



AGENDA – 102ND FRC MEETING

Date: 2 June 2022

Time: 10.00am – 4.00pm

Location: Melbourne / Microsoft Teams Meeting

Members of the public are advised that members of the Financial Reporting Council (FRC) will attend the meeting in person or via a Microsoft Teams videoconference. Members of the public may attend the meeting via Microsoft Teams although public attendance is via registration only. Members of the public should register their interest in attending the public sessions no later than 24 hours in advance of the meeting by emailing frcsecretariat@treasury.gov.au detailing:

- Name
- Affiliation
- Contact details

Registered attendees will be emailed Microsoft Teams meeting details by no later than 1 April 2022.

Item	Report by	Time
NON-PUBLIC SESSION		
1. Matters for non-public session*	Chair	10.00am
PUBLIC SESSION		
2. Introduction		10.30am
A. Introduction of new Chair – <i>verbal</i>	Chair	
B. Attendees and apologies	Chair	
C. Declarations of interest	Chair	
3. Matters for noting / action		10.35am
A. Minutes of previous meeting – 10 December 2021	Chair	
B. Matters arising	Chair	
4. Oversight of Australian Standards (Accounting and Auditing) per s225(1) to s225(2A)		10.40am
A. Proposed amendments to AASB and AUASB Charter	Justin Williams / Bill Edge	
B. Accounting Standards	Keith Kendall	
C. Auditing Standards	Bill Edge	
5. Oversight of Audit Quality per s225(2B) to s225(2C)		11.45am
A. Auditor disciplinary processes	Lawrie Tremaine	
Lunch		12.30pm

Item	Report by	Time
6. Monitoring and influencing Australian developments		1.00pm
A. Stakeholder reports <ul style="list-style-type: none"> The FRC received 10 stakeholder reports and 1 stakeholder response from the Australian Shareholders Association confirming nil update from its request to 19 stakeholders. 	Chair	
B. Supplementary information <ul style="list-style-type: none"> The FRC received 8 responses to its request to 19 stakeholders for supplementary information. 	Chair	
7. Monitoring and influencing international developments		1.30pm
A. International developments	Chair	
B. Sustainability reporting	Justin Williams	
C. Integrated Reporting Framework – <i>verbal</i>	Michael Bray	
D. Report by XRB – <i>verbal</i>	Michele Embling	
8. Emerging issues		2.30pm
A. FRC actions in response to identified themes: impact investing and global economic environment – <i>verbal</i>	Chair	
B. FRC emerging issue communication strategy – <i>verbal</i>	Chair	
9. Other business		3.30pm
A. IFRS Foundation contribution	Chair	
B. FRC Annual Report 2021-22 Timeline	Chair	
C. Appointments - FRC Deputy Chair and PSWG members	Chair	
10. Next meeting and close		4.00pm
A. Thursday 8 September 2022	Chair	

* Agenda item 1 will be held in private. The order of agenda items may be changed during a meeting.



INTRODUCTION OF FINANCIAL REPORTING CHAIR

DESCRIPTION

Andrew Mills was appointed as Chair of the Financial Reporting Council (FRC) for a period of three years commencing 30 March 2022.

ACTION

- FRC Chair to provide introduction.



ATTENDEES AND APOLOGIES

DESCRIPTION

Attached are the attendees and apologies for this meeting.

ACTION

- For noting.

Participant	Organisation
Andrew Mills	Chair
Lawrence Tremaine	Origin Energy
Keith Kendall	AASB Chair
Bill Edge	AUASB Chair
Suzanne Bell	KPMG
Tracey Carroll	Department of Finance
Michele Embling	XRB Chair
Cameron McDonald	Evans and Partners

Observers	Organisation
Matthew Bowd	Treasury
Vaishali Davé	Treasury
James Zhou	Treasury

Guests	Organisation
Sean Hughes	ASIC
Thea Eszenyi	ASIC
Doug Niven	ASIC
Greg Yanco	ASIC
Justin Williams	Office of the AASB and AUASB
Kathleen John	Office of the AASB
Anne Waters	Office of the AUASB
Matthew Zappulla	Office of the AUASB
April Mackenzie	External Reporting Board
Michael Bray	Business Reporting Leaders Forum



DECLARATIONS OF INTEREST

DESCRIPTION

Attached are members' Declarations of Interest.

ACTION

It is recommended that the FRC:

- declare any interest that may be relevant (having regard to the meeting agenda and functions of the FRC)
- confirm the accuracy of the attached Declarations of Interest.

FINANCIAL REPORTING COUNCIL – REGISTER OF INTERESTS

as at 27 May 2022

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
Mr Andrew Mills	Member, Tax and Transfer Policy Institute Advisory Board Graduate, Australian Institute of Company Directors Course Chartered Tax Advisor, The Tax Institute Executive Committee Member, International Fiscal Association Australia Branch	Executive Director, The Tax Institute Senior Fellow, University of Melbourne Law School Chair, Public Rulings Advisory Panel, Queensland Revenue Office Member, Risk & Compliance Committee, Independent Planning Commission of NSW Director and Secretary, Ajay Investments Pty Ltd	
Mr Lawrie Tremaine	Fellow, CPA Australia Deputy Chair, Group of 100 National Executive	Chief Financial Officer, Origin Energy Ltd Director of several Origin Energy Ltd subsidiaries Director of Australia-Pacific LNG Pty Ltd Deputy Chair, Financial Reporting Council	
Dr Keith Kendall	Member, New Zealand Accounting Standards Board Fellow, CPA Australia Chartered Tax Adviser, The Tax Institute Member, Law Institute of Victoria Graduate, Australian Institute of Company Directors Member, The Tax Institute Member, Law Institute of Victoria	Chair and CEO, Australian Accounting Standards Board Treasurer, Samuel Griffith Society Member, Investment Committee, Royal Historical Society of Victoria Vice-President, Abbotsford Anglers Cricket Club	Director / shareholder / beneficiary: Cuffe Walk Pty Ltd Kendall Control Pty Ltd The Kendall Control Trust The Keith Kendall Family Trust

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
	Member, Chartered Accountants Australia and New Zealand		
Mr Bill Edge	Fellow, Chartered Accountants Australia and New Zealand Fellow, Institute of Public Accountants Australia Member, New Zealand Auditing and Assurance Standards Board	Chair of the Auditing and Assurance Standards Board	Fixed payment from PricewaterhouseCoopers (PwC) Retirement Plan Son is employed as Director PwC Advisory Services
Ms Suzanne Bell	Member, Chartered Accountants Australia and New Zealand	Audit Partner, KPMG Registered Company Auditor	
Ms Tracey Carroll	Member, Australian Institute of Company Directors Fellow, Chartered Accountants Australia and New Zealand (CA ANZ) Member, Public Sector Panel of the ACT Regional Council, CA ANZ	First Assistant Secretary, Financial Analysis, Reporting and Management Division, Department of Finance Australian Delegate, Financial Reporting and Management Network, OECD	
Ms Michele Embling	Chair, New Zealand External Reporting Board (XRB) Fellow, Chartered Accountants Australia and New Zealand (CAANZ) Member, Nominations and Governance Committee Member, CAANZ	Independent Director, Power Group Holdings Limited Board Member, Toitū Tahua: Centre for Sustainable Finance Independent Director, Transpower New Zealand Limited	Fixed retirement benefit payment from PwC New Zealand concludes September 2021
Mr Cameron McDonald	Graduate, Australian Institute of Company Directors (GAICD) Member, CPA Australia (CPA)	Head of Research, Evans & Partners Director, E&P Asia (HK) Pty Ltd	



MINUTES OF PREVIOUS MEETING

DESCRIPTION

Attached are the minutes from the FRC meeting held on Friday 10 December 2021, which were approved out of session.

Action items are summarised in item 3B.

ACTION

- For noting.

MINUTES

DATE: Friday 10 December 2021

TIME: 10 am – 4 pm

LOCATION: WebEx

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:
	Lawrie Tremaine (Chair)	Vaishali Dave (Treasury)
	Dr Keith Kendall (AASB Chair)	Alex Mahdavi (Treasury)
	Bill Edge (AUASB Chair)	Paul Buckingham (Treasury)
	Suzanne Bell	Emily Morrison (Treasury)
	Michele Embling	Greg Yanco (ASIC)
	Stewart Walters	Doug Niven (ASIC)
	Cameron McDonald	Thea Eszenyi (ASIC)
	Tracey Carroll	April Mackenzie (XRB)
	Guests:	Apologies:
	Dr Kim Langfield (Langfield-Smith Consulting)	Sean Hughes (ASIC)
	Claire Grayston (CPA Australia)	Tom Dickson (Treasury)
	Anne Waters (AUASB)	Matthew Bowd (Treasury)
	Justin Williams (AASB)	Kathleen John (AASB)
		Julie Huo (XRB)
2.A	REGISTER OF INTERESTS	
	<ul style="list-style-type: none"> Tracey Carroll advised that she is currently acting in Deputy Secretary role. 	

	<ul style="list-style-type: none"> The Chair noted that while Suzanne Bell is employed by KPMG, she does not represent KPMG at FRC meetings and members and attendees should be aware of this when discussing KPMG related issues.
3	MATTERS FOR NOTING/ACTION
3.A	<p>MINUTES OF THE PREVIOUS MEETING – 22 SEPTEMBER 2021</p> <p>Members noted the minutes from the FRC meeting on 22 September 2021 which had been approved out-of-session.</p>
3.B	<p>MATTERS ARISING</p> <ul style="list-style-type: none"> The Chair advised most action items from the last meeting have been completed, except for item 4 of the matters arising, relating to audit quality, which Bill Edge will address at item 5A of the agenda. The Chair noted Members previously agreed to consider ‘emerging strategic issues’ impacting the financial reporting system as a standing agenda item, and to develop an action plan. An action item from the previous meeting was for the Chair to consider how to address emerging strategic issues at the meeting, and this will be further discussed during the meeting. The Chair noted with respect to item 6 of the matters arising, relating to AASB / AUASB recruitment, Members agreed the Chairs of the AASB and AUASB would reach out to unsuccessful candidates of the 2021 AASB and AUASB recruitment rounds. The Chair requested feedback from the AASB and AUASB Chairs on this process. <ul style="list-style-type: none"> Keith Kendall and Bill Edge advised they have contacted the unsuccessful candidates. Keith Kendall noted his conversations were productive and the AASB is actively seeking ways to keep unsuccessful candidates involved in the AASB. Keith Kendall also noted he is yet to contact one candidate (whom he is hoping to meet in person). Members agreed to remove the ongoing items from the matters arising and rather set up reminders of these periodically as proposed in meeting paper 3B. Action: FRC Secretariat will remove items highlighted in red in meeting paper 3B from the ongoing items list ahead of the next FRC meeting. FRC Secretariat will maintain a record of the items recorded under ‘Public Sector Issues’ in meeting paper 3B and will raise these matters with the FRC Chair on a periodic basis.
4	OVERSIGHT OF AUSTRALIAN STANDARDS
4.A	<p>ACCOUNTING STANDARDS</p> <ul style="list-style-type: none"> Keith Kendall provided an update on the AASB’s key priorities since the last FRC meeting including that: The AASB is currently seeking comments on its draft Position Statement relating to Extended External Reporting (EER). The statement addresses institutional arrangements discussed by the Chairs of the FRC, AASB and AUASB regarding the development of EER reporting and assurance requirements, at least in the immediate term. Keith Kendall noted the proposed approach in the Position Statement diverged from the international approach of establishing a separate specialist board for sustainability reporting matters. The invitation to comment is open for feedback until 28 January 2022, which will give the AASB sufficient time to consider

	<p>any feedback before its February board meeting. In considering this update, members discussed the interaction between the AASB’s position statement and the approach which may be adopted by the International Sustainability Standards Board (ISSB). Members also discussed insights and learnings from the New Zealand experience with respect to developing climate reporting standards.</p> <ul style="list-style-type: none"> Members discussed other elements of the AASB Chair report at meeting paper 4A, including the AASB’s review of executive remuneration.
<p>4.B</p>	<p>POST-IMPLEMENTATION REVIEW OF AASB 1049</p> <ul style="list-style-type: none"> Dr Kim Langford provided an overview of the post-implementation review of AASB 1049 <i>Whole of Government and General Government Sector Financial Statements</i>, including that: Respondents in the review were strongly of the view AASB 1049 has achieved its objectives. Most respondents commented on an erosion of harmonisation between the Government Finance Statistics (GFS) and the Generally Accepted Accounting Principles (GAAP). Notably it was observed the treatment of leases under AASB 16 (leasing standard) will over time lead to a divergence in fiscal aggregates reported across jurisdictions. Respondents queried the utility of some specific requirements in AASB1049, including the reconciliation of key differences between GFS and the GAAP with key fiscal aggregates. Dr Langford noted she has not recommended a change in the requirement. The compliance cost to governments of producing financial statements is significant, although only two respondents provided indicative estimates of the cost of complying with AASB 1049 specifically. Members supported the findings and recommendations of the post-implementation review, and recognised recommendations to the AASB will be actioned over time.
<p>4.C</p>	<p>AUDITING STANDARDS</p> <ul style="list-style-type: none"> Bill Edge provided an update on the AUASB’s key priorities since the last FRC meeting including that: The AASB and AUASB have established a Project Advisory Panel on extended external reporting (EER) and have issued guidance in Australia on EER. Based on ASIC’s audit inspection findings, the AUASB has suggested revising standards and simplifying existing standards. The AUASB has issued three significant quality management standards concerning the impact, systems and processes in audit firms. The AUASB has also released guidance on the new standards to raise awareness of key elements. The AUASB is consulting on the International Auditing and Assurance Standards Board proposed standard for audits of less complex entities, as well as on other matters relevant to smaller audit firms and clients. The AUASB is seeking to improve its stakeholder communications. Including through the release of short educational videos on key issues. The AUASB is prepared to respond and action relevant recommendations of the Parliamentary Joint Committee on Corporations and Financial Services (PJC) in its inquiry into the regulation of audit in Australia, once the Government responds to the PJC’s reports.

