, with interests required to be disclosed both on appointment and at the commencement of and during FRC meetings. A register of interests is also maintained.

## Attendance at FRC meetings

The FRC held six meetings in 2020–21 in August, September, November, December, March and June. Members' attendance is shown in the table on the following page.

**Table 6.1: FRC Meeting Attendance in 2020–21**


Member	Scheduled meetings	Additional meetings
	No. meetings attended / No. eligible to attend	No. meetings attended / No. eligible to attend
L Tremaine (Chair from 1 January 2021)	4 of 4	1 of 2
S Bell	4 of 4	2 of 2
T Carroll (from 16 April 2021)	1 of 1	-
B Edge (Chair FRC until 31 December 2020 and Acting Chair AUASB from 1 January 2021)	4 of 4	2 of 2
M Embling (Chair XRB)	4 of 4	2 of 2
S Helgeby (Deputy Chair until 31 December 2020)	1 of 2	2 of 2
K Kendall (Chair AASB)	4 of 4	1 of 2
C McDonald	4 of 4	1 of 2
R Simnett (Chair AUASB until 31 December 2020)	2 of 2	2 of 2
S Walters	4 of 4	2 of 2

# 07

## Abbreviations

AASB	Australian Accounting Standards Board
APES	Accounting Professional and Ethical Standards
APESB	Accounting Professional and Ethical Standards Board
APRA	Australian Prudential Regulation Authority
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
CA ANZ	Chartered Accountants Australia and New Zealand
Corporations Act	<i>Corporations Act 2001</i>
EER	Extended External Reporting
FAQ	Frequently Asked Questions
FOI Act	<i>Freedom of Information Act 1982</i>
FRC	Financial Reporting Council
GAAP	Generally Accepted Accounting Principles
GFS	Government Financial Statistics
IAASB	International Auditing and Assurance Standards Board
IASB	International Accounting Standards Board
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IPA	Institute of Public Accountants
IPSAS	International Public Sector Accounting Standards
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standards on Auditing
NZASB	New Zealand Accounting Standards Board





NZAuASB	New Zealand Auditing and Assurance Standards Board
PJC	Parliamentary Joint Committee on Corporations and Financial Services
QRP	Quality Review Program
RCA	Registered Company Auditor
SMSF	Self-Managed Superannuation Fund
UNSW	University of New South Wales
XRB	External Reporting Board of New Zealand





[www.frc.gov.au](http://www.frc.gov.au)