



MINUTES

DATE: Friday 10 March 2023
TIME: 10:00 am – 4:00 pm
LOCATION: Treasury’s Sydney office / MS Teams

All agenda items except item 1 were discussed in public.

ITEM	AGENDA ITEM																																												
	NON-PUBLIC SESSION																																												
1	MATTERS FOR NON-PUBLIC SESSION																																												
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	PUBLIC SESSION																																												
2	INTRODUCTION																																												
2.A	ATTENDEES AND APOLOGIES																																												
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2.B	DECLARATIONS OF INTERESTS																																												
	Members confirmed the agenda items for this meeting did not give rise to a conflict of interest for any member.																																												

3	MATTERS FOR NOTING/ACTION
3.A	<p>MINUTES OF THE PREVIOUS MEETING – 23 NOVEMBER 2022</p> <p>Members noted the minutes from the FRC meeting on 23 November 2022 which had been approved out-of-session.</p>
3.B	<p>MINUTES OF OUT-OF-SESSION MEETINGS – 2 FEBRUARY 2023</p> <p>Members noted the approved minutes for the 2 February 2023 out-of-session meeting.</p>
3.C	<p>MATTERS ARISING</p> <p>Members reviewed the Matters Arising list (document 3C).</p> <p>The FRC agreed on matters that had been actioned and discussed including the removal of certain on-going matters that were not required to be in the Matters Arising document.</p> <p>Action item</p> <p>FRC Secretariat to update the Matters Arising document and circulate the FRC calendar to members.</p>
4	OVERSIGHT OF AUSTRALIAN STANDARDS
4.A	<p>AUSTRALIAN ACCOUNTING STANDARDS BOARD</p> <p>Members noted the AASB Chair Report (document 4A).</p> <p>The AASB Chair highlighted the following:</p> <ul style="list-style-type: none"> • The AASB chair and staff member attended the recent ISSB event in Montreal as part of its new sustainability responsibilities. • It was also noted that sustainability is a major focus for the AASB i.e. <i>General Requirements for Disclosure of Sustainability-related Financial Information (S1)</i> and <i>S2 Climate-related Disclosures (S2)</i>. • The AASB noted that the open-for-comment period on the Tier 3 reporting for the public and not-for-profit sectors would soon end. <p>Members discussed:</p> <ul style="list-style-type: none"> • The impact of sustainability reporting on financial reporting. • The interaction of climate transition action plans with financial statements and reporting risks. • Greenwashing.
4.B	<p>AUDITING AND ASSURANCE STANDARDS BOARD</p> <p>Members noted the AUASB Chair Report (document 4B).</p> <p>The AUASB Chair highlighted the following:</p> <ul style="list-style-type: none"> • The AUASB Chair has been appointed a member of the IAASB's Sustainability Working Group which is developing an overarching standard for assurance on sustainability reporting which will be suitable across all sustainability topics and reporting frameworks, and to be used by all assurance practitioners (i.e. accounting profession and other assurance providers). An Exposure Draft of the proposed IAASB sustainability assurance standard is intended to be

	<p>released by September 2023. Timeframe to completion of the sustainability assurance standard is 15-16 months (end of 2024).</p> <ul style="list-style-type: none"> The AUASB has prioritised issuing guidance for public sector auditors in areas identified as presenting challenges in applying AUASB Standards in the public sector. The structure and plans of international bodies (IAASB, ISSB and IASB) - The Chair of the AUASB commented on the usefulness of the AASB, AUASB and FRC's structure to share information and expertise.
5	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
5.A	<p>XRB UPDATE-VERBAL</p> <p>Michelle Embling, the XRB Chair, provided a verbal update to members.</p> <ul style="list-style-type: none"> The New Zealand Climate-related Disclosure standards were issued in December 2022. The XRB is currently continuing work on broader sustainability reporting and guidance to ensure that climate standards from December 2022 will be implemented appropriately. An exposure draft of a proposed temporary assurance standard which will apply to the mandatory assurance requirements over parts of climate statements ie., greenhouse gas emissions disclosures, has been issued for public comment. This proposed temporary standard will bridge the gap until the international standard is available. New Zealand are also considering how an assurance licensing regime may be set up to enable auditors / assurance providers to provide assurance on GHG emissions. The XRB is currently examining its own governance structure for separating sustainability standards into another body.
5.B	<p>PRESENTATION ABOUT THE IFRS FOUNDATION</p> <p>Joanna Perry, former Trustee of the IFRS Foundation, provided a verbal update to members on Australia and New Zealand's involvement with IFRS and discussed the role they play in the Oceania region.</p>
5.C	<p>INTERNATIONAL DEVELOPMENTS - FINANCIAL REPORTING</p> <p>Robert Buchanan and Kris Peach, of the PIOB, provided a verbal update to members on the PIOB's oversight of the global system of standard-setting for auditing, assurance, and ethical standards.</p> <p>The FRC and Treasury agreed to recommend suitable candidates for international Board membership if any could be identified.</p> <p>Action Item</p> <p>FRC to use stakeholder engagement to identify people with skills to be an international Board member.</p>
5.D	FUNDING INTERNATIONAL BODIES

