



MINUTES

DATE: Wednesday 6 September 2023
TIME: 9:30am – 2:25pm
LOCATION: Treasury’s Melbourne Office and Microsoft Teams

| ITEM | AGENDA ITEM | | | | | | | | | | | | | | | | | | | | | | |
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| | PUBLIC SESSION | | | | | | | | | | | | | | | | | | | | | | |
| 1. | Introduction | | | | | | | | | | | | | | | | | | | | | | |
| | <p>The Chair gave an acknowledgement of country.</p> <p>The Chair welcomed all attendees and guests, noting no apologies. Doug Niven was welcomed formally as the new acting Chair of the AUASB.</p> | | | | | | | | | | | | | | | | | | | | | | |
| 1.A | ATTENDEES | | | | | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <thead> <tr> <th>Members in attendance:</th> <th>Observers:</th> </tr> </thead> <tbody> <tr> <td>Andrew Mills (Chair)</td> <td>Zoe Irwin (Treasury)</td> </tr> <tr> <td>Dr Keith Kendall (AASB Chair)</td> <td>Jodic Chan (Treasury)</td> </tr> <tr> <td>Suzanne Bell</td> <td>Athanasios Kallos (Treasury)</td> </tr> <tr> <th>Guests:</th> <td></td> </tr> <tr> <td>Rachel Grimes</td> <td>Anne Waters (AUASB)</td> </tr> <tr> <td>Emma Herd</td> <td>Matthew Zappulla (AUASB)</td> </tr> <tr> <td>Michele Embling (XRB Chair) - Virtual</td> <td>Shane Barbetti (ASIC)</td> </tr> <tr> <td>Tracey Carroll</td> <td>Luci Tucker (ASIC)</td> </tr> <tr> <td>Pru Bennett</td> <td>Thea Eszenyi (ASIC)</td> </tr> <tr> <td>Doug Niven (Acting AUASB Chair)</td> <td>Greg Yanco (ASIC)</td> </tr> </tbody> </table> | Members in attendance: | Observers: | Andrew Mills (Chair) | Zoe Irwin (Treasury) | Dr Keith Kendall (AASB Chair) | Jodic Chan (Treasury) | Suzanne Bell | Athanasios Kallos (Treasury) | Guests: | | Rachel Grimes | Anne Waters (AUASB) | Emma Herd | Matthew Zappulla (AUASB) | Michele Embling (XRB Chair) - Virtual | Shane Barbetti (ASIC) | Tracey Carroll | Luci Tucker (ASIC) | Pru Bennett | Thea Eszenyi (ASIC) | Doug Niven (Acting AUASB Chair) | Greg Yanco (ASIC) |
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| Rachel Grimes | Anne Waters (AUASB) | | | | | | | | | | | | | | | | | | | | | | |
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| 1.B | Declarations of Interest | | | | | | | | | | | | | | | | | | | | | | |
| | Tracey has temporarily stepped aside from the Public sector panel of the ACT Regional Council, CAANZ. Emma has joined the Australian Sustainable Finance Institute Taxonomy Technical Expert Group (ASFI TTIG) as co-Chair. | | | | | | | | | | | | | | | | | | | | | | |
| 2. | MATTERS FOR NOTING / ACTION | | | | | | | | | | | | | | | | | | | | | | |
| 2.A | Minutes of previous meeting – 5 July 2023 | | | | | | | | | | | | | | | | | | | | | | |

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| | Members noted the minutes from the FRC meeting on 5 July 2023 which had been approved out-of-session. |
| 2.B | Matters Arising |
| | Members reviewed the Matters Arising list and confirmed items that had been actioned and noted those for discussion at the meeting and in progress. Action item <ul style="list-style-type: none"> FRC Secretariat to circulate the Corporate Plan for the AASB and AUASB to members. |
| 3. | ENVIRONMENTAL SCAN |
| 3.A | Members Reflections |
| | <ul style="list-style-type: none"> Members discussed the transition process for businesses on sustainability, and how this process differed between businesses that already make climate-related disclosures and those that did not yet do so. Members discussed issues associated with the adoption of various climate-related standards around the world. For example, it was noted that comparability issues had arisen for investors regarding the Global Reporting Initiative (GRI). Members considered the importance of internationalising industry-specific standards to enable the commencement of reporting by businesses with reference to them. Members noted sustainability was being increasingly considered by the risk committees of the boards of businesses. |
| 3.B | Nominations for International Bodies |
| | <ul style="list-style-type: none"> Members noted that Keith Kendall would commence as Deputy Chair of Asian-Oceanian Standard-Setters Group (AOSSG) in November. Members agreed that the FRC continues to seek Australian candidates for roles at international reporting bodies. Members noted that roles on international bodies are often voluntary and require the person to cover their own expenses. Doug expressed an interest in applying for a position at the Stakeholder Advisory Council of the IAASB and IESBA. The application would require approval from the Treasurer. Members considered potential Australian candidates for a vacancy at the IFRS Advisory Council. Action item <ul style="list-style-type: none"> FRC members to continue consideration of suitable Australian candidates for international bodies. FRC Secretariat to determine which candidates should be put forward for nomination. |
| 4. | OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING) |

