



MINUTES

DATE: Wednesday 22 September 2021

TIME: 10 am – 4 pm

LOCATION: Microsoft Teams meeting

All agenda items except item 1 were discussed in public.

ITEM	AGENDA ITEM	
	NON-PUBLIC SESSION	
1	MATTERS FOR NON-PUBLIC SESSION	
	This agenda item was discussed in private.	
	PUBLIC SESSION	
2	INTRODUCTION	
	Members confirmed that there were no conflicts of interest raised by agenda items for this meeting.	
2.A	ATTENDEES AND APOLOGIES	
	Members in attendance:	Observers and guests:
	Lawrie Tremaine – Acting FRC Chair	Justin Williams – AASB / AUASB
	Keith Kendall – AASB Chair	Anne Waters – AUASB
	Bill Edge – AUASB Chair	Greg Yanco, Doug Niven, Thea Eszenyi – ASIC
	Suzanne Bell	Claire Grayston – CPA Australia
	Tracey Carroll	Vaishali Davé, Nena Finocchiaro, Emily Morrison – FRC Secretariat
	Michele Embling	Ann Tarca – IASB
	Cameron McDonald	Joanna Perry – IFRS Foundation
	Stewart Walters	Matthew Bowd – Treasury
		April Mackenzie – XRB
		Apologies:
		Cathie Armour – ASIC
2.B	DECLARATIONS OF INTERESTS	
	Members confirmed their entries as recorded in the Register of Interests.	
	Michele Embling will provide further updates to her Declarations of Interest to the FRC Secretariat.	

	All members except Stewart Walters confirmed they had no conflicts. Stewart Walters indicated he had abstained from commenting on a candidate in the AASB recruitment.
3	MATTERS FOR NOTING / ACTION
3.A	<p>MINUTES OF THE PREVIOUS MEETING – 3 JUNE 2021</p> <p>Members noted the minutes from the FRC meeting on 3 June 2021 which had been approved out-of-session.</p>
3.B	<p>MATTERS ARISING</p> <p>The Chair reported that matters arising had been completed, were on the current agenda, or were still in progress.</p> <p>The Chair noted the ongoing items had not been included in meeting paper 3.b.</p> <p>The Chair and Bill Edge undertook to review the ongoing items out of session, to remove those which can be closed and return to members with the remaining items in a relevant form.</p>
4	OVERSIGHT OF AUSTRALIAN STANDARDS
4.A	<p>ACCOUNTING STANDARDS</p> <p>Keith Kendall provided an update on the Australian Accounting Standards Board’s (AASB’s) key priorities including that:</p> <ul style="list-style-type: none"> • The AASB Chair has signed off on a submission to the International Accounting Standards Board (IASB) consultation agenda, the primary basis on which the IASB is setting its work program for the next five years. • The AASB is reviewing amendments which might be required to AASB 1054 <i>Australian Additional Disclosures</i>, which has given rise to ongoing discussions with other interested parties, including the Accounting Professional & Ethical Standards Board and the American Institute of Certified Public Accountants around relevant disclosures. • The IASB’s <i>Practice Statement 1 Management Commentary</i> remains voluntary, which alleviates AASB member concerns about it. Reporting entities are free to implement the commentary but are not obliged to do so. The AASB maintains most of the content of the practice statement is already covered adequately in Australia. The AASB has issued a document for comment on the practice statement but has not yet discussed whether it will reissue the practice statement in Australia.
4.B	<p>UPDATE ON INDEPENDENT AASB 1049 POST IMPLEMENTATION REVIEW</p> <p>Justin Williams provided an update on the independent Post Implementation Review of AASB 1049. In particular, he noted the independent reviewer received 14 responses to the consultation, largely from Treasury entities and the Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC).</p>
4.C	<p>AUDITING STANDARDS</p> <p>Bill Edge provided an update on the Auditing and Assurance Standards Board’s (AUASB’s) key priorities, including that:</p>