<p>5.</p>	<ul style="list-style-type: none"> • OVERSIGHT OF AUDIT QUALITY PER s225(2B) TO s225(2C)
<p>5.A</p>	<p>PROPOSED AUDIT QUALITY SURVEY</p> <ul style="list-style-type: none"> • Members discussed the proposal for the FRC to engage an academic to conduct a survey and supplementary interviews and analysis of Audit Committee Chairs and professional investors as input to the FRC’s assessment of audit quality. • Bill Edge noted the AUASB is engaging with academics to develop targeted survey questionnaires, with a view to conducting the surveys in early 2022. • Members discussed the inclusion of public sector chairs and auditors in the proposed surveys and interviews. • The FRC Chair noted the importance of having a current and up-to-date contact list of targeted survey respondents. • Action • Seek a current list of relevant contacts for the proposed survey and supplementary interviews from ASIC if permitted under appropriate laws. • Stewart Walters and Bill Edge to further discuss inclusion of public sector representation in the proposed audit quality survey and supplementary interviews.
<p>5.B</p>	<p>AUDIT DISCIPLINARY PROCESSES</p> <ul style="list-style-type: none"> • Members discussed the relationship between concerns regarding audit quality and the number of auditor disciplinary actions taken by relevant bodies. Members also considered the role of the FRC and of professional accounting bodies with respect to auditor disciplinary matters. • Members discussed whether further clarity was required on what constituted a ‘disciplinary matter’ and noted there may be potential gaps and overlaps in the responsibilities of ASIC, the Companies Auditors Disciplinary Board (CADB), and the professional accounting bodies. • Members discussed the FRC’s approach to outreach to various bodies with respect to auditor disciplinary matters including whether to clarify the FRC’s expectations about what matters will be reported to it. • Members discussed the need for greater data and transparency with respect to auditor disciplinary matters, including whether the FRC should track individual cases and data from international jurisdictions. • ASIC noted the challenges associated with providing details of current investigations, although it noted it would consider whether it could provide data to give the FRC a sense of what was happening on auditor discipline. This information could be derived from ASIC’s monitoring activities. • ASIC undertook to consider what could be useful to provide to the FRC from its international auditor survey data. • Action • FRC to better utilise its stakeholder reporting to request that appropriate stakeholders specifically report on their disciplinary matters and disciplinary actions, disciplinary matters referred to them, and what happens after such referrals.

	<ul style="list-style-type: none"> • Thea Eszenyi (ASIC) to separately call the FRC Chair regarding ASIC’s regulatory and enforcement activities and to provide an overview of auditor disciplinary matters. • ASIC to provide links to public reports by the International Forum of Independent Audit Regulators (IFIAR) on IFIAR’s surveys of international enforcement regimes. • ASIC to provide a copy of its response to a question on notice by the PJC with respect to auditor enforcement.
<p>5.C</p>	<p>EMERGING ISSUES, INCLUDING STRATEGIC THEMES AND STRATEGIC RISKS TO THE FINANCIAL REPORTING SYSTEM</p> <p>Members discussed issues which could influence the financial reporting systems such that they should be included as agenda items for the FRC. In particular members identified the following themes:</p> <ul style="list-style-type: none"> • Resourcing, capability and attractiveness of the profession: Members noted talent attraction and retention is an increasing challenge both for preparers of financial reports and audit profession more broadly and is a particular challenge in the public sector. Members discussed the drivers of this issue including immigration and the attractiveness of the accounting profession, as well as the need to stress test the resilience of the financial system. • Cyber security • Impact investing: Members noted the fast and growing emerging area of impact investing, which could require amendment or reinterpretation of accounting and auditing standards as impact investing has different investment styles and objectives to traditional investment objectives. • Global economic environment, COVID-19 recovery and impact on supply chains: Members noted trends in global inflation data and supply chain concerns may have implications of the financial reporting system, and the profession may have a role in responding, including through the standard setting mechanism and greater education. • Members discussed actions the FRC could take with respect to the identified themes: • Members considered the need for more data to determine whether there was a current or anticipated future problem in relation to the resourcing, capability and attractiveness of the profession. Relevant data could include data on university students choosing relevant fields of study, stakeholder perspectives, the initiatives undertaken by professional accounting bodies, and the number of relevant professionals and level of seniority. Data could be sourced from universities, professional accounting bodies and accounting firms. • Members noted auditing and accounting standards do not generally deal with cyber risk. Members noted the FRC continued to support the PJC’s recommendation with respect to internal controls. Members acknowledged a need to rationalise the type of disclosure required in relation to cyber risk, which should encourage companies to establish controls to manage cyber risks and report accordingly. • Action • Members with access to relevant data sources on resourcing, capability and attractiveness of the profession to share it with other members. • Members agreed to consider potential FRC activities with respect to identified themes of impact investing and global economic environment at the next meeting. • Members agreed to consider a strategy for communicating its views, including on the need for companies to establish controls to manage cyber risk.

	<ul style="list-style-type: none"> FRC to customise stakeholder reports to seek specific and targeted input from relevant stakeholders from time to time.
6	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
6.A	STAKEHOLDER REPORTS <ul style="list-style-type: none"> Members reviewed reports from 11 stakeholders.
6.B	DIGITAL FINANCIAL REPORTING <ul style="list-style-type: none"> Doug Niven (ASIC) introduced digital financial reporting, noting that while ASIC has supported digital financial reporting since 2010, no company has ever lodged a digital financial report. Members agreed to support mandatory digital financial reporting in-principle. Members noted the AASB’s existing and planned future investigation into the barriers facing greater uptake of digital financial reporting in Australia. Action Members provided in-principle support for mandatory digital financial reporting. FRC to work with ASIC, through the AASB, to support digital financial reporting.
7	MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS
7.A	INTERNATIONAL DEVELOPMENTS <p>The Chair advised the meeting of the following recent international appointments:</p> <ul style="list-style-type: none"> Bill Edge was appointed to the International Auditing and Assurance Standards Board Channa Wijesinghe (CEO, Accounting Professional & Ethical Standards Board) was appointed to the International Ethics Standards Board for Accountants Kris Peach (Interim CEO, Permanent Care and Adoptive Families) was appointed to the Public Interest Oversight Board Standard Setting Boards’ Nominations Committee.
7.B	REPORT BY EXTERNAL REPORTING BOARD (XRB) <ul style="list-style-type: none"> Michelle Embling provided an update on the key activities of the XRB including: The XRB’s mandate has been formally extended to include the development of sustainability standards and non-binding guidance on non-financial information. The XRB has issued its first discussion paper on a mandatory climate reporting regime and received 68 formal submissions and over 100 comments from climate reporting entities, international reporting bodies, sustainability organisations, advisers and public sector regulators. The Chair of the New Zealand Auditing and Assurance Standards Board will retire on 30 June 2022. A recruitment process is currently underway for a new Chair. The XRB is considering potential gaps, interdependencies and overlaps between the assurance requirements required under the proposed climate related disclosure standards and existing auditing and assurance standards.
8.	PEER REVIEW SURVEY

8.A	<p>FRC PEER REVIEW SURVEY RESULTS</p> <ul style="list-style-type: none"> • Members expressed support for the peer review survey process and questions. • Members considered and discussed the survey results. • Action • FRC to develop and implement a plan to respond to, and address issues raised in FRC peer review survey results.
8.B	<p>AASB PEER REVIEW SURVEY RESULTS</p> <ul style="list-style-type: none"> • The AASB Chair provided insights into the results of the AASB peer review survey.
8.C	<p>AUASB PEER REVIEW SURVEY RESULTS</p> <ul style="list-style-type: none"> • The AUASB Chair provided insights into the results of the AUASB peer review survey.
9	<p>OTHER BUSINESS</p>
9.A	<p>EXTENDED EXTERNAL REPORTING UPDATE</p> <ul style="list-style-type: none"> • Members discussed international developments at the COP26 UN Climate Change Conference (COP26), at which the International Sustainability Standards Board (ISSB) was announced under the IFRS Foundation and prototype disclosure requirements were published. • The Chair provided an update on his recent engagement with the Minister’s Office and Treasury. • Member discussed the role of the AASB / AUASB EER advisory panel in providing input on the AASB and AUASB’s EER proposals. • Members discussed the stakeholder report received from the Australian Business Reporting Leaders Forum (BRLF), which included recommendations to Government and Treasury. • Members discussed the FRC/AASB/AUASB Position Statement on Extended External Reporting and Assurance jointly published by the FRC, AASB and AUASB in November 2021. • Action • Members agreed to seek further information on the Value Reporting Foundation’s Integrated Reporting Framework referenced by the BRLF at the next FRC meeting. • Members agreed the FRC should work with ASIC to progress (initially through the AASB and AUASB) the development of climate related reporting standards. The domestic standards would modify the international standards developed by ISSB for Australian conditions as required. • Members agreed the FRC would seek to identify candidates for the ISSB, while recognising there is already an Oceania representative on the IFRS Foundation Board of Trustees. • The Chair to share his correspondence with Treasury with other members after confirming this approach with the FRC Secretariat.
9.B	<p>FRC WEBSITE STATISTICS</p> <ul style="list-style-type: none"> • Members noted the data on website statistics.

9.C	FRC MEETING DATES FOR 2022 Action <ul style="list-style-type: none">• Members agreed to FRC meetings on 2 June 2022 and 8 September 2022• FRC Secretariat to circulate a further doodle poll to identify suitable meeting dates in or around March or December 2022.
10	NEXT MEETING AND CLOSE
10.A	Next meeting date to be confirmed.



ITEM 3B
2 JUNE 2022

MATTERS ARISING

DESCRIPTION

Attached are the matters arising from the FRC meeting held on Friday 10 December 2021. The list also includes one matter from the FRC meeting held on Wednesday 22 September 2021 which is still in progress.

As agreed at the 10 December 2021 meeting, the historical 'ongoing items' list has been removed. However, the FRC Secretariat will maintain a record of the items which were recorded under 'Public Sector Issues' and will raise these matters with the FRC Chair on a periodic basis.

ACTION

For noting.

MATTERS ARISING

Number	Issue	Action required	Owners	Status
1.	AUDIT QUALITY SURVEY	<ul style="list-style-type: none"> • Chair and Bill Edge to design proposed audit quality survey approach (22 September 2021). • Bill Edge and Stewart Walters to further discuss inclusion of public sector representation in proposed audit quality survey and supplementary interviews (10 December 2021). • Seek a current list of relevant contacts for the proposed survey and supplementary interviews (10 December 2021) from ASIC if permitted under appropriate laws. 	<p>Lawrie Tremaine / Bill Edge</p> <p>Bill Edge</p> <p>FRC Secretariat</p>	<p>In progress</p> <p>In progress - Bill Edge to provide update at 2 June 2022 meeting.</p> <p>Complete - ASIC is unable to provide the requested contact details but has offered to share the survey with audit chairs via its newsletter. ASIC will also contact individuals on its Audit Committee Chair mailing list to seek consent to sharing their details with the AUASB for the purposes of the survey.</p>
2.	AUDIT DISCIPLINARY PROCESSES	<ul style="list-style-type: none"> • FRC to better utilise its stakeholder reporting to request appropriate stakeholders specifically report on disciplinary matters and disciplinary actions, disciplinary matters referred to them, and what happens after such referrals. • Thea Eszenyi (ASIC) to separately call the FRC Chair regarding ASIC's regulatory and enforcement activities and to provide an overview of auditor disciplinary matters. • ASIC to provide links to public reports by the International Forum of Independent Audit 	<p>FRC Chair / Lawrie Tremaine</p> <p>Lawrie Tremaine</p> <p>FRC Secretariat</p>	<p>Complete – FRC Chair approved questions on auditor disciplinary processes to professional accounting bodies, which were circulated to the bodies on 16 May 2022</p> <p>Complete – call scheduled between ASIC, Lawrie Tremaine and Andrew Mills on 30 May 2022</p> <p>Complete – circulated to members on 17 May 2022</p>

Number	Issue	Action required	Owners	Status
		<p>Regulators (IFIAR) on IFIAR’s surveys of international enforcement regimes.</p> <ul style="list-style-type: none"> ASIC to provide a copy of its response to a question on notice by the PJC with respect to auditor enforcement. 	FRC Secretariat	Complete – ASIC’s response circulated to members on 17 May 2022
3.	EMERGING ISSUES, INCLUDING STRATEGIC THEMES AND STRATEGIC RISK TO THE FINANCIAL REPORTING SYSTEM	<ul style="list-style-type: none"> FRC members with access to relevant data sources on resourcing, capability and attractiveness of the profession to share it with other members. Members agreed to consider potential FRC activities with respect to identified themes of impact investing and global economic environment at the next meeting. Members agreed to consider a strategy for communicating its views, including on the need for companies to establish controls to manage cyber risk. FRC to customise stakeholder reports to seek specific and targeted input from relevant stakeholders from time to time. 	<p>FRC</p> <p>FRC</p> <p>FRC</p> <p>FRC Chair / Lawrie Tremaine</p>	<p>Incomplete – No data sources have been circulated</p> <p>Complete – to be discussed at item 8A of 2 June 2022 meeting</p> <p>Complete – to be discussed at item 8B of 2 June 2022 meeting</p> <p>Complete – FRC members suggested additional questions, which were approved by the FRC Chair and circulated to stakeholders on 16 May 2022. Responses included at item 6B of 2 June 2022 meeting papers</p>
4.	DIGITAL FINANCIAL REPORTING	FRC to work with ASIC, through the AASB, to support digital financial reporting	Keith Kendall	In progress – Keith Kendall to provide verbal update at 2 June 2022 meeting

Number	Issue	Action required	Owners	Status
5.	PEER REVIEW SURVEY	FRC to develop and implement a plan to respond to, and address issues raised in FRC peer review survey results.	FRC Chair	Incomplete – FRC Chair to develop plan for member consideration and approval
6.	EXTENDED EXTERNAL REPORTING	<ul style="list-style-type: none"> • Members agreed to seek further information on the Value Reporting Foundation’s (VRF) Integrated Reporting Framework referenced by the BRLF at the next FRC meeting. • FRC to work with ASIC to progress (initially through the AASB and AUASB) the development of climate related reporting standards. The domestic standards would modify the international standards developed by ISSB for Australian conditions as required. • FRC to seek to identify candidates for the ISSB, while recognising there is already an Oceania representative on the IFRS Foundation Board of Trustees. • Lawrie Tremaine to share correspondence with Treasury after confirming this approach with the FRC Secretariat. 	<p>FRC</p> <p>Keith Kendall / Bill Edge</p> <p>Lawrie Tremaine / Bill Edge</p> <p>Lawrie Tremaine</p>	<p>Complete – Michael Bray from VRF to provide briefing on the framework at item 7B of 2 June 2022 meeting.</p> <p>Complete – AASB and AUASB are continuing to progress this work and provide regular updates to the FRC</p> <p>Complete – FRC worked to encourage and identify candidates for the ISSB. No particular candidate was endorsed.</p> <p>Complete – correspondence between FRC and Treasury circulated to FRC members on 15 May 2022.</p>
7.	FRC MEETING DATES FOR 2022	FRC Secretariat to circulate doodle poll to identify suitable meeting dates in or around March or December 2022.	FRC Secretariat	Complete – doodle polls circulated but December 2022 meeting date yet to be confirmed



AMENDMENTS TO AASB AND AUASB BOARD CHARTER

ACTION

- Consider the recommendation to endorse the changes to the AASB and AUASB Board Charter as proposed in this paper and outlined in the attachment to this paper.

BACKGROUND

The following background was prepared by the AASB and AUASB.

Since the last revision of the Board Charter (May 2019), there have been significant developments within the international standard setting ecosystem, especially in reference to recent announcements within the sustainability environment.

On the 3rd November 2021, at COP26, the International Financial Reporting Standards (IFRS) Foundation Trustees announced the establishment of the International Sustainability Standards Board (ISSB). The establishment of the ISSB followed a significant level of international engagement led by the IFRS Foundation Trustees.

In the lead-up to the formation of the ISSB, during August 2021, the AASB and AUASB established a Sustainability Reporting Project Advisory Panel (SR PAP). The SR PAP is an informal consultative group only. Panel members act in an advisory capacity, providing specific and industry technical expertise to support the AASB and AUASB Boards and Technical teams.

On the 23rd November 2021, the AASB proposed an interim climate change reporting standards framework based on the June 2017 recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The public comment period for that consultation is finished and AASB is working through the feedback, significantly most of the feedback referred to both the AASB proposal and the potential ISSB standards.

On the 31st March 2022, the ISSB published the exposure draft 'Climate-related Disclosures' that builds on the TRWG prototype of the same name. The resulting standard would be the first thematic standard of the ISSB. Comments on the proposal are requested by 29 July 2022.

These developments are a future pressure point on the existing Board structure and expertise base within the AASB and AUASB. It should also be noted that the current work programs of both AASB and AUASB are significant, this means that there is not the

opportunity to create a Board-level vacancy without increasing the workload on additional Board member. Therefore, it is recommended that both boards increase their capacity (size) to manage future sustainability requirements.

Action Required:

Noting the changes within the standard setting environment, the AASB and AUASB are requesting a change to the Board charter. The significant change is an increase to the maximum number of Board members for each Board. This would enable the AASB and in future the AUASB to recruit up to two (2) additional board members with expertise in sustainability. This has been discussed with Treasury and accepted in principle so long as there is no consequential increase to appropriations. AASB and AUASB have agreed to not request any further appropriation at this time in relation to this matter.

As part of the review of the Board Charter a number of minor amendments have also been proposed to reflect changing job titles and ways of working.

All proposed amendments are provided “marked-up” to the FRC.

RECOMMENDATION

- That the FRC endorses the changes as suggested by the AASB and AUASB.



Agenda paper 4A.2

2 June 2022

AASB and AUASB Board Charter

October 2019



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1 Purpose

- 1.1 This Charter outlines the main corporate governance principles that apply to the Australian Accounting Standards Board (AASB) and the Auditing and Assurance Standards Board (AUASB) (together, the Boards).
- 1.2 The Charter will be reviewed annually by the AASB and the AUASB to ensure it remains consistent with the Boards' objectives, responsibilities and relevant standards of corporate governance.

2 Objectives

- 2.1 The Boards operate within a framework set out in Part 12 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). The ASIC Act sets out core objectives for accounting and auditing and assurance standard setting in Australia.
- 2.2 Under section 224 of the ASIC Act, the main objects of Part 12 are that:
 - (a) accounting standards should require the provision of financial information that:
 - (i) allows users to make and evaluate decisions about allocating scarce resources;
 - (ii) assists directors to discharge their obligations in relation to financial reporting;
 - (iii) is relevant to assessing performance, financial position, financing and investment;
 - (iv) is relevant and reliable;
 - (v) facilitates comparability;
 - (vi) is readily understandable;
 - (b) auditing and assurance standards should require the provision of information that:
 - (i) provide Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the *Corporations Act 2001* (Corporations Act);
 - (ii) require the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate; and



- (c) the Australian financial reporting system should:
 - (i) facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively overseas;
 - (ii) facilitate the Australian economy by having accounting and auditing and assurance standards that are clearly stated and easy to understand;
 - (iii) maintain investor confidence in the Australian economy, including its capital markets.

3 Board Functions

3.1 Under section 227 of the ASIC Act, the AASB's functions are to:

- (a) develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards;
- (b) make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation;
- (c) formulate accounting standards for other purposes;
- (d) participate in and contribute to the development of a single set of accounting standards for world-wide use; and
- (e) advance and promote the main objects of Part 12 of the ASIC Act.

3.2 In carrying out its functions the AASB must:

- (a) have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres;
- (b) have regard to the suitability of a proposed standard for different types of entities;
- (c) ensure that there are appropriate accounting standards for each type of entity that must comply with accounting standards but may apply different accounting requirements to different types of entities;
- (d) in the case of domestic standards – carry out a cost/benefit analysis of the impact of a proposed accounting standard before making or formulating the standard; and
- (e) in the case of international standards – carry out a cost/benefit analysis of the impact of a proposed international accounting standard before providing comments on a draft of the standard or proposing the standard for adoption as an international standard.



- 3.3 Under section 227B of the ASIC Act, the AUASB's functions are to:
- (a) make auditing standards under section 336 of the Corporations Act for the purposes of the corporations legislation;
 - (b) formulate auditing and assurance standards for other purposes;
 - (c) formulate guidance on auditing and assurance matters;
 - (d) participate in and contribute to the development of a single set of auditing standards for world-wide use; and
 - (e) advance and promote the main objects of Part 12 of the ASIC Act.
- 3.4 Final pronouncements have legal status if required for the purposes of the Corporations Act. Other applications of accounting and auditing and assurance standards are dependent upon relevant industry regulators. The Boards do not have enforcement powers, but will consult with regulators in relation to implementation issues where appropriate.
- 3.5 The Boards perform a technical function and contribute to Board strategy. The Boards do not have supervisory powers in respect of the functions and administration of the Offices of the AASB and the AUASB, which are the responsibility of the respective Chairs (see Role of Chair below).

4 Accountability and Reporting

- 4.1 The Financial Reporting Council (FRC) has a broad oversight role in relation to the accounting and auditing and assurance standards setting processes in Australia, and is responsible for giving the Minister (i.e. the Treasurer) reports and advice about those processes.
- 4.2 The FRC determines the AASB's and the AUASB's broad strategic direction and provides advice or feedback on the Boards' priorities, business plans, procedures, budgets and staffing arrangements.
- 4.3 The Boards are responsible for setting strategy in line with the FRC's broad directions. The ~~National Director~~ Managing Director is responsible for preparing a corporate plan to implement the strategy and reports periodically to the Boards, the FRC and the Commonwealth on how strategy is being implemented and achieved.
- 4.4 The AASB and the AUASB maintain ongoing communication with the FRC, principally through the Board Chairs who are members of the FRC. The Chairs report on the respective activities of the Boards to meetings of the FRC and also liaise regularly with the FRC Chair and Secretariat outside of FRC meetings.
- 4.5 The FRC conducts an annual performance review of Board members against achievement of stated objectives, strategies and key performance indicators. The FRC provides feedback to Chairs regarding their performance and Chairs provide feedback to members.



- 4.6 The Boards must comply with any direction given by the Minister (on the advice of the FRC) about the role of international accounting or auditing and assurance standards in the Australian accounting or auditing and assurance standard setting system.
- 4.7 To ensure the independence of the standard-setting bodies, the FRC does not have the power to:
- (a) direct the AASB or the AUASB in relation to the development, or making, of a particular accounting or auditing or assurance standard; or
 - (b) veto a standard made, formulated or recommended by the AASB or the AUASB.

5 Membership

Composition

- 5.1 The Boards shall comprise a maximum of ~~12~~14 members each, including the Chairs. The number of members of each Board may change from time to time but must ensure the sufficient representation of the various stakeholder groups affected by their standards, including preparers, practitioners and users.

Role of Chair

- 5.2 The Chairs are responsible for managing the Offices of their respective Boards. In particular, the Chair of each Board:
- (a) is responsible for approving the Board's priorities, business plans, procedures, and the Office's budgets and staffing arrangements;
 - (b) may employ such staff as the Chair thinks necessary to assist the Office in the performance of its functions and the exercise of its powers;
 - (c) must determine, in writing, a Code of Conduct applicable to the Chair and staff employed by the Chair;
 - (d) may engage consultants to perform services for the Office in connection with the performance of the Office's functions; and
 - (e) may seek legal advice in accordance with the Legal Service Directions 2017, where clarification is required as to the Board's mandate or regarding the potential legislative impacts of standards.

The Chairs have agreed to run the Offices for their respective Boards as one office supporting both Boards wherever possible, and have delegated administrative responsibilities to the ~~National Director~~Managing Director to the maximum extent possible.



- 5.3 The Chairs of the Boards consult with the FRC prior to taking action that is inconsistent with advice the FRC has given. Where FRC advice is not followed, the Chair must make a written record of the reasons for not following the advice and give a copy of the advice and reasons to the FRC and the Minister. A copy of the advice and reasons must also be included in the annual report prepared by the Chair under section 46 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).
- 5.4 The Chairs are not subject to direction by the Boards in relation to the Chairs' performance of functions, or exercise of powers, under the PGPA Act or the *Public Service Act 1999* in relation to the Offices of the Boards.

Remuneration

- 5.5 Board members are paid remuneration and allowances in accordance with the AASB and AUASB Policy on Board Member Remuneration, which is developed in compliance with guidance issued by the Commonwealth Remuneration Tribunal.

Appointment

- 5.6 The Chair of each Board is appointed by the Minister and the other members are appointed by the FRC.
- 5.7 The Chairs will identify a Deputy Chair for consideration by the respective Board. Appointment as Deputy Chair requires approval by a majority of Board members.
- 5.8 To be eligible for appointment, a person must have appropriate knowledge of, or experience in, business, accounting, auditing or assurance, law or government. Appointments to the respective Boards are aimed at achieving balance between members with private sector and public sector expertise, and will generally include representatives from industry, academia and professional practice.
- 5.9 The Minister determines the term of appointment for the Chairs, and the FRC determines the term of appointment for other Board members. The term of appointment must not exceed 5 years and members are eligible for reappointment. Terms of appointment are scheduled to avoid significant numbers of new members starting together.

Acting appointments

- 5.10 The Minister may appoint a person to act as Chair of either Board during a vacancy in the office of Chair of that Board, or during any period when the Chair is absent from duty or from Australia, or is for any reason unable to perform the duties of the office.
- 5.11 The AASB and the AUASB may appoint one of their members to act as Deputy Chair, where the Deputy Chair of that Board is unavailable, under the same conditions as that applied by the Minister in respect of the Chairs.

Leave of absence



- 5.12 A request for a formal leave of absence is distinct from an apology. An apology is when a member is unable to attend a **meeting** and notifies the Chair, [National Director](#)~~Director~~[Managing Director](#) or Technical Director as soon as possible before the meeting. The apology will be recorded in the minutes. A leave of absence relates to an extended period of time where the member is not available to participate in Board meetings.
- 5.13 The Minister has the power to grant a Board member with a leave of absence. The Chair may request that the Minister consider a request to grant a leave of absence. The request should be in writing and identify the circumstances in support of the request.
- 5.14 The FRC may appoint a person to act as a member of either Board (other than the Chair) when a member is not available, or has been granted a leave of absence by the Minister. Any appointment will be made under the same conditions as that applied by the Minister in respect of the Chairs. The FRC has resolved such appointments may be made when a member is unable to attend two consecutive meetings.
- 5.15 Where a Board Member has missed two consecutive meetings without recording an apology or being granted a formal leave of absence, the Chair of that Board may notify the Chair of the FRC and request that the FRC appoint a person to act as a Board member. The decision to appoint a person to act as a Board member is the responsibility of the FRC.
- 5.16 Board Members of the AASB and the AUASB are personal appointments and the use of alternate Members is not permitted.

Resignation

- 5.17 The Chair of either Board may resign their appointment by giving a written resignation to the Minister. Other members may resign by giving a written resignation to the Chair of the FRC.

Termination

- 5.18 The Minister may terminate the appointment of the Chair of either Board for misbehaviour, physical or mental incapacity, or breach of the terms and conditions of their appointment.
- 5.19 The Minister must terminate the appointment of the Chair of either Board if the Chair becomes bankrupt, applies to take the benefit of any law for the relief of bankrupt or insolvent debtors, compounds with their creditors, makes an assignment of their remuneration or property for the benefit of their creditors, or breaches their confidentiality obligations under section 237 of the ASIC Act.
- 5.20 The termination of other Board members is dealt with by the FRC, using the same criteria as that applied by the Minister in respect of the Chairs.



6 Meeting Procedures

- 6.1 The AASB and the AUASB have adopted the following operating procedures to ensure the efficient and effective fulfilment of their functions, as permitted by the ASIC Act.
- 6.2 The Boards must take into account any advice or feedback provided by the FRC about their procedures.

Meetings

- 6.3 Meetings will be held as frequently as necessary in order for the Boards to discharge their responsibilities. A schedule of meetings is arranged annually and publicly communicated. Additional meetings may be arranged upon the agreement of the majority of members of the relevant Board.
- 6.4 Members may attend a meeting in person or by teleconference, videoconference or other similar means.
- 6.5 A quorum at any meeting shall be a majority of members of the relevant Board.
- 6.6 Meetings will be chaired by the relevant Chair or, where the Chair is absent, by the Deputy Chair. Where both the Chair and the Deputy Chair are absent, the members present shall elect one of their number to chair the meeting.
- 6.7 All discussions at Board meetings pertaining to technical accounting or auditing or assurance matters are open to the public.
- 6.8 Minutes will be prepared for all Board meetings to record attendance and all key decisions of the Boards. The minutes are circulated to members after the meeting and subject to approval at or prior to the next Board meeting. Minutes are then made publicly available on the relevant Board's website.
- 6.9 The agenda and supporting staff technical papers for AASB or AUASB meetings are provided to members on a timely basis and the meeting agenda and non-confidential agenda papers are placed on the relevant Board's website.
- 6.10 The Chair of the respective Board may declare part of the meeting to be "confidential" or "in camera". Minutes will reflect that part of the meeting was held "in camera", however no details of that part of the meeting will be made public, subject to paragraph 6.12.
- 6.11 Separate minutes of the "in camera" section of the meeting must be made and retained for the required record-retention period.
- 6.12 Where a matter that relates to technical accounting, auditing or assurance issues is discussed "in camera", the Chair will as soon as practicable after the opening of the meeting to the public, summarise the discussion and outline any decisions made during the "in camera" session. This summary, including any decisions made, will be recorded in the public Minutes.



Observers

- 6.13 Representatives of various organisations with an interest in the setting of accounting and / or auditing and assurance standards may be invited (or have standing invitations) to attend AASB or AUASB meetings as official observers. Such individuals may, at the Chair's discretion, also be invited to address the Board on specific matters. Attendance of official observers is recorded in the minutes.
- 6.14 The general public are also able to attend all public sessions of the meetings. Attendance of general public observers is recorded, but not referred to in the minutes. Attendance can be facilitated by electronic means.
- 6.15 No observers at Board meetings have voting rights.