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| 4.A | AASB Report |
| | <p>Keith Kendall provided a verbal update of the AASB’s activities including attending conferences and making relevant submissions. Activities have been constrained due to unavoidable and temporary capacity constraints.</p> <p>Highlights:</p> <ul style="list-style-type: none"> • The AASB is focusing on sustainability with exposure draft consultation for the Australian application of S1 expected to occur before the end of 2023. • The AASB supports the development of a full conceptual framework on sustainability reporting. • The AASB is hosting a closed two-day sustainability reporting symposium in November and will share information with other national standard setters. <p>Members discussed the matter of businesses having to adopt classifications such as ANZSIC for their disclosures, and the applicability of SASB standards. Members also noted the differing approaches of European and Asian jurisdictions on sustainability reporting, and how these might affect comparability and consistency. For example, the subsidiaries of EU companies are not being captured by Australian obligations, but by EU obligations on disclosures. Therefore, there is a perceived disadvantage of information inconsistency with other Australian market players.</p> |
| 4.B | AUASB Report |
| | <p>Doug Niven provided a verbal update of the AUASB’s activities.</p> <p>Highlights:</p> <ul style="list-style-type: none"> • The AUASB has prepared an initial work program on sustainability assurance, including stakeholder consultation on the IAASB’s exposure draft standard for <i>ISSA 5000 General Requirements for Sustainability Assurance Engagements</i>. • The AUASB has made a submission to IAASB regarding the proposed revised <i>ISA 570 Going Concern</i>. <p>Members discussed the conceptual differences between going concern and insolvency, and their observations on disclosures of these matters. Members also discussed the timing of the AUASB’s work on going concern.</p> |
| 5. | MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS |
| 5.A | XRB Update |
| | <p>Michele Embling provided a verbal update of the XRB’s activities, particularly its work in evaluating the complexity of its standards over time.</p> <p>Highlights:</p> <ul style="list-style-type: none"> • The XRB has two projects on issues surrounding cost/benefit for smaller entities. XRB’s reporting regime was set up 20 years ago but the accounting standards have become more complex over time, making it harder for smaller entities. |

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| | <ul style="list-style-type: none"> • Observations from the XRB’s research report on views from audit committee Chairs have revealed insight including that the level of trust that audit committee chairs have in audit reports is strong. <ul style="list-style-type: none"> – The XRB is educating stakeholders on sustainability scenario analysis from a governance and resilience perspective. • XRB had a very successful strategy day recently with a focus on the Ngā Pou o te kawa ora project, and the strategic direction for sustainability reporting. <p>Action Items</p> <ul style="list-style-type: none"> • FRC Secretariat to circulate the XRB’s research report on views from audit committee Chairs, regarding trust and confidence in reported information. |
| 5.B | International Developments |
| | <ul style="list-style-type: none"> • Members noted the information attached in the meeting pack. • Members noted different models for ethics standards and their standard-setting bodies, such as increased separation from the accounting profession, internationally. • Members considered an ethics code as a mechanism for accountability regarding government procurement. • Members also discussed the possibility for the existence of an ethics board based on cost recovery funding. |
| 6. | FINANCIAL REPORTING FRAMEWORK OBJECTS - INDICATORS |
| | <ul style="list-style-type: none"> • Members noted the research on costs of capital supplied by the FRC Secretariat which examined recent developments and their impacts on the access to capital for carbon-intensive operators. <p>Action Items</p> <ul style="list-style-type: none"> • FRC Secretariat to include observations of changes and impacts of changes in access to capital by carbon-intensive operators in the FRC Annual Report. |
| 7. | Public Sector Advisory Group |
| | <ul style="list-style-type: none"> • The PSAG Chair provided a verbal update of information collected from the Australian public sector, especially on the progress-on sustainability reporting. • The PSAG Chair noted that the position for the Chair of the Heads of Treasury Accounting and Reporting Advisory Committee (HoTARAC) is still vacant. |
| 8. | EMERGING ISSUES AND FRC PRIORITIES |
| | <ul style="list-style-type: none"> • The FRC is still hearing from the profession that there are decreased tertiary enrolments in accounting. There is a shortage for both universities and the professional accreditations. |