	<ul style="list-style-type: none"> • The AASB and AUASB Corporate Plan 2020-21 will be presented to an FRC meeting annually. The plan includes detailed performance summaries for each Board. Unlike previous years, the AASB and AUASB will not table updates to the performance summaries each FRC meeting. • The AUASB has established a Technology Project Advisory Group to address the impact of technology on audits. The AUASB has issued two bulletins to address practical issues when using technology in the performance of an audit. Since meeting paper 4c was submitted, the AUASB has released its second bulletin, regarding the Reliability of Data. The AUASB is now developing its third bulletin. • The International Auditing and Assurance Standards Board has issued a draft single standard for less complex entities (LCEs). This is comprised of extracts from the complete 900 pages of international standards. It is unlikely to impact the time taken to complete an audit of the financial reports of an LCE, but it may help navigate the standards. The AUASB has issued a consultation paper to seek feedback from Australian stakeholders on the proposed standard. The consultation includes questions about what else could be done to simplify auditing for LCEs. <p>Members also discussed concerns around audit quality and governance for public sector entities, including that the audit process is overwhelmingly burdensome for public sector entities. The AUASB has established a Public Sector Advisory Group in response to this concern.</p> <p>Members also discussed the new, simplified format of AASB and AUASB reporting to the FRC, and noted they are more focused on strategic issues.</p>
5	OVERSIGHT OF AUDIT QUALITY
5.A	<p>AUDIT QUALITY PLAN</p> <p>Members discussed progress on the FRC’s Audit Quality Action Plan, noting progress towards its outcomes was limited in 2019 as the Parliamentary Joint Committee on Corporations and Financial Services (PJC) undertook its inquiry on the same issues.</p> <p>The FRC Audit Quality Action Plan has been redrafted to better reflect the actions the FRC and the standard setting boards have taken to address audit quality. Members agreed to publish the revised FRC Audit Quality Action Plan.</p> <p>ASIC provided an update on its strategic audit priorities, including with respect to surveillance, enforcement, audit inspection reports, and audit quality.</p> <p>Members discussed allegations in recent media reports regarding disciplinary outcomes for auditor misconduct. In particular, members discussed the role of the professional accounting bodies in disciplining members for misconduct. Members agreed the FRC would write to professional accounting bodies and the Companies Auditors Disciplinary Board to seek an update on their disciplinary processes. The Chair will also consider how to address the specific issues currently being canvassed in the media.</p> <p>More broadly, members discussed the value and role of audit and oversight of audit in emerging audit areas. Members agreed to include a standing agenda item on strategic risks to audit quality across the FRC’s entire portfolio, with a view to including multiple perspectives to consideration of those risks. Issues which fall under this item will include audit staffing. The Chair will consider a process for this discussion for the next meeting, noting this will require engagement from all members. The Chair will reach out to members before the next meeting for content on this item.</p> <p>Members discussed progress on responding to the PJC’s recommendations following its inquiry into the regulation of auditing in Australia. Members agreed to seek an update from Government on</p>

	<p>when it would respond to the PJC’s recommendations and whether there were any constraints to the FRC responding to the items allocated to it before a Government response is released.</p> <p>Members discussed an opportunity to put forward a proposal to Treasury to conduct an audit quality survey, including an option to combine an electronic survey with interviews to better understand stakeholder views. Members supported the idea of an FRC led audit quality survey. The Chair will work with Bill Edge on the design of the survey but invited input from all members on potential service providers and survey design.</p>
6	EXTENDED EXTERNAL REPORTING
6.A	<p>UPDATE ON OUTCOMES FROM JUNE MEETING</p> <p>Members discussed the scope of the FRC, AASB and AUASB’s statutory powers to adopt standards for extended external reporting (EER).</p> <p>The Chair provided an update about his meetings with the Minister and the Minister’s Chief of Staff and officials from the Treasury.</p> <p>The Chair undertook to reach out to both the Minister’s Office and Treasury to invite more feedback on where they see Australia heading with respect to EER and the role of the FRC in that space, as well as to support them on developing options to address the imperative to act on EER standards and seek to influence the international developments on this issue.</p> <p>Bill Edge noted the AASB and AUASB had formed an AASB / AUASB EER Project Advisory Panel comprised of practitioners, academics, professional accounting bodies and other stakeholders to advise the standards boards on any action that should be taken based on the current practice of voluntary disclosures on EER.</p> <p>Bill Edge undertook to circulate a proposed joint statement on EER by the FRC, AASB and AUASB to members after the meeting.</p> <p>The Chair noted the intention was not to develop EER standards, but instead to focus on influencing international developments.</p>
6.B	<p>SNAPSHOT OF IASB’S MANAGEMENT COMMENTARY</p> <p>Ann Tarca (IASB) provided background and detail on the IASB’s release of an Exposure Draft of the revised IFRS Practice Statement 1 Management Commentary.</p> <p>The practice statement outlines a framework for providing better information to investors and addressing issues of fragmentation of information across multiple documents in reports.</p> <p>The practice statement also includes detail on the objectives for disclosure, long term prospects, intangible resources, relationships and environmental, social and governance matters.</p> <p>The practice statement is a focal point for connectivity, including between financial information, sustainability information and other information. The IASB hopes the statement will provide a ‘home’ for disclosures under the sustainability standards developed by the proposed International Sustainability Standards Board (ISSB) when the ISSB is established.</p> <p>Ann Tarca noted the IASB does not envision potential for conflict between the practice statement and any reporting frameworks developed by the ISSB. The IASB will work with the ISSB on reporting frameworks, particularly with respect to intangible assets, and is open to handing the project to the ISSB if it was a better fit.</p>