Voting

- 6.16 When voting on pronouncements as described in paragraphs 6.18 and 6.19 below, each member, including the Chair, has one vote which can be exercised only by the appointed member.
- 6.17 Members shall vote according to their own beliefs, experience and judgment, and in the public interest – not according to the views of any firm, organisation or constituency with which they are associated.
- 6.18 ***For the AASB only*** – The affirmative vote of at least two-thirds of all AASB members (not just members present) is required to issue a Standard, Interpretation, or other mandatory pronouncements. Further details regarding pronouncements of the AASB can be found in the *AASB Due Process Framework for Setting Standards*.
- 6.19 ***For the AUASB only*** – The affirmative vote of at least two-thirds of all AUASB members (not just members present) is required to issue an Exposure Draft, Standard or Guidance Statement. Further details regarding pronouncements of the AUASB can be found in the [*AUASB Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications*](#)~~[AUASB Due Process and Working Procedures Document]~~.
- 6.20 All other decisions relating to the issuing of other Board pronouncements require a simple majority of those in attendance at the meeting, or of the members when voting out of session. The Boards may delegate decisions that require a simple majority vote to the Chairs.
- 6.21 A member not attending a meeting cannot vote on a matter voted on at that meeting.
- 6.22 Voting for the approval of pronouncements may be through out-of-session voting, by providing ballot papers to all Board members. Members must be advised of the results of such out-of-session voting no later than the next Board meeting.
- 6.23 All votes taken in meetings shall be documented in the minutes. The minutes shall constitute proper evidence of the decisions of the relevant Board.



7 Advisory Committees

- 7.1 The Boards have power to establish and disestablish committees, advisory panels and consultative groups as they deem necessary in carrying out their responsibilities. The Boards cannot delegate decision-making authority and, therefore, may create such groups with a mandate only to provide advice.
- 7.2 Staff provide support to advisory committees. The convening Board shall adopt terms of reference setting out matters relevant to the authority, functions, duration, membership, operations and responsibilities of advisory committees, and other matters that the Board may consider appropriate. Relevant advice from advisory committees shall be summarised and provided to its convening Board.
- 7.3 The performance of standing advisory committees shall be reviewed regularly ~~annually~~ by the Boards.

8 Conduct of Members

Conflicts of interest

- 8.1 All direct or indirect pecuniary interests that conflict or could conflict with the proper performance of a Board member's functions must be disclosed in writing to the Chair of the relevant Board (or the Minister, if the member is the Chair).
- 8.2 A Board member who has a direct or indirect pecuniary interest in a matter that is being considered, or is about to be considered, by the AASB or the AUASB must disclose the nature and extent of the interest at a meeting of the relevant Board.
- 8.3 The disclosure must be made as soon as possible after the relevant facts have come to the member's knowledge and must be recorded in the minutes of the meeting. Where possible, such conflicts should be discussed in advance with the Chair.
- 8.4 Unless the Chair (or the Minister, if the member is the Chair) otherwise determines, the member:
- (a) must not be present during any deliberation by the Board on the matter; and
 - (b) must not take part in any decision of the Board on the matter.

Other general obligations of Board members

- 8.5 Board members are subject to the general duties of officials set out in Part 2-2, Division 3 of the PGPA Act. Accordingly, Board members:
- (a) must exercise their powers, perform their functions and discharge their duties with the degree of care and diligence that a reasonable person would exercise if they occupied the same position as the Board member;
 - (b) must exercise their powers, perform their functions and discharge their duties honestly, in good faith and for a proper purpose;



- (c) must not improperly use their position to gain an advantage for themselves or someone else, or cause detriment to the Board, the Commonwealth or another person;
- (d) must not improperly use information obtained in their capacity as a Board member to gain an advantage for themselves or someone else, or cause detriment to the Board, the Commonwealth or another person; and
- (e) must disclose at each meeting, and any time when the issues arise, details of any material personal interests that relate to the affairs of the relevant Board.

8.6 Board members must comply with the *AASB and AUASB Code of Conduct*.

Confidentiality

- 8.7 The Boards must take all reasonable measures to protect from unauthorised use or disclosure information given to them in confidence and matters and information that are considered and discussed by the Boards in confidence (other than matters and information considered and discussed during open sessions in public meetings).
- 8.8 It is expected that from time to time, members may seek counsel from individuals within their organisations on technical issues that are to be considered at Board meetings. Whilst permitted, this does not diminish a member's obligations not to disclose matters and information that are regarded by the relevant Board as being of a confidential nature.

Representing the Board

- 8.9 Only the Chairs are authorised to speak publicly on behalf of their respective Board. However, the Chairs may authorise another member or staff to speak publicly on behalf of the Board.
- 8.10 Where a member speaks publicly and their status as a Board member is promoted, but the member has not been authorised by the Chair to express views of the Board (for example, at external functions), the member must make clear that views expressed are their own personal views.

9 Due Process

- 9.1 The Boards adopt a rigorous due process to maintain appropriate transparency when developing or adopting standards and other pronouncements and encourage constituents to participate actively in the standard-setting process. Extensive formal and informal consultation is conducted by the Boards and due process procedures have been put in place to ensure compliance with all Commonwealth regulatory requirements.
- 9.2 The due process and consultation activities adopted by the AASB and the AUASB, respectively, are documented in the *AASB Due Process Framework for Setting Standards* and the *AUASB Due Process Framework for Developing, Issuing and*



Maintaining AUASB Pronouncements and Other Publications [~~AUASB Due Process and Working Procedures Document~~].



Appendix – Legislation References

The following table outlines the legislative basis relating to each paragraph within the Board Charter (where applicable). The references below refer to Part 12 of the *Australian Securities and Investments Commission Act 2001* unless otherwise stated.

Paragraph	Legislation Reference	Paragraph	Legislation Reference
1.1	n/a	5.12	s236A(4) & s236E(4)
1.2	s236A(4) & s236E(4)	5.13	s236BA(5) & s236FA(5)
2.1	Part 12	5.14-5.15	s236D(3) & s236H(3)
2.2	s224	5.16	s236A(4) & s236E(4)
3.1	s227(1)	5.17	s236C(1) & s236G(1)
3.2	s227(2), s229(2) & s231	5.18	s236C(3) & s236G(3)
3.3	s227B(1)	5.19	s236C(4) & s236G(4)
3.4	s334 & s336 Corporations Act ¹	5.20	s236C(5)-(7) & s236G(5)-(7)
3.5	s235H & s236DF	6.1	s236A(4) & s236E(4)
4.1	s225(1)	6.2	s236AA & s236EA
4.2	s225(2)	6.3-6.5	s236A(4) & s236E(4)
4.3	s232 & s234C	6.6	s236A(1) & s236E(1)
4.4	n/a	6.7	s236A(2) & s236E(2)
4.5	n/a	6.8-6.23	s236A(4) & s236E(4)
4.6	s233 & s234D	7.1	s227(3) & s227B(2)
4.7	s225(5)-(8)	7.2-7.3	s236A(4) & s236E(4)
5.1	n/a	8.1	s236DA(1) & s236J(1)
5.2	s235D, s235E, s235F, s236DB, s236DC & s236DD	8.2	s236DA(2) & s236J(2)
5.3	s235D(3) & s236DB(3)	8.3	s236DA(3)-(4) & s236J(3)-(4)
5.4	s235H & s236DF	8.4	s236DA(5) & s236J(5)
5.5	s236BA & s236FA	8.5	Part 2-2, Division 3 PGPA Act ²
5.6	s236B(1)-(2) & s236F(1)-(2)	8.6	s236A(4) & s236E(4)
5.7	s236B(2), s236A(4), s236F(3), & s236E(4)	8.7	s237
5.8	s236B(3) & s236F(4)	8.8-8.10	s236A(4) & s236E(4)
5.9	s236B(5) & s236F(6)-(7)	9.1	s236A(4) & s236E(4)
5.10	s236D(1) & s236H(1)	9.2	n/a
5.11	s236D(2) & s236H(2)		

¹ *Corporations Act 2001*.

² *Public Governance, Performance and Accountability Act 2013*.



AASB CHAIR REPORT

DESCRIPTION

Attached is the AASB Chair’s Report covering the key activities undertaken during December 2021 – February 2022.

ACTION

- For noting.

Immediate technical priorities	
AASB-AUASB Joint Staff Article: <i>Globally consistent reporting for sustainability-related information: Australian perspectives</i>	<p>The AASB and AUASB Joint Staff Article: <i>Globally consistent reporting for sustainability-related information: Australian perspectives</i> provides an overview of the Australian perspective on recent global sustainability-related developments and the considerations for what approach the AASB and AUASB may take in response to those developments.</p> <p><i>Strategic Impact</i></p> <p>This joint staff article outlines the key considerations for the AASB (and also the AUASB) in relation to the work of the ISSB and other leading international frameworks and initiatives. This serves to inform the potential future sustainability-related reporting requirements in Australia.</p>
AASB Invitation to Comment ITC 48 <i>Extended External Reporting</i>	<p>The AASB issued an Invitation to Comment, ITC 48 <i>Extended External Reporting</i>, which sets out the AASB’s proposed draft Position Statement relating to Extended External Reporting (EER). ITC 48 closed for comments on 28 January 2022. The Position Statement proposed was passed by the Board at its February 2022 meeting.</p> <p><i>Strategic impact</i></p> <p>The draft Position Statement intends to provide direction for preparers seeking to take immediate action on EER while appropriate consultation takes place.</p>
IASB Exposure Drafts (Strategic objectives 1, 3 & 4)	<p>Per the <i>AASB Due Process Framework</i>, the AASB issues IASB consultation documents concurrently in Australia to seek Australian input and prepares formal submissions on issues likely to be of interest to Australian entities. The AASB issued the following Aus-equivalent consultation documents:</p> <ul style="list-style-type: none"> • ED 316 <i>Non-current Liabilities with Covenants</i> (closed for comment) • ED 317 <i>Supplier Finance Arrangements</i> (closed for comment) <p>The AASB also made submissions to the IASB on:</p> <ul style="list-style-type: none"> • ED/2021/3 <i>Disclosure Requirements in IFRS Standards — A Pilot Approach</i> • ED/2021/7 <i>Subsidiaries without public accountability: Disclosures</i>

	<ul style="list-style-type: none"> Request for Information – <i>Post-implementation Review of IFRS 9 – Classification and Measurement</i> <p><i>Strategic impact</i> Actively influencing the IASB by attaining stakeholder engagement on developing IFRS Standards.</p>
Medium / longer term technical priorities	
<p>Agenda Consultation</p> <p>(Strategic objectives 3, 4 & 5)</p>	<p>The AASB issued ITC 46 <i>AASB Agenda Consultation 2022–2026</i>, which closed for comments on 18 February 2022, to gather views on the potential domestic projects to be included in its work program and priorities for the period 2022–2026. Three potential projects that are aligned with the AASB strategic directions suggested in the ITC were:</p> <ul style="list-style-type: none"> Sustainability reporting; Service performance reporting; and Digital financial reporting. <p>The AASB also held a virtual roundtable on 17 February 2022 to receive stakeholder feedback on ITC 46. The AASB will consider the feedback received before deciding on the priorities for the next period.</p> <p><i>Strategic impact</i> <i>Actively influence the IASB and to ensure the AASB are responding and focusing on issues that require resolution.</i></p>
<p>Disclosure Requirements in Australian Accounting Standards</p> <p>(Strategic objectives 1 & 4)</p>	<p>The AASB consulted stakeholders via <i>Exposure Draft 309 Disclosure Requirements in Australian Accounting Standards—A Pilot Approach</i> on the IASB’s project, which proposes a new approach to developing disclosure requirements in accounting standards. As noted above, the AASB has also submitted a <i>comment letter</i> to the IASB on ED/2021/3.</p> <p>The AASB is also proposing via <i>ED 312 Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards</i> amendments that would require entities to disclose material accounting policy information rather than significant accounting policies to ensure consistent terminology used in AAS.</p> <p>The AASB consulted stakeholders via <i>ED 314 the IASB’s proposals on Subsidiaries without Public Accountability: Disclosures</i>, which proposes a reduced set of disclosure requirements for eligible subsidiaries without public accountability that apply IFRS Standards. As noted above, the AASB has also submitted a <i>comment letter</i> to the IASB on ED/2021/7.</p> <p><i>Strategic impact</i> <i>To maintain IFRS compliance and reduce boilerplate information to enhance entities’ judgement and maintain principle-based standards.</i></p>
<p>First-time adoption of AASB 1 by a subsidiary – Amendments to AASB 1 and AASB 1053</p> <p>(Strategic objectives 1 & 4)</p>	<p>The AASB approved the issue of a Standard that will amend AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>. The amending standard will be effective for annual periods ending on or after 30 June 2022.</p> <p>The amendments will assist entities with the first-time preparation of general purpose financial statements (GPFS) in some circumstances.</p> <p><i>Strategic impact</i> <i>The forthcoming Standard will provide transition relief for certain for-profit private sector entities that will need to prepare GPFS for the first time from 1 July 2021. This is due to the removal of special purpose financial statements and the reporting entity concept following the issue of AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.</i></p>
<p>Income of Not-for-Profit Entities</p>	<p>The AASB issued <i>ED 318 Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases</i>, which proposes amendments to illustrative examples for income of not-for-profit entities in AASB 15 <i>Revenue from Contracts with Customers</i> and AASB 1058</p>

(Strategic objectives 1 & 4)	<i>Income of Not-for-Profit Entities</i> in response to stakeholder feedback following the implementation of these Standards. ED 318 is open for comment until March 11 2021.	
Insurance Activities in the Public Sector (Strategic objectives 1 & 4)	<p>The AASB has approved to issue the following consultation documents in March 2022:</p> <ul style="list-style-type: none"> • ED Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector; and • Fatal-Flaw Review (FFR) draft version of Amending Standard Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments. <p>The ED proposes:</p> <ul style="list-style-type: none"> • Public-sector-specific modifications to AASB 17 <i>Insurance Contracts</i>; and • Deferring the mandatory effective date of AASB 17 for public sector entities until 1 July 2025. <p>The purpose of the FFR draft Standard is to amend various Australian pronouncements so that all public sector entities will be permitted to continue applying existing insurance Standards until AASB 17 is applied.</p> <p>The ED and the FFR draft Standard will be available for comment for 90 days.</p> <p><i>Strategic impact</i></p> <p><i>The proposals in the ED would clarify which arrangements in the public sector would be accounted for as an insurance contract under AASB 17. The proposals would also modify AASB 17 requirements to assist entities applying the Standard in the public sector context.</i></p>	
Fair Value Measurement for Not-for-Profit Public Sector Entities (Strategic objectives 1 & 4)	<p>The AASB has approved to issue an ED to add authoritative implementation guidance and illustrative examples to AASB 13 <i>Fair Value Measurement</i> for application by not-for-profit public sector entities.</p> <p>The proposed implementation guidance would assist not-for-profit public sector entities in measuring the fair values of non-financial assets not held primarily for their ability to generate net cash inflows.</p> <p>The AASB proposes that the implementation guidance should be applied prospectively for periods beginning on or after 1 January 2024, with early application permitted. The ED is expected to be issued by 31 March 2022, with a 90-day comment period.</p> <p><i>Strategic impact</i></p> <p><i>The proposals in the ED would clarify how certain AASB 13 principles should be applied in measuring public sector entity's assets that are not held primarily for their ability to generate net cash inflows (i.e. assets that are held primarily for their service capacity).</i></p>	
Key events, meetings or forums run by or attended by AASB in the last period. (Strategic objectives 4 & 6)		
Type of Event	Subject Matter	No. of Attendees
Virtual roundtable	AASB Agenda Consultation 2022-2026 Roundtable	38 attendees
International Conference	The AASB Staff presented at the December 2021 Accounting Standard Advisory Forum (ASAF) meeting on the AASB Agenda Consultation 2022-2026.	-
International Conference	The AASB Staff presented at the SAFA Accounting Standards Forum the findings from the AASB Staff Paper <i>Going Concern Disclosures: A Case for International Standard-Setting</i> .	-



AASB CHAIR REPORT

DESCRIPTION

Attached is the AASB Chair’s Report covering the key activities undertaken during March 2022 – May 2022.

ACTION

- For noting.

Immediate technical priorities	
<p>Sustainability Reporting (Strategic objective 1,3 & 4)</p>	<p>The AASB added a Sustainability Reporting project to its work program in February 2022. The AASB made the following preliminary decisions to assist staff in developing the draft project plan:</p> <ul style="list-style-type: none"> • the work of the International Sustainability Standards Board (ISSB) should be used as the foundation, with modifications for Australian matters and requirements. The Board further clarified that the focus for the project should be to prioritise international alignment and only amend (or add to) international sustainability reporting requirements where it is necessary to do so to meet the needs of Australian stakeholders; • in developing any modifications for Australian-specific circumstances, the Board noted the importance of leveraging off the work of existing sustainability reporting standard-setters and framework providers; and • the initial scope of the project relates to for-profit entities, with the draft project plan to address how to respond to feedback from for-profit entities of all sizes, not only larger listed entities. The Board decided to consider the not-for-profit sector at a later stage and asked staff to continue to engage with not-for-profit private and public sector entities in considering the initial project development. <p>The Board considered the preliminary work on the sustainability reporting due process and decided to apply its existing Due Process Framework for Setting Standards.</p> <p>The AASB in April 2022 made a preliminary decision to focus on the development of reporting requirements for sustainability-related financial information, which is consistent with the proposed work of the ISSB.</p> <p>In order to inform any possible future development of a separate suite of Australian sustainability reporting standards by the AASB, the AASB decided to publish an Exposure Draft to consult on the ISSB’s Exposure Drafts on [Draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Disclosures</i> and [Draft] IFRS S2 <i>Climate-related Disclosures</i>. The AASB decided to publish these Exposure Drafts in Australia to:</p>

	<ul style="list-style-type: none"> gather feedback to assist the AASB to provide input into the ongoing work of the ISSB; and inform the AASB as to the appropriateness of and support for its proposed approach to sustainability-related financial reporting in Australia. <p>The AASB issued the following document for comment:</p> <ul style="list-style-type: none"> <i>ED 321 Request for Comment on [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures</i> <p><i>Strategic impact</i> <i>Maintain International influence and create a framework for development of sustainability-related financial reporting in Australia.</i></p>
<p>Not-for-Profit Private Sector Financial Reporting Framework</p> <p>(Strategic objective 1 & 4)</p>	<p>At its February 2021 meeting, the AASB agreed to develop a further reporting Tier (Tier 3) for application by not-for-profit (NFP) private sector entities. The AASB has since decided on a number of tentative decisions to date in developing the Tier 3 accounting requirements. These decisions are summarised in The Not-for-Profit Private Sector Financial Reporting Framework Project Summary.</p> <p>A discussion paper will be issued in September 2022.</p> <p><i>Strategic impact</i> <i>Develop a reporting framework that is simple, proportionate, consistent, transparent, and cost-effective for all not-for-profit (NFP) private sector entities in Australia.</i></p>
<p>IASB Exposure Drafts</p> <p>(Strategic objectives 1, 3 & 4)</p>	<p>Per the <i>AASB Due Process Framework</i>, the AASB issues IASB consultation documents concurrently in Australia to seek Australian input and prepares formal submissions on issues likely to be of interest to Australian entities. The AASB made submissions to the IASB on:</p> <ul style="list-style-type: none"> <i>ED/2021/9 Non-current Liabilities with Covenants</i> <i>ED 2021/10 Supplier Finance Arrangements</i> <p><i>Strategic impact</i> <i>Actively influencing the IASB by attaining stakeholder engagement on developing IFRS Standards.</i></p>
<p>Income of Not-for-Profit Entities</p> <p>(Strategic objectives 1 & 4)</p>	<p>The AASB decided to issue proposed amendments to illustrative examples for income of not-for-profit entities in <i>AASB 15 Revenue from Contracts with Customers</i> in response to stakeholder feedback following the implementation of these Standards.</p> <p><i>Strategic impact</i> <i>The Amending Standard illustrates how AASB 15 applies to the recognition and measurement of upfront fees. The amendments do not change the requirements of AASB 15. The Basis for Conclusions accompanying the standard documents the AASB's decision to retain the accounting policy choice on an ongoing basis for not-for-profit private sector lessees to elect to initially measure a class of right-of-use assets arising under concessionary leases at cost or at fair value.</i></p>
<p>Agenda Consultation</p> <p>(Strategic objectives 1, 5 and 6)</p>	<p>The AASB issued <i>ITC 46 AASB Agenda Consultation 2022–2026</i>, which closed for comments on 18 February 2022, to gather views on the potential domestic projects to be included in its work program and priorities for the period 2022–2026. Three potential projects that are aligned with the AASB strategic directions recommended in the ITC were:</p> <ul style="list-style-type: none"> Sustainability reporting; Service performance reporting; and Digital financial reporting. <p>The AASB also held a virtual roundtable on 17 February 2022 to receive stakeholder feedback on ITC 46. The AASB will consider the feedback</p>

	<p>received at its May Board Meeting before deciding on the priorities for the next period.</p> <p><i>Strategic impact</i> <i>Develop domestic standard-setting and research priorities.</i></p>
Medium / longer term technical priorities	
<p>First-time adoption of AASB 1 by a subsidiary – Amendments to AASB 1 and AASB 1053</p> <p>(Strategic objectives 1 & 4)</p>	<p>The AASB decided to issue proposed amendments to AASB 1 <i>First-time Adoption of Australian Accounting Standards</i> and AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i>. The amending standard will be effective for annual periods ending on or after 30 June 2022. The amendments will assist entities with the first-time preparation of general purpose financial statements (GPFS) in some circumstances.</p> <p><i>Strategic impact</i> <i>The Amending Standard provides transition relief for certain for-profit private sector entities that will need to prepare GPFS for the first time from 1 July 2021. This is due to the removal of special purpose financial statements and the reporting entity concept following the issue of AASB 2020-2 Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.</i></p>
<p>Insurance Activities in the Public Sector</p> <p>(Strategic objectives 1 & 4)</p>	<p>The AASB has issued the following consultation documents in March 2022:</p> <ul style="list-style-type: none"> • ED 319 <i>Insurance Contracts in the Public Sector</i>; and • Fatal-Flaw Review Draft AASB 2022-X <i>Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments for Public Sector Entities</i> (FFR draft Standard) <p>ED 319 proposes:</p> <ul style="list-style-type: none"> • Public-sector-specific modifications to AASB 17 <i>Insurance Contracts</i>; and • Deferring the mandatory effective date of AASB 17 for public sector entities until 1 July 2025. <p>The purpose of the FFR draft Standard is to amend various Australian pronouncements so that all public sector entities will be permitted to continue applying existing insurance Standards until AASB 17 is applied.</p> <p>ED 319 and the FFR draft Standard are open for comment until 8 June 2022.</p> <p><i>Strategic impact</i> <i>The proposals in the ED would clarify which arrangements in the public sector would be accounted for as an insurance contract under AASB 17. The proposals would also modify AASB 17 requirements to assist entities applying the Standard in the public sector context.</i></p>
<p>Fair Value Measurement for Not-for-Profit Public Sector Entities</p> <p>(Strategic objectives 1 & 4)</p>	<p>The AASB has issued an ED 320 <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i> to add authoritative implementation guidance and illustrative examples to AASB 13 <i>Fair Value Measurement</i> for application by not-for-profit public sector entities.</p> <p>The proposed implementation guidance would assist not-for-profit public sector entities in measuring the fair values of non-financial assets not held primarily for their ability to generate net cash inflows.</p> <p>The AASB proposes that the implementation guidance should be applied prospectively for periods beginning on or after 1 January 2024, with early application permitted. The ED is open for comment until 30 June 2022.</p> <p><i>Strategic impact</i> <i>The proposals in ED 320 would clarify how certain AASB 13 principles should be applied in measuring public sector entity's assets that are not held primarily for their ability to generate net cash inflows (i.e. assets that are held primarily for their service capacity).</i></p>

<p>AASB Staff Paper on Intangible Assets (Strategic objective 6)</p>	<p>AASB Staff Paper Intangible Assets: <i>Reducing the Financial Statements Information Gap through Improved Disclosures</i> considers:</p> <ul style="list-style-type: none"> • a spectrum of possible disclosures, whether of a financial (cost or fair value) or non-financial (quantitative, non-quantitative or narrative) nature, or a combination of all or some thereof, that could be made in financial statements; • the types of entities that should be subject to the disclosures; • whether the disclosures should be mandated or encouraged; and • how a standard-setting project could be structured and progressed to achieve timely improvements to disclosures. <p>The project on Intangible Assets has also been added to the IASB Work Program following IASB's Agenda Consultation.</p> <p>The AASB will be undertaking targeted outreach to gather stakeholder views on the Staff Paper to help inform further work on the topic.</p> <p><i>Strategic impact</i> Actively influencing the IASB by attaining stakeholder engagement in developing IFRS Standards.</p>	
<p>Post Implementation Review (PIR) of domestic Standards (Strategic objectives 1, 4 and 6)</p>	<p>The AASB has started a Post Implementation Review (PIR) of the following Not-for-profit (NFP) domestic topics:</p> <ul style="list-style-type: none"> • Income of NFP entities; • Control/consolidation; • Definition of a structured entity; and • Related party disclosures <p>The AASB has also started the PIR for AASB 1059 <i>Service Concession Arrangement – Grantors</i>.</p> <p><i>Strategic impact</i> A PIR considers the impact of an issued pronouncement, including whether the pronouncement was effective and efficient in meeting its original objectives. Evidence, including feedback from stakeholders, about the application of the pronouncement enables the AASB to conclude whether it is operating as intended, meets the needs of stakeholders and remains appropriate.</p>	
<p>Key events, meetings or forums lead by or attended by AASB in the last period. (Strategic objectives 4 & 6)</p>		
<p>Type of Event</p>	<p>Subject Matter</p>	<p>No. of Attendees</p>
<p>Webinar</p>	<p>Income of not-for-profit Entities: AASB 15 and AASB 1058 – AASB staff education session</p>	<p>506 attendees</p>
<p>Webinar</p>	<p>Encore Webinar on Income of not-for-profit Entities: AASB 15 and AASB 1058 – AASB staff education session</p>	<p>122 attendees</p>
<p>Virtual Roundtable</p>	<p>AASB/AFAANZ Academic Roundtable: EFRAG's Discussion Paper on Intangible Assets</p>	<p>29 attendees</p>
<p>Webcast</p>	<p>ED 320 <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i></p>	<p>-</p>
<p>Virtual Forum</p>	<p>AASB Staff presented at the ACNC Adviser Forum on Not-For-Profit projects</p>	<p>-</p>
<p>Virtual conference</p>	<p>AASB Staff presented at the CPA Not-for-profit virtual conference on Not-For-Profit projects</p>	<p>-</p>

Webinar	AASB Chair presented at a Webinar hosted by the University of Adelaide on Climate Change and Financial Reporting.	-
Virtual Conference	AASB Staff presented at the HLB Mann NFP Community Board Room Briefing on Not-for-Profit Private Sector Financial Reporting Framework.	-
International Conference	The AASB staff presented at the IFASS conference on Sustainability-related Reporting.	-
International Conference	The AASB staff presented the AASB comments on the PIR of IFRS 9 Classification and measurement at the IFASS conference.	-
Workshop	AASB Chair presented on AASB Research at Monash University workshop	-
Expo	AASB Chair presented on Digital Financial Reporting at the Accounting Business Expo.	-
Webinar	AASB Dialogue Series: TCFD Implementation	75 attendees



AUASB CHAIR REPORT

DESCRIPTION

Attached is the AUASB Chair’s Report covering the key activities undertaken during December 2021 – May 2022.

ACTION

- For noting.

Immediate technical priorities	
Extended External Reporting (EER) / Sustainability Reporting	<p>The following initiatives were completed or underway:</p> <ul style="list-style-type: none"> - The AASB / AUASB issued a staff paper <i>Globally consistent reporting for sustainability-related Information Australian perspectives</i>. - The AASB/AUASB Sustainability Reporting Project Advisory Panel consisting of practitioners, professional bodies and academics who specialise in Sustainability reporting and assurance continues to meet monthly. - In line with the AUASB’s International Influencing Strategy and in his capacity as an International Auditing and Assurance Standards Board (IAASB) member, the AUASB Chair is continuing to influence the direction and timely attention by the IAASB on the development of Sustainability assurance standards. - At its March and April 2022 meetings the AUASB provided feedback to the AUASB Chair on the possible future direction the IAASB may take on Sustainability assurance standards, and broader implications for the auditing and assurance profession going forward. - The AUASB Chair and staff, together with the AASB Chair and staff, are having on-going discussions with representatives from the accounting professional bodies and the Australian Professional & Ethics Standard Board, on the broader implications for the accounting and auditing profession. <p><i>Strategic impact</i></p> <p>The AUASB continues to influence the direction of the IAASB in the development of Sustainability assurance standards. The AUASB is also</p>

	<p>working with relevant Australian stakeholders on the broader implications for the accounting and auditing profession.</p>
<p>Exposure Draft for Audits of Less Complex Entities (LCEs)</p>	<p>In recognition of the increasing complexity of the International Auditing Standards and challenges auditors are facing in applying these for audits of LCEs, the IAASB have issued a new proposed standard for audits of LCE for public comment. Following extensive consultation with stakeholders the AUASB's submission to the IAASB concluded that while the AUASB supports the concept of a standalone standard for LCE audits, the proposed standard in its current form was not appropriate to meet the needs of Australian stakeholders. The AUASB also noted that the scalability and proportionality of the existing ISAs applicable to all audits needs to be improved.</p> <p>As part of its consultation the AUASB also sought feedback on other possible Australian initiatives which may assist LCE stakeholders. Feedback from extensive outreach sessions was limited with no specific areas identified as immediate solutions.</p> <p><i>Strategic impact</i></p> <p>If adopted by the AUASB the proposed auditing standard represents a significant change to our current framework and practice. In addition, the AUASB consider it strategically important to continue to explore initiatives to support auditors of LCEs.</p>
<p>Use of Technology in an Audit of a Financial Report</p>	<p>The AUASB have prioritised the importance of providing guidance to auditors on technology matters in advance of the International Auditing and Assurance Standards Board (IAASB). The AUASB has established a Technology Project Advisory Group consisting of representatives from the major firms to assist in developing a series of bulletins to address practical issues when using technology when performing an audit. A third Bulletin <i>Reliability of Data used in an Audit of a Financial Report</i> will be released shortly. In addition, a series of frequently asked questions on auditing general IT controls will be issued based on the new ASA 315.</p> <p>The AUASB has commenced a project to modernise GS 016 <i>Bank Confirmation Requests</i>, to reflect the use of electronic confirmation services.</p> <p><i>Strategic impact</i></p> <p>To respond to impacts of technology on audits which is not being addressed by the IAASB in a timely manner.</p>
<p>Implementation support for Quality Management Standards (QMS)</p>	<p>The new and revised QMS have been developed to strengthen and modernise how firms approach quality management with the objective of enhancing audit quality and become operable in 2023. The QMS are expected to impact all practitioners and implementation support in particular for smaller audit firms, is vitally important to achieve the intended objectives. To date the AUASB:</p> <ul style="list-style-type: none"> - Has released awareness guides; - Has set up a dedicated web page with available guidance including the IAASB's implementation support materials. - is working with the accounting professional bodies to support them in the development of further practical guidance to assist practitioners, and staff will present at their upcoming annual conferences;