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| | <ul style="list-style-type: none"> Anecdotally, contributing factors are the level of interest in the profession, ethical considerations, perceptions of accountants, focus on alternative pathways to becoming an accountant, citizenship requirements to work in accounting roles in the public service, and the reluctance of businesses to hire international students as workers. Members also noted the changing demographics of tertiary enrolments. Regarding a recent cohort of accounting graduates completing the Chartered Accountant qualification, it was observed that two thirds of the cohort were women, an increase from past cohorts. Members noted that the accounting profession may be becoming a more attractive and inclusive profession with the introduction of sustainability reporting and assurance roles that broaden the scope of career paths available to accounting graduates. The FRC agreed to commission research to gather evidence on what has been said anecdotally to obtain definitive information. <p>Action Items</p> <ul style="list-style-type: none"> FRC Secretariat to circulate a brief out-of-session regarding the comments by members about the talent attraction and retention issue. This would seek funding for an academic to undertake research to gather evidence on what has been said anecdotally as well as gathering information on strategies being used to address the problem in other jurisdictions. |
| <p>9.</p> | <p>Annual Report 2022-23 Update</p> |
| | <ul style="list-style-type: none"> Members received the draft report as part of the meeting pack. Members provided feedback on the draft. <p>Action items</p> <ul style="list-style-type: none"> FRC Secretariat to circulate all revisions to the draft including declarations of interest from last year's report for final turnaround by 13th September. |
| <p>10.</p> | <p>PJC Recommendations</p> |
| | <ul style="list-style-type: none"> Members discussed incentives for audits and considered the efficacy of audit fees compared with consulting services fees. Members noted the risk posed by tax compliance to auditor independence. The AUASB Chair noted that disclosure of auditor tenure would be discussed at the AUASB meeting occurring the following week. The FRC agreed to make recommendations to the Minister pursues legislative change on disclosure of auditor tenure and audit fees in directors' reports, addressing going concern in directors' declarations of disclosure if disclosure is required in all audit reports, making audit quality management standards for audit firms enforceable under the Corporations Act. <p>Action items</p> <ul style="list-style-type: none"> FRC Secretariat to draft and circulate a letter to the Minister recommending legislative change on disclosure of auditor tenure and audit fees in the directors' report, addressing going |

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| | concern in directors' declaration if disclosure is required in all audit reports, making audit quality management standards for audit firms enforceable under the Corporations Act. |
| 11. | Other Business The FRC Chair noted that the FRC's submission had now been submitted to the Parliamentary Joint Committee on Corporations and Financial Services inquiry on <i>Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry</i> . |
| 11.A | Nominations Committee |
| | <ul style="list-style-type: none"> The Chair of the Nominations Committee provided a verbal update on the most recent Nominations Committee meeting, and acknowledged the expiration of Alison White's term at the AASB which would lead to a vacancy. <p>Action Item</p> <ul style="list-style-type: none"> Amendments to be made by the FRC Secretariat in the questions from the public version of the Meeting Papers. FRC members to explore options for recommending suitable candidates for domestic board vacancies. |
| 11.B | Correspondence received and sent |
| | Members noted the correspondence sent by the FRC to the Treasurer and other recipients. |
| 11.C | Key Action Items Summary |
| | <p>Action Items</p> <ul style="list-style-type: none"> FRC Secretariat to circulate the Corporate Plan for the AASB and AUASB to members. FRC members to continue consideration of suitable candidates for international bodies. FRC Secretariat to circulate the XRB's research report on views from audit committee Chairs, regarding trust and confidence in reported information. FRC Secretariat to include observations of changes and impacts of changes in access to capital by carbon-intensive operators in the Annual Report. FRC Secretariat to circulate a brief out-of-session regarding the comments by members about the talent attraction and retention issue. This would seek funding for an academic to undertake research to gather evidence on what has been said anecdotally as well as gathering information on strategies being used to address the problem in other jurisdictions. FRC Secretariat to circulate all revisions to the draft including declarations of interest from last year's report for final turnaround by 13th September. FRC Secretariat to draft and circulate a letter to the Minister recommending legislative change including disclosure of auditor tenure and audit fees in the directors' report, addressing going concern in the directors' declaration if required in all audit reports, making audit quality management standards for audit firms enforceable under the Corporations Act. |

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| | <ul style="list-style-type: none"> • Amendments to be made by the FRC Secretariat in the questions from the public version of the Meeting Papers. • FRC members to explore options for recommending suitable candidates for domestic board vacancies. |
| 12. | Next Meeting |
| | <p>The next meeting shall take place at Treasury's Sydney state office on 28th November.</p> <p>Action Item</p> <ul style="list-style-type: none"> • FRC Secretariat will liaise with Kathleen John from the Office of the AASB and AUASB to ensure the 2024 FRC meetings take place after AUASB and AASB meetings. |
| | Public Session closed at 2:18pm |