	<p>Members discussed the practice statement in detail, including with respect to its application in different jurisdictions, the fact that adoption is voluntary and its application in the Australian context.</p> <p>Keith Kendall undertook to further consider the merits of implementing the practice statement in Australia through the AASB.</p>
7	FRC NOMINATIONS COMMITTEE
7.A	<p>UPDATE ON RECRUITMENT FOR AASB / AUASB POSITIONS</p> <p>The Chair provided an update on recruitment of new members to the AASB and AUASB. The FRC Nominations Committee had shortlisted and interviewed candidates for the identified roles and proposed the appointment of three candidates. The proposed candidates were approved for appointment by the FRC.</p> <p>The FRC Secretariat will send letters to all applicants, copying in the AASB and AUASB Chairs as relevant. The AASB and AUASB Chairs intend to reach out to unsuccessful candidates to involve them in Board activities in other ways.</p>
7.B	<p>UPDATED NOMINATIONS COMMITTEE CHARTER</p> <p>Members noted the updated Charter of the FRC Nominations Committee.</p>
8	MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS
8.A	<p>STAKEHOLDER REPORTS</p> <p>Members reviewed reports from eight stakeholders and noted key issues and initiatives.</p>
8.B	<p>REPORT BY EXTERNAL REPORTING BOARD (XRB)</p> <p>Michele Embling provided an update on the key activities of the XRB including:</p> <ul style="list-style-type: none"> • undertaking an organisational restructure to focus on capability building in operations and stakeholder management and communications, particularly in the area of climate reporting • developing a broader conceptual framework for EER reporting, including by liaising with colleagues in the Maori community on integrated and intergenerational thinking • preparing for the release of the XRB’s first discussion paper on climate related financial disclosures on 20 October • preparing for the release of the XRB’s discussion paper on climate reporting strategy, metrics and targets in March 2022, with a view to releasing the final standard in December 2022.
9	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
9.A	<p>IFRS TRUSTEES</p> <p>Joanna Perry provided an update on the key activities of the IFRS Trustees including:</p> <ul style="list-style-type: none"> • holding one-off meetings on progress on sustainability reporting and the ISSB • holding a full IFRS Trustees meeting on 15 June, with the next meeting scheduled for October • continuing the nominations process for new IFRS Foundation Trustees

	<ul style="list-style-type: none"> continuing to drive progress on developing a framework for climate related disclosure ahead of COP 26 in November.
10	OTHER BUSINESS
10.A	<p>UPDATE ON PUBLIC SECTOR WORKING GROUP (PSWG)</p> <p>Stewart Walters provided an update on the key activities of the PSWG including:</p> <ul style="list-style-type: none"> arranging for Karen Sanderson to complete her current term on the IPSASB Consultative Advisory Group despite moving to the United Kingdom, but to seek a replacement nominee in 2022 who can represent the region and be regionally embedded considering seeking a nomination from the Australasian Council of Auditors-General (ACAG) for a public sector auditing professional on the PSWG completing a peer review of a comprehensive Tier 3 reporting framework for public sector entities, with a view to sending it to HoTARAC for feedback and commencing consultation on it with ACAG continuing to consider concerns about ensuring recruitment of appropriately skilled people to public sector reporting to address a current and anticipated future skills gap.
10.B	<p>FRC ANNUAL REPORT 2020-21</p> <p>The FRC Secretariat provided an update on the progress of the FRC Annual Report for 2020-21.</p>
10.C	<p>FRC PEER REVIEW TIMELINE AND QUESTIONS</p> <p>The Chair noted the proposed FRC Peer Review Survey questions have changed from the last survey, with a stronger focus on the FRC meeting its various objectives, rather than critiquing the performance of individual FRC members.</p> <p>Members agreed to the proposed questions subject to question 7 being amended or a new question being included to address statutory objectives with respect to the FRC's oversight of the standard setting boards.</p>
10.D	<p>STRATEGIC MATTERS</p> <p>Members agreed to discuss XBRL reporting and supply of auditors at the next meeting.</p>
11	NEXT MEETING AND CLOSE
11.A	Members agreed to vacate the 3 November meeting date. The Chair will work with the FRC Secretariat to identify a new date for the meeting.