	<ul style="list-style-type: none"> - has released a bulletin <i>Quality Management Standards – Enhancing Audit Quality</i> aimed at smaller audit firms to communicate the benefits of the QMS and key enhancements designed to enhance audit quality. <p><i>Strategic impact</i></p> <p>Supporting practitioners in managing quality.</p>
<p>Public Sector Audit Issues: Guidance Statement 023 <i>Special Considerations – Public Sector Engagement</i></p>	<p>GS 023 was issued in December 2021 and provides supplementary application and other explanatory material in relation to issues that at times present challenges applying certain AUASB Standards on public sector audit and assurance engagements. GS 023 has been developed in consultation with a dedicated AUASB Public Sector Project Advisory Group comprising of assurance practitioners representing all State, Territory and Commonwealth Auditor-Generals’ Offices in Australia. Additional topic specific guidance material will be developed and incrementally added to the Guidance Statement in response to emerging issues. The current issue of the Guidance Statement includes supplementary guidance on ASA 210 <i>Agreeing the Terms of Audit Engagements</i>. The AUASB is currently developing further supplementary guidance on Going Concern and will then commence guidance on Engagement Leader Responsibilities.</p> <p><i>Strategic impact</i></p> <p>Supporting practitioners who audit public sector entities in complying with AUASB standards.</p>
<p>Medium / longer term technical priorities</p>	
<p>Status of PJC Recommendations relevant to the AUASB</p>	<p>The FRC PJC Inquiry Working Group continues to meet to ensure all relevant bodies are working effectively together as we plan to respond to the recommendations. Whilst the Australian government is yet to respond to the report the working group will continue to prepare for implementation of the recommendations.</p> <p>The IAASB is progressing with projects on fraud and going concern (recommendation number 8) and through the AUASB’s Chair and Technical Advisor the AUASB will be directly involved in global developments.</p> <p><i>Strategic impact</i></p> <p>To work with relevant bodies to bring into effect the recommendations.</p>
<p>Agenda Consultation</p>	<p>The AUASB have commenced planning for a formal agenda consultation to be held in May – July 2022. The purpose of the agenda consultation is to seek views from Australian constituents on which projects the AUASB should be addressing, with an emphasis on projects and priorities that are primarily domestic in nature. Feedback will be sought via issuing and seeking comment on a formal AUASB Agenda Consultation paper, as well as a series of associated outreach and engagement activities.</p> <p><i>Strategic impact</i></p> <p>To ensure the AUASB is addressing matters important to Australian constituents.</p>



AUDITOR DISCIPLINARY PROCESSES – PROFESSIONAL ACCOUNTING BODIES

DESCRIPTION

On 10 December 2021, the FRC discussed issues concerning auditor disciplinary processes. Members considered whether there was a need for greater clarity on what constituted a disciplinary matter and greater transparency on auditor disciplinary matters and outcomes.

Members agreed the FRC would better utilise its stakeholder reporting process to request appropriate stakeholders specifically report on disciplinary matters and disciplinary actions, disciplinary matters referred to them, and what happens after such referrals.

On 16 May 2022, the FRC Chair approved proposed questions to CPA Australia, the Institute of Public Accountants (IPA) and Chartered Accountants Australia and New Zealand (CA ANZ) in respect of their disciplinary processes and outcomes (Auditor Disciplinary Questions).

The Auditor Disciplinary Questions supplemented the FRC's standard request for information in the stakeholder report templates completed by CPA Australia, IPA and CA ANZ ahead of each FRC meeting.

The FRC Secretariat sent the supplementary questions to CPA Australia, IPA and CA ANZ on 16 May 2022. A copy of the Auditor Disciplinary Questions are attached to this paper. The FRC Secretariat will circulate any responses it receives to members when available.

ACTION

- Lawrie Tremaine to report.

AUDITOR DISCIPLINARY QUESTIONS

- An outline of your process(es) for identifying and addressing potential misconduct by an auditor. For example, this could include details of any complaints handling process, investigatory process, or disciplinary process you maintain.
- Details of what constitutes a disciplinary matter for the purposes of any disciplinary process you maintain.
- Details of how disciplinary matters are classified (e.g., by type of matter or seriousness of conduct) under any disciplinary process you maintain and a description of each possible classification.
- An outline of any review or appeals processes that may be applicable to the above-mentioned process(es).
- An outline of any oversight mechanisms in place to ensure the integrity, timeliness, and effectiveness of the above-mentioned process(es).
- Details of the objectives of the above-mentioned process(es).
- An outline of any 'key performance indicators' applicable to the above-mentioned processes. For examples, these may be timeframes for investigating matters or for completing stages of your disciplinary process.
- Details of the possible outcomes for an auditor subject to your disciplinary process(es), including any sanctions that can be imposed, the authority for imposing such sanctions and how such sanctions are enforced.
- Details of any criteria applied in determining if an auditor's conduct should be investigated, subject to your disciplinary process, or used to determine the sanction to be imposed under your disciplinary process.
- An outline of your interaction with the Australian Securities and Investments Commission (ASIC), the Companies Auditors Disciplinary Board (CADB) and the Tax Practitioners Board under your disciplinary process or processes for identifying and investigating auditor misconduct more generally. For example, this could include details of any protocols you have in place to share information about auditor conduct or refer cases of possible misconduct to the above-mentioned bodies.
- Details of any factors that limit your ability to share information with, or refer matters to, ASIC, CADB and the Tax Practitioners Board.
- Any other information you would like to provide about auditor misconduct and processes for addressing such conduct.



PROFESSIONAL ACCOUNTING BODIES: AUDITOR DISCIPLINARY PROCESSES

The Financial Reporting Council (FRC) is seeking to understand the end-to-end auditor disciplinary processes of professional accounting bodies, to enable the FRC to consider these processes in the broader context of the financial reporting system as a whole.

BACKGROUND

The purpose of these reports is to bring to the attention of the FRC matters that stakeholders believe are relevant to the FRC's objectives.

The FRC is the key external advisor to the Australian Government on the 'financial reporting system.

The FRC is a statutory body under Part 12 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) which specifies the FRC's specific functions and powers.

The FRC's objectives are to support the ASIC Act's objectives outlined in Part 12 of the ASIC Act, to fulfil its functions effectively and efficiently and to provide timely and relevant advice to the Minister.

The objects of Part 12 of the ASIC Act are broadly to facilitate the development of high quality accounting standards that require the provision of financial information and the development of auditing and assurance standards and related guidance materials in order to facilitate the Australian economy and to maintain investor confidence in the Australian economy, including its capital markets.

In summary, the FRC's functions are to provide broad oversight of the processes for setting accounting and auditing standards for the public and private sectors, to provide strategic advice on the quality of audits conducted by Australian auditors, and to advise the Minister, and in some areas the professional accounting bodies, on these and related matters to the extent that they affect the financial reporting system in Australia.



AUDITOR DISCIPLINARY PROCESSES: INSTITUTE OF PUBLIC ACCOUNTANTS

FOR ATTENTION OF THE FRC

- Institute of Public Accountants

AUDITOR DISCIPLINARY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following information to be noted by the FRC.

- **An outline of your process(es) for identifying and addressing potential misconduct by an auditor. For example, this could include details of any complaints handling process, investigatory process, or disciplinary process you maintain.**

The Institute of Public Accountants (IPA) has an investigation and disciplinary process to accept written complaints against IPA members. As a condition of membership all IPA members are subject to this investigation and disciplinary process for alleged breaches of the IPA Constitution, By-laws, Pronouncements, and relevant professional and ethical standards including those promulgated by the Accounting Professional & Ethical Standards Board (APESB). The detailed complaints and disciplinary process is set out in the IPA Constitution and By-laws.

A complaint against a member may arise from various sources including:

- Client of the member;
- Another practitioner;
- Referred from a statutory body such as the Tax Practitioners Board (TPB), Australian Securities & Investments Commission (ASIC), or Australian Taxation Office (ATO);
- Referred from another membership body such as CPA Australia or Chartered Accountants Australia and New Zealand;
- IPA's Board of Directors;
- IPA internal referral;
- Investigator; and
- IPA's Quality Review Program (QRP).

The IPA website has further information about:

- The complaints process - information on how we handle complaints made against IPA members.



- Complaints and investigation procedure information - general information about the IPA's complaint process.
- Flowcharts regarding the IPA Complaint Initiation Process, Investigation Process and Outcome of Investigation Process.

Reference material:

- <https://www.publicaccountants.org.au/about/iparulesandstandards>
- <https://www.publicaccountants.org.au/about/complaint-investigation/complaints-about-an-ipa-member>
- **Details of what constitutes a disciplinary matter for the purposes of any disciplinary process you maintain.**

The IPA investigation process is not a legal process. It is an internal process to determine whether a member has breached any of the professional and/or ethical requirements for continued membership. The process deals with complaints relating to professional and ethical standards, IPA Constitution and By-laws; there is no jurisdiction over commercial disputes or breaches of the law. However, where breaches of the law, including regulatory requirements, have been found against a member, then the IPA may use this as the basis to investigate a potential breach of the IPA Constitution, By-laws, or professional and ethical standards where applicable.

In these situations, those cases may be referred to the IPA Disciplinary Tribunal for determination if sufficient evidence exists of one or more of the following:

- Conviction in a court of law – sub-clause 98(1) of the IPA Constitution;
- Breach of one or more of the provisions of the IPA Constitution, By-laws, any IPA Pronouncement or any other professional or ethical obligation – sub-clause 98(2)(a);
- Failure to observe a proper standard of professional care, skill, or competence – sub-clause 98(2)(b) of the IPA Constitution;
- Obtaining admission to the Institute by improper means – sub-clause 98(2)(c) of the IPA Constitution;
- Ceasing to hold qualifications necessary for membership – sub-clause 98(2)(d) of the IPA Constitution;
- Become insolvent under administration – sub-clause 98(2)(e) of the IPA Constitution;
- Engaged in conduct that is not in the best interests of the IPA – sub-clause 98(2)(f) of the IPA Constitution;
- Ceases to have capacity at law – sub-clause 98(2)(g) of the IPA Constitution; and/or
- Failing to comply with reasonable requests in relation to a matter under investigation or an order of the Tribunal – sub-clause 98(2)(h) of the IPA Constitution.



- **Details of how disciplinary matters are classified (e.g., by type of matter or seriousness of conduct) under any disciplinary process you maintain and a description of each possible classification.**

The Investigations Officer undertakes investigations on behalf of the IPA in relation to alleged breaches of the relevant standards by completing the Investigation Report. The Investigation Report outlines the issues raised, identifies the relevant standard/s that may have been breached, analyses the issues and searches that were undertaken, and recommends the appropriate action.

Depending on the type or seriousness of conduct, the following determinations can be made by the IPA:

- No case to answer – this occurs where a member has not been found to have breached any of the professional and/or ethical requirements for continued membership.
 - Administrative action – this occurs where there is a case to answer but due to the less serious nature of the allegation and voluntary resolution, referral to the Disciplinary Tribunal is unnecessary.
 - Voluntary resolution – within 21 days of receipt of notice of determination of offer of a voluntary resolution, the member shall communicate their decision to accept or reject the voluntary resolution in writing. If the member rejects the voluntary resolution, the matter proceeds to the Disciplinary Tribunal.
 - Disciplinary Tribunal – referral due to complexity or seriousness of the matter.
- **An outline of any review or appeals processes that may be applicable to the above-mentioned process(es).**

The IPA Constitution (clause 108) provides for the lodgement of appeals against a finding of the Disciplinary Tribunal.

Any member against whom a finding has been made by the Disciplinary Tribunal may, within 30 days of notice of such finding having deemed to be served, lodge a Notice of Appeal. The notice of appeal must be in writing; state the grounds of the appeal; whether the member intends to appear before the Tribunal and/or be assisted by counsel. The member may also include submission/s on such matters the member wishes to be considered by the Appeals Tribunal.

Reference material:

- <https://www.publicaccountants.org.au/about/complaint-investigation/tribunal-hearings-decisions>
- **An outline of any oversight mechanisms in place to ensure the integrity, timeliness, and effectiveness of the above-mentioned process(es).**

The Investigations Review Officer (IRO) reviews the Investigator's recommendation and makes a determination if the member has a case to answer. The IRO's proposed determination is then provided to the Chief Executive Officer (CEO) on delegated authority from the Board of Directors of the IPA, to review and determine as appropriate. There is a three-step review process regarding the recommended action in the investigation report before the IPA determines if a matter is referred to



the Disciplinary Tribunal. Timelines are prescribed in the IPA requirements. The investigation reports and the investigation review are undertaken by external parties, including lawyers.

- **Details of the objectives of the above-mentioned process(es).**

The objectives are to ensure that members remain compliant with the professional and ethical standards and IPA Constitution, By-laws, and Pronouncements. In order to maintain their trusted adviser status and legislative recognition as ‘qualified accountants’ it is essential that the regulatory, professional, and ethical requirements are enforced.

- **An outline of any ‘key performance indicators’ applicable to the above-mentioned processes. For examples, these may be timeframes for investigating matters or for completing stages of your disciplinary process.**

Generally, an investigation will be completed within six to nine months, and around twelve months for matters referred to the IPA Disciplinary Tribunal. The time frame for the completion of the investigation will vary and factors that may impact on this include the complexity of the complaint, the provision of information by the member and complainant, enquiries that need to be undertaken, and whether or not external action is also taken. The KPIs are monitored, and key staff have these reflected in their own KPIs.

General timeframes regarding the complaints and disciplinary process can be found here - <https://www.publicaccountants.org.au/media/3188045/INFORMATION-ON-THE-NATIONAL-INSTITUTE-OF-ACCOUNT.pdf>

- **Details of the possible outcomes for an auditor subject to your disciplinary process(es), including any sanctions that can be imposed, the authority for imposing such sanctions and how such sanctions are enforced.**

The range of penalties the Disciplinary Tribunal can impose are set out in the IPA Constitution at clause 98(3).

Those penalties are:

- Forfeiture of membership
- Suspension of membership
- Imposing a fine
- Censure
- Admonishment
- Any other penalty deemed appropriate
- The Tribunal can also recover the costs incurred in holding the Tribunal hearing
- Tribunal determinations are published in the IPA Journal “Public Accountant”. Where an admonishment is imposed, the name of the member is not published. In all other cases the name is published. The Tribunal may also direct publication of a determination in the media.



IPA Pronouncement 12 – Administration of Member Compliance (Pronouncement 12) sets out administrative actions the IPA can apply if a member has not complied with any reasonable request made pursuant to a matter under Chapter 7 of the IPA Constitution, has failed to comply with an order of the Disciplinary Tribunal or Appeals Tribunal, or has failed to comply with the IPA By-laws, Constitution, Pronouncements, or other Regulations.

Pronouncement 12 aims to enhance the efficiency of the Board of Directors and/or a Disciplinary Tribunal by allowing the Institute to administratively manage member compliance rather than referring matter(s) back to the Board of Directors and/or a Disciplinary Tribunal for consideration.

Most members who are subject to a fine and costs voluntarily pay them in order to maintain their membership. All other penalties are carried out by the IPA and do not rely on any external factors for enforcement.

- **Details of any criteria applied in determining if an auditor’s conduct should be investigated, subject to your disciplinary process, or used to determine the sanction to be imposed under your disciplinary process.**

The criteria are outlined above and in the reference material noted. In addition, the QRP includes questions which are specific to auditors, including registered SMSF auditors. Non-compliance with these requirements may result in the auditor being investigated for a breach if they fail to rectify any non-compliances. Registered Company Auditors and SMSF auditors are subject to the QRP every three years, and the IPA is up to date in the three-year cycle.

Auditors are also subject to the ongoing mandatory CPD requirements; and must complete the annual Professional Standards Declaration (being participants in the Professional Standards Scheme). The IPA has introduced three categories for CPD (technical and product knowledge; management and professional skills; and professional and ethical standards) with a requirement that members must complete a minimum of 20 hours against each category over the triennium. An annual CPD audit is undertaken; and the minimum requirements are enforced with disciplinary action for non-compliance.

- **An outline of your interaction with the Australian Securities and Investments Commission (ASIC), the Companies Auditors Disciplinary Board (CADB) and the Tax Practitioners Board under your disciplinary process or processes for identifying and investigating auditor misconduct more generally. For example, this could include details of any protocols you have in place to share information about auditor conduct or refer cases of possible misconduct to the above-mentioned bodies.**

Pursuant to the Tax Agent Services Act (TASA) effective from 30 June 2013, the TPB is required to notify any recognised professional association that the registered tax practitioner under investigation is a member of, about their decision and reasons for the decision in respect of an investigation. The findings will include instances where the member’s conduct has breached the TASA and the TPB has imposed a penalty, sanction and/or termination.

The IPA does not have similar arrangements with ASIC or CADB, however the IPA reviews media releases daily from regulators (ASIC, TPB, ACCC) and news (eg. Accountants Daily) for any action that may be taken against members that may breach the IPA’s standards.



In addition, the IPA Constitution and By-laws require members to comply with relevant professional and technical standards, and to act in the best interests of the Institute. The IPA By-laws require members to notify the IPA in writing as soon as practicable where actions have been brought against them by a regulatory body or professional body. Failure to do so may result in disciplinary action which could lead to forfeiture of membership.

- **Details of any factors that limit your ability to share information with, or refer matters to, ASIC, CADB and the Tax Practitioners Board.**

ASIC, CADB and TBP would need to lodge a formal request for any information it requires from the IPA and specify under which legislation (including the section) it is being requested. The IPA is bound by requirements relating to privacy and confidentiality with respect to information relating to our members.

- **Any other information you would like to provide about auditor misconduct and processes for addressing such conduct.**

A key priority in 2022 for the IPA is to undertake a formal review of the investigations and disciplinary systems to ensure IPA systems and processes reflect best practice, to increase efficiencies, and to identify areas for ongoing improvement. We expect this 'root and branch' review to be completed over the next several months. In addition, the QRP is being digitised which will enable far more extensive automation, efficiencies overall and a far greater reporting capability. The complaints and disciplinary systems and processes are also being digitised which will have similar benefits. The IPA has appointed a UK based technology company which has extensive experience across the accounting and finance sectors, and which will also assist with our UK based association (part of the IPA Group) with its AML-CTF obligations.



PROFESSIONAL ACCOUNTING BODIES: AUDITOR DISCIPLINARY PROCESSES

The Financial Reporting Council (FRC) is seeking to understand the end-to-end auditor disciplinary processes of professional accounting bodies, to enable the FRC to consider these processes in the broader context of the financial reporting system as a whole.

BACKGROUND

The purpose of these reports is to bring to the attention of the FRC matters that stakeholders believe are relevant to the FRC's objectives.

The FRC is the key external advisor to the Australian Government on the 'financial reporting system.

The FRC is a statutory body under Part 12 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) which specifies the FRC's specific functions and powers.

The FRC's objectives are to support the ASIC Act's objectives outlined in Part 12 of the ASIC Act, to fulfil its functions effectively and efficiently and to provide timely and relevant advice to the Minister.

The objects of Part 12 of the ASIC Act are broadly to facilitate the development of high quality accounting standards that require the provision of financial information and the development of auditing and assurance standards and related guidance materials in order to facilitate the Australian economy and to maintain investor confidence in the Australian economy, including its capital markets.

In summary, the FRC's functions are to provide broad oversight of the processes for setting accounting and auditing standards for the public and private sectors, to provide strategic advice on the quality of audits conducted by Australian auditors, and to advise the Minister, and in some areas the professional accounting bodies, on these and related matters to the extent that they affect the financial reporting system in Australia.



AUDITOR DISCIPLINARY PROCESSES: CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

FOR ATTENTION OF THE FRC

- Nil

AUDITOR DISCIPLINARY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following information to be noted by the FRC.

- An outline of your process(es) for identifying and addressing potential misconduct by an auditor. For example, this could include details of any complaints handling process, investigatory process, or disciplinary process you maintain.
 - CA ANZ refers to Appendix C of the Report by the Financial Reporting Council (FRC), *Auditor Disciplinary Processes: Review*, dated March 2019 (Report).
 - Subject to the following comments, CA ANZ’s disciplinary processes are substantially unchanged since the time of the Report:
 - : page 55 of the Report sets out the actions that the Professional Conduct Committee (PCC) can take. In 2019 these were amended. The decisions which the PCC can now take are as follows:
 - (1) take no further action;
 - (2) issue the Member with a professional reminder that the member’s conduct has fallen short of best practice;
 - (3) caution the member;
 - (4) require the member or the member’s practice entity to submit to a review or reviews;
 - (5) refer the complaint to the Disciplinary Tribunal.



- : page 57 of the Report sets out the sanctions that the Disciplinary Tribunal can impose. In 2019 these were amended. The Disciplinary Tribunal sanctions are now as follows:
 - (1) terminate the member's membership and remove the member's name from the registers on which it appears;
 - (2) suspend the member from membership of CA ANZ for a period not exceeding 5 years and remove the member's name from the registers on which it appears;
 - (3) cancel or suspend any certificate of public practice held by the member;
 - (4) declare that the member is ineligible to hold a certificate of public practice for a period not exceeding 5 years and on such terms and conditions as to the earlier termination of such period of ineligibility as the Disciplinary Tribunal may prescribe;
 - (5) cancel any specialisation held by the member;
 - (6) remove the member's membership status as Fellow;
 - (7) fine the member an amount not exceeding \$50,000;
 - (8) censure the member;
 - (9) require the member to complete professional development courses;
 - (10) require the member to engage an adviser or consultant or other person;
 - (11) require the member or the member's practice entity to submit to an investigation or review;
 - (12) require the member to pay costs.
- Details of what constitutes a disciplinary matter for the purposes of any disciplinary process you maintain.
 - CA ANZ's By-Laws provide that a member is liable to disciplinary sanctions if that Member:
 - : has failed to observe a proper standard of professional care, skill, competence or diligence in the course of carrying out that member's professional duties and obligations;



- : has, before any court of law in any jurisdiction in Australia or elsewhere pleaded guilty to, or been found guilty of, any criminal offence which has not been set aside on appeal;
- : has in any civil proceedings before any court of law, tribunal or similar body in any jurisdiction in Australia or elsewhere been found to have acted dishonestly (provided such finding has not been entirely set aside on appeal);
- : has pleaded guilty to, or been found guilty of, any statutory or other offence by a court of law, professional body, statutory or other regulatory authority or body, commission or inquiry in any jurisdiction in Australia or elsewhere which may not be a crime but which, in the opinion of the PCC, the Disciplinary or Appeals Tribunal, brings, or may bring, discredit upon that member, CA ANZ or the profession of accountancy (provided such finding has not been entirely set aside on appeal);
- : has been the subject of an adverse or unfavourable finding in relation to that member's professional or business conduct, competence or integrity by any court of law, professional body, royal commission, statutory authority, regulatory authority, statutory body, commission or inquiry in any jurisdiction in Australia or elsewhere;
- : with or without any admissions, has given or entered into an undertaking (whether enforceable or not) or consented, accepted or agreed to any order in connection with any matter or proceedings or any threatened or proposed proceedings or any review, audit or investigation by any statutory or regulatory authority or body, or professional body in any jurisdiction in Australia or elsewhere (other than an undertaking or order in respect of procedural matters in respect of or in the course of the conduct of the proceedings or investigation);
- : has agreed to, or has had imposed, any condition or restriction on any professional membership, registration or licence in that m\Member's name;
- : has committed any breach of the [Supplemental Charter](#), the [By-Laws](#) or the [Regulations](#), any pronouncements issued by the Accounting Professional and Ethical Standards Board, Australian Accounting Standards Board and Auditing and Assurance Standards Board (or their successor entities) including the Code of Ethics, or any applicable pronouncements, instruments, technical or professional standards or guidance issued by any similar body whether in Australia or in a foreign jurisdiction;
- : has failed to comply with any reasonable and lawful direction of any officer or organ of CA ANZ acting within the powers conferred by CA ANZ's



- Supplemental Charter, these By-Laws or the Regulations and which relates to a matter concerning the good order and management of CA ANZ;
- : suffers an Insolvency Event (as defined in the By-Laws);
 - : has committed any act, omission or default which, in the opinion of the PCC, Disciplinary or Appeals Tribunals brings, or may bring, discredit upon that member, CA ANZ or the profession of accountancy;
 - : is or was the principal of a practice entity that has done any of the things described in certain of the paragraphs above, has had an adverse finding against it as described in certain of the paragraphs above, or otherwise been subject to other matters also described above and referred to in the By-Laws;
 - : has provided information to CA ANZ which is false or misleading;
 - : has failed to comply with any determination or decision made by the PCC, the Disciplinary or Appeals Tribunals; or
 - : has failed to comply with any undertaking given to the PCC, the Disciplinary or Appeals Tribunals in accordance with the By-Laws.
- Details of how disciplinary matters are classified (e.g., by type of matter or seriousness of conduct) under any disciplinary process you maintain and a description of each possible classification.
 - CA ANZ classifies disciplinary matters by reference to the issues raised at the time of making the complaint and the issues found by the PCC or Disciplinary or Appeals Tribunals once the complaint has been finally determined. The classifications are as follows:
 - : Criminal convictions/charges;
 - : Non-criminal adverse findings;
 - : Dishonesty/fraud;
 - : Personal insolvency;
 - : Practice entity insolvency;
 - : Poor management of accounting practice;
 - : Integrity;
 - : Conflict of interest/objectivity;



- : Due care and diligence;
- : Competence;
- : Unprofessional behaviour;
- : Poor client services;
- : Confidentiality;
- : Books and records;
- : Fee disputes only;
- : Assurance standards – FMC/ASIC;
- : Assurance standards – other;
- : Insolvency standards;
- : Accounting standards;
- : Client monies;
- : Valuation standards;
- : Tax standards;
- : Financial advisor standards;
- : Other standards;
- : CPD requirements;
- : Professional indemnity requirements;
- : Brand/designation;
- : Non-response;
- : Liability Capping;
- : Practising without a CPP;
- : Ethical other;
- : Breach of undertaking;
- : Trustee duties;



- : Sexual harassment/discrimination/bullying;
 - : Other.
- An outline of any review or appeals processes that may be applicable to the above-mentioned process(es).
 - CA ANZ refers to:
 - : page 55 in Appendix C of the Report, which sets out in the second paragraph the ability for PCC decisions to be reviewed by a reviewer.
 - : page 56 in Appendix C of the Report, which sets out in the sixth paragraph the appeal process from decisions of the Disciplinary Tribunal.
 - The review or appeal processes are substantially unchanged since the time of the Report.
- An outline of any oversight mechanisms in place to ensure the integrity, timeliness, and effectiveness of the above-mentioned process(es).
 - CA ANZ's By-Laws provide for a Professional Conduct Oversight Committee (PCOC) which has oversight responsibility for the integrity, timeliness and effectiveness of the disciplinary procedures carried out by the PCC and Disciplinary and Appeals Tribunals.
 - In addition, the PCOC's Charter gives it particular responsibility for:
 - : Reviewing the progress of the PCC, Disciplinary and Appeals Tribunals and the Conduct & Discipline staff to promote the integrity, timeliness and effectiveness of the disciplinary procedures and sanctions;
 - : Ensuring that the professional conduct and discipline processes remain relevant and compliant with international best practice, including the International Federation of Accountants Statement of Member Obligations 6, Investigation and Discipline;
 - : Monitoring and advising the CA ANZ Board about the sanctions imposed by the PCC, Disciplinary and Appeals Tribunals, developments in sanctions or findings made by regulators or others against CA ANZ members in Australia and overseas, developments in market practice with respect to formal whistleblowing procedures and the discretions exercised by the PCC, Disciplinary and Appeals Tribunals in relation to matters such as disclosures, penalties and cost recovery;
 - : Appointing a reviewer of complaints;



- : Encouraging CA ANZ Conduct & Discipline staff to identify areas that should inform CA ANZ's professional standards and its learning and education programs;
 - : Considering recommendations that may be made by or to the CA ANZ Board for any By-Laws or other amendments necessary to assist CA ANZ to meet the high expectations of the public, the business community and its own members about its conduct and discipline process;
 - : Reviewing the induction and other learning programs prepared by the Conduct & Discipline staff for members of the PCC, Disciplinary and Appeals Tribunal;
 - : Assessing its own performance against the goals and objectives set out in the Charter;
 - : Reviewing the budget prepared annually for all costs associated with the exercise of disciplinary procedures and sanctions; and
 - : Reviewing the skills matrix for the PCOC, PCC, Disciplinary and Appeals Tribunals to assist in succession planning.
- The PCOC also reports to the CA ANZ Board at least annually on matters the subject of its oversight remit.
- Details of the objectives of the above-mentioned process(es).
 - See above dot point.
 - An outline of any 'key performance indicators' applicable to the above-mentioned processes. For examples, these may be timeframes for investigating matters or for completing stages of your disciplinary process.
 - CA ANZ and the PCOC measure:
 - : timeliness (with the aim of most complaints being resolved within 4-9 months and 12 months if referred to the Disciplinary Tribunal); and
 - : the exercise of discretions under the By-Laws by the PCC, Disciplinary and Appeals Tribunals.
 - Details of the possible outcomes for an auditor subject to your disciplinary process(es), including any sanctions that can be imposed, the authority for imposing such sanctions and how such sanctions are enforced.
 - There is no difference between the possible outcomes for an auditor subject to CA ANZ's disciplinary processes and those for any other member. See above for the possible outcomes from CA ANZ's disciplinary processes.



- Details of any criteria applied in determining if an auditor’s conduct should be investigated, subject to your disciplinary process, or used to determine the sanction to be imposed under your disciplinary process.
 - The CA ANZ By-Laws provide that a complaint about the conduct of a member may be lodged by any person or initiated and made by the PCC at any time following an investigation or receipt of information.
 - As mentioned in the Report (see the second paragraph on page 54), CA ANZ monitors decisions and other matters of interest from regulators and some other professional associations. This includes the Australian Securities and Investments Commission (ASIC) in relation to audit matters. If such publicly available information suggests that a member might be subject to a sanction under the By Laws or otherwise in breach of the By-Laws, then the PCC will typically open a complaint file.
 - When considering whether or not it is appropriate that a complaint be investigated, the By-Laws provide that the PCC must notify the relevant member of any complaint relating to that member unless the PCC decides that any complaint it has received is determined (ie, finalised). One of the bases on which the PCC can make such a decision is that the matter comes within the jurisdiction of another forum and in all the circumstances it is reasonable for the complaint to be so resolved. The PCC will typically decide not to investigate a complaint relating to audit matters within the jurisdiction of ASIC or the Companies Auditors Disciplinary Board (CADB), on the basis that it is more appropriate for ASIC or the CADB to do so.
 - If ASIC or the CADB then subsequently make an adverse or unfavourable finding in relation to a member’s conduct or there is a condition or restriction imposed on a professional membership, registration or licence in the member’s name, CA ANZ will then investigate this matter and consider if disciplinary sanctions should be imposed as a consequence.
 - The criteria for the imposition of sanctions on anyone for whom the PCC, Disciplinary or Appeals Tribunal determines is appropriate are set out in CA ANZ Regulation CR8, which provides that the relevant bodies may consider the following matters:
 - : the seriousness of the conduct;
 - : whether the conduct has occurred before and, if so, the nature, extent and frequency of the conduct;
 - : the member’s responsibility and accountability for the conduct in the context of that member’s practice entity, including without limitation:
 - (1) whether the conduct was systemic;



- (2) whether the practice entity's leadership were aware of or complicit in the conduct;
 - (3) whether it forms part of a pattern of conduct; and
 - (4) the member's role, position and seniority in the practice entity;
 - : whether the member has failed to comply with any undertaking or agreement to remedy the conduct;
 - : any aggravating or mitigating factors raised which are relevant to the conduct in question;
 - : the personal circumstances of the member to the extent they are raised and relevant to the conduct;
 - : any character and/or other references provided in writing in support of the good standing of the member;
 - : the maintenance of public confidence in the profession;
 - : the maintenance of proper standards of professional conduct;
 - : deterrence; and
 - : any other circumstances relevant to the practice of the Member and the profession.
- Regulation CR8 also provides that the PCC, Disciplinary and Appeals Tribunals must balance the interests of the member against the public interest, the reputation of CA ANZ, and the need to support the integrity of the profession of accounting and those of CA ANZ in determining what are appropriate and sufficient sanctions.
- An outline of your interaction with the Australian Securities and Investments Commission (ASIC), the Companies Auditors Disciplinary Board (CADB) and the Tax Practitioners Board under your disciplinary process or processes for identifying and investigating auditor misconduct more generally. For example, this could include details of any protocols you have in place to share information about auditor conduct or refer cases of possible misconduct to the above-mentioned bodies.
 - CA ANZ's By-Laws provide for notification to interested parties of certain decisions of the PCC and decisions of the Disciplinary and Appeals Tribunals which are adverse to a member. Such parties may include other professional bodies, regulatory authorities, the member's current and/or former employers, partners, clients of the member or the member's practice entity who are or may be affected by the member's conduct to which the disciplinary action relates.



- CA ANZ’s notifications under these provisions regularly include ASIC and the TPB, but typically not the CADB.
- On occasion, ASIC has provided information to CA ANZ which may be relevant to its consideration of auditor misconduct.
- CA ANZ does not otherwise have in place any information sharing protocols
- Details of any factors that limit your ability to share information with, or refer matters to, ASIC, CADB and the Tax Practitioners Board.
 - CA ANZ’s investigation and professional conduct processes are, subject to the consent and publication provisions in the By-Laws, confidential.
 - In addition, CA ANZ complies with its privacy obligations in accordance with its Privacy Policy and the legal framework. For this reason, CA ANZ does not share information with or refer matters to regulators regarding complaints or investigations which are not concluded. See above regarding notification to interested parties regarding about concluded matters and information sharing protocols.
- Any other information you would like to provide about auditor misconduct and processes for addressing such conduct.
 - Nil



AUDITOR DISCIPLINARY PROCESSES: CPA AUSTRALIA

FOR ATTENTION OF THE FRC

- N/A

AUDITOR DISCIPLINARY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following information *to be noted* by the FRC.

An outline of your process(es) for identifying and addressing potential misconduct by an auditor. For example, this could include details of any complaints handling process, investigatory process, or disciplinary process you maintain.

CPA Australia members agree to be bound by the Constitution, By-Laws, Applicable Regulations and the Code of Professional Conduct which requires them to act with integrity, objectivity, professional competence and due care, confidentiality and to comply with the relevant laws and regulations.

The complaints and discipline process is an important method in ensuring these standards are upheld by all members.

CPA Australia's complaints handling procedure, including the imposition of sanctions and penalties, is contained in CPA Australia's Constitution, Article 36 – Professional Conduct. By-Law 5 - Regulation of Professional Conduct, outlines the process to be followed in the investigation and determination of complaints.

A complaint may be lodged by a member of the public, a statutory or professional body, a CPA Australia Member, or may be initiated by the General Manager Professional Conduct (GMPC) on behalf of CPA Australia.

All complaints received are logged in the complaints database system and are assessed by the GMPC as to whether there is sufficient and appropriate evidence for the complaint to be investigated. If there is sufficient documentary evidence to support the allegation that a breach of the Constitution has occurred, and the complainant has the authority to lodge the complaint, the matter is assigned to a Professional Conduct Officer (PCO) to investigate. The complainant is contacted if further evidence is required for the completion of the assessment.

Complaints which are deemed unviable and dismissed without being investigated include those that:

- have occurred more than five years prior to lodgment
- concern a person who is not a current Member
- have no supporting documentary evidence
- have as a primarily concern a dispute in relation to fees.



Complaints are investigated by providing relevant parties the opportunity to respond to the allegations and facts of the case. Evidence is gathered from available sources such as the member, the Complainant, third parties such as ASIC and any relevant laws and regulations that apply. At the completion of the investigation a report is prepared for the GMPC, and a determination is made as to whether the Complaint is dismissed, or the member has a case to answer.

Where there is a case to answer, the member is referred to a Disciplinary Tribunal (DT) for the hearing of the Complaint. The DT has delegated power from the Board to make a Determination in respect of the Complaint and impose penalties upon the Member.

Penalties that may be imposed include:

- (i) forfeiture of membership on such terms and conditions as to Readmission (or non-Readmission) as may be prescribed;
- (ii) suspension from membership for any period not exceeding five years on such Reinstatement terms and conditions as may be prescribed;
- (iii) a Fine not exceeding the Maximum Fine;
- (iv) admonishment;
- (v) a severe reprimand;
- (vi) for such period and on such terms as may be imposed:
 - (A) cancellation or suspension of any certificate, privilege, right or benefit issued or granted to the Member; and/or
 - (B) prohibition of the Member's use of any designation permitted to be used by the Member;
- (vii) restriction for such period and on such terms and conditions as may be imposed on the authorisation, permission or ability of the Member, or any Practice Entity under which the Member trades or is to trade, use, display or otherwise utilise any Intellectual Property of the Company or its subsidiaries including any status or designation;
- (viii) the lowering of the Member's Membership Status and/or removal of any specialist designation;
- (ix) a direction to undertake such additional number of hours of Continuing Professional Development as may be prescribed;
- (x) a direction to undertake such activities or actions under the Company's Practice Review Program as may be prescribed; and/or
- (xi) such other penalty as may be deemed appropriate in the circumstances.

The Disciplinary Tribunal (DT) cannot order a member to make restitution or otherwise compensate a client for any losses suffered, nor does CPA Australia have any form of fidelity fund from which client losses can be made good.

For those Complaints that are capable of being remedied or do not constitute a serious breach of the Constitution, as defined in By-Law 5.3 (g), the matter may be dealt with by the GMPC issuing a reprimand or caution and the member may be required to sign an undertaking to remedy the matters complained of.

The CPA Australia Best Practice Program (formerly Quality Review) assesses our members in public practice, which includes auditors/assurance practitioners. Auditors/assurance practitioners are assessed every three years.

The objective of a CPA Australia Best Practice Program assessment is to assess if our members have:

- implemented an adequate system of quality and risk management
- adhered to professional and ethical standards related to all engagements
- adhered to the CPA Australia By-Law requirements relating to Public Practice Certificate holders
- met their professional and ethical standards obligations.



Where the assessment results in the identification of areas of non-compliance or opportunities for improvement, the member is provided with corrective actions within a support plan. These actions are rated on a scale of high to low depending on the priority of timeliness to implement recommended corrective actions.

During the course of an assessment, it may be determined that a referral to the Professional Conduct Unit (oversee by the GMPC) for further investigation and possible action may be warranted under the following circumstances:

- the finding can be remediated within the high priority timeframe; however, the remediation does not provide reasonable assurance to the Best Practice team of correction or an issue is detected when the remediation is actioned
- the finding can be remediated within the high priority timeframe but is of a serious nature (impact on the public interest)
- The finding cannot be remediated and is of a serious nature (impact to the public interest).

Details of what constitutes a disciplinary matter for the purposes of any disciplinary process you maintain.

Members may be disciplined for non-compliance with CPA Australia's general or specific requirements including breaches of Article 36 of the Constitution where a member has participated in or been involved with an Adverse Event as follows:

- a) obtained admission or renewed membership as a Member by improper means
- b) breached the Constitution, By-Laws, Code of Professional Conduct or the Applicable Regulations
- c) been guilty of dishonourable practice or conduct derogatory
- d) failed to observe a proper standard of professional care, skill or competence
- e) ceased to hold the necessary qualifications to be a Member
- f) become Insolvent
- g) been the subject of an adverse finding by any Court, professional body, statutory or other regulatory authority in any jurisdiction
- h) pleaded guilty to, or been found guilty of any offence before any Court in any jurisdiction
- i) been found to have acted dishonestly in any civil proceedings before any Court in any jurisdiction
- j) failed to comply with any reasonable and lawful direction of the Board or its delegate
- k) been Closely Associated with a Practice Entity which has become Insolvent.

Details of how disciplinary matters are classified (e.g., by type of matter or seriousness of conduct) under any disciplinary process you maintain and a description of each possible classification.

Disciplinary matters are primarily classified in accordance with the breaches outlined in the Constitution as follows:

- a) obtained admission or renewed membership as a Member by improper means
- b) breached the Constitution, By-Laws, Code of Professional Conduct or the Applicable Regulations
- c) been guilty of dishonourable practice or conduct derogatory
- d) failed to observe a proper standard of professional care, skill or competence
- e) ceased to hold the necessary qualifications to be a Member
- f) become Insolvent
- g) been the subject of an adverse finding by any Court, professional body, statutory or other regulatory authority in any jurisdiction



- h) pleaded guilty to, or been found guilty of any offence before any Court in any jurisdiction
- i) been found to have acted dishonestly in any civil proceedings before any Court in any jurisdiction
- j) failed to comply with any reasonable and lawful direction of the Board or its delegate
- k) been Closely Associated with a Practice Entity which has become Insolvent.

A further ad hoc drilling down of the specifics of the breach is undertaken in some instances. Particularly where the breach is identified as (a) “Breach of the Constitution, By-Laws, Code of Professional Conduct or the Applicable Regulations”. Breaches relating to the Applicable Regulations, encompass the accounting and auditing standards and statutory regulations.

The current software system is under review and a new complaints and discipline software application is expected to be implemented by March 2023, allowing for a more robust and informative system of categorising complaints.

An outline of any review or appeals processes that may be applicable to the above-mentioned process(es).

Members have the right to appeal the Disciplinary Tribunal Determination. The appeal must be received by the GMPC within 20 business days of the Member receiving the notice of the Determination of the Disciplinary Tribunal. An Appeals Tribunal may be convened on the following grounds only:

- (i) that a breach of the rules of natural justice occurred in connection with the making of the Determination;
- (ii) that procedures that were required by law to be observed in connection with the making of the Determination were not observed;
- (iii) that the Disciplinary Tribunal or the OPT (as applicable) did not have jurisdiction to make the Determination;
- (iv) that the Determination was not authorised by the enactment in pursuance of which it was purported to be made;
- (v) that the making of the Determination was an improper exercise of the power conferred upon the Disciplinary Tribunal or the OPT (as applicable) pursuant to the Constitution;
- (vi) that the Determination involved an error of fact or law, whether or not the error appears on the record of the proceedings or the Determination;
- (vii) that the Determination was induced or affected by fraud;
- (viii) that there was no evidence or other material to justify the making of the Determination;
- (ix) that there is new evidence not previously available, which would have altered one or more of the findings or Determination; or
- (x) that the penalty imposed was excessive in all the circumstances.

No appeal is accepted which is based solely on costs; in respect of a Determination that the Member has consented to; or upon publication of the outcome.

The Appeals Tribunal cannot be comprised of members of the DT and has the power to make a fresh Determination of which there is no further right of appeal.



An outline of any oversight mechanisms in place to ensure the integrity, timeliness, and effectiveness of the above-mentioned process(es).

The Professional Conduct Oversight Panel (PCOP) is an independent oversight panel that assists the Board in fulfilling its responsibilities relating to the professional Conduct and discipline of its members having regard to the law, the highest standards of governance and the diversity of the membership.

The PCOP is responsible for independently reporting to the Board on the performance and procedures of the Professional Conduct Unit including management, Complaint handling and Tribunals. This includes making recommendations to the Board for any changes to the Constitution, By-Laws, Code of Professional Conduct and Applicable Regulations