	<p>Members agreed to recommend to the Australian Government that they extend its agreement with the IFRS Foundation for a further year. Members also considered whether to increase the value of the grant by \$1 million.</p> <p>Members also discussed alternative funding arrangements between Australia and the international standard setting bodies.</p> <p>Action Item</p> <p>At the next Quarterly meeting, the FRC to consider and discuss what the future with international bodies looks like and the approach to funding.</p>
5.E	<p>INTERNATIONAL DEVELOPMENTS</p> <p>Michael Bray provided a verbal update and a presentation to members (Attachment C of Item 5E).</p> <ul style="list-style-type: none"> • Michael Bray noted that amending the ASIC Act to give remit to the AASB on sustainability is one avenue for quicker action, while an Australian equivalent of the ISSB would be more internationally aligned.
6	<p>FINANCIAL REPORTING FRAMEWORK OBJECTS-INDICATORS</p> <p>Members noted the data in Attachments A and B to Item 6, and discussed domestic investor confidence and the weighted average cost of capital (WACC).</p> <p>Action Item</p> <p>FRC Secretariat to source academic research from different jurisdictions about the existence of any relationship between IFRS disclosure requirements and WACC.</p>
7	<p>AUDIT QUALITY</p>
7.A	<p>AUDIT QUALITY IN AUSTRALIA: THE PERSPECTIVES OF AUDIT COMMITTEES-FINAL REPORT</p> <p>Members considered the findings arising from Professor Simnett’s and Trotman’s research report and noted the possible considerations for FRC to monitor, however there were no immediate actions arising.</p>
7.B	<p>UPDATED AUDIT QUALITY ACTION PLAN</p> <p>Members noted the updated version of the Audit Quality Action Plan with a focus on audit quality processes.</p> <ul style="list-style-type: none"> • Members assessed the Audit Quality Action Plan as a whole and considered the document may need to be iteratively updated over time depending on emerging issues and priorities. • Members noted that action item number 3 (audit quality indicators) could be considered as we meet with the firms and other stakeholders on the audit quality review. • Members discussed the Audit Quality Action Plan focuses on audit of financial reporting and it was now appropriate to incorporate a future action to consider how the quality of assurance on sustainability reporting is being supported and monitored.

	<p>Action Item</p> <ul style="list-style-type: none"> • Anne Waters to investigate with the firms’ whether transparency reports could be used to report audit quality indicators. • Add a future action to consider how the quality of assurance on sustainability reporting is being supported and monitored. • Anne Waters to update the Audit Quality Action Plan with suggestions made by FRC members and publish it. • There will be a further update at each FRC quarterly meeting this year on the progress of the Audit Quality Action Plan.
7.C	<p>AUDIT QUALITY MANAGEMENT REVIEW</p> <p>Members agreed on the scope of the Audit Quality Management Review.</p> <ul style="list-style-type: none"> • The Chair provided a verbal report to members on information gathered from stakeholders to date. <p>Action Item</p> <p>There will be a further update at each FRC quarterly meeting this year on the progress of the Audit Quality Management Review.</p>
8	<p>EXTENDED EXTERNAL REPORTING</p> <p>Members discussed the Australian Sustainability Finance Institute’s (ASFI) consultation paper on sustainable taxonomy</p> <ul style="list-style-type: none"> • Treasury informed the FRC of their current work on a broader sustainable finance agenda which includes a sustainable taxonomy. Treasury is also cognisant of the need to ensure a cohesive narrative on the work. <p>Action Item</p> <p>Sam Hurley, Treasury to attend a future quarterly meeting and provide a brief outline of the work on the Government's Sustainable Finance Agenda.</p>
9	<p>PUBLIC SECTOR ADVISORY GROUP</p> <p>Members noted the minutes of the Public Sector Advisory Group (PSAG) meeting from 22 February 2023.</p> <ul style="list-style-type: none"> • Tracey Carroll, Chair of the PSAG, provided minutes ahead of time and an update was briefly provided by members who attended the PSAG. • The FRC noted the importance of public sector oversight and that PSAG’s findings would be valuable to communicate important information and recommendations to the FRC.
10	<p>EMERGING ISSUES AND FRC PRIORITIES</p>

	<p>Members discussed relevant developments on the emerging issues it is currently monitoring as at Item 10 in the meeting pack.</p> <p>Members also discussed recent media attention on accounting firms.</p>
11	MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS
11.A	<p>STAKEHOLDER REPORTS</p> <p>The FRC Chair noted the 8 Stakeholder Reports and appreciated the information provided.</p> <ul style="list-style-type: none"> • The AUASB Chair expressed concern regarding certain stakeholders not responding to the requests for stakeholder reports. • Further, it was agreed that stakeholders should be supplying information they believe would be of specific interest to the FRC at the top of the stakeholder report in addition to reporting their own progress. <p>Action Item</p> <p>The FRC Chair to contact selected stakeholders that have not responded to requests.</p>
12	OTHER BUSINESS
12.A	<p>NOMINATIONS COMMITTEE</p> <p>Suzanne Bell, as the Chair of the Nominations Committee, provided a verbal report to the FRC members.</p> <p>Suzanne noted that FRC members should be mindful of potential candidates for the AASB and AUASB.</p>
12.B	<p>CORRESPONDENCE RECEIVED AND SENT</p> <p>The FRC Chair provided a verbal update to members.</p> <ul style="list-style-type: none"> • The FRC Chair wrote the Assistant Treasurer on 9 March 2023 to provide an update on the Audit Quality Management Review.
12.C	<p>KEY ACTION ITEMS SUMMARY</p> <p>The FRC Chair and Secretariat provided a summary of the action items arising from this meeting.</p>
13	NEXT MEETING AND CLOSE
13.A	<p>REVISED FRC MEETING SCHEDULE</p> <p>Members agreed to retain the current schedule of meeting dates on a quarterly basis and to consider possibility of holding more Out-of-Session meetings to cover discrete issues.</p>

13.B	<p data-bbox="311 235 454 264">5 JULY 2023</p> <p data-bbox="311 286 1516 353">Members agreed to discuss alternative dates for the second quarterly meeting of the year to ensure that meetings are more equidistant.</p> <p data-bbox="311 392 454 421">Action Item</p> <p data-bbox="311 459 1444 488">Confirm availability of members and Secretariat to determine the next quarterly meeting date.</p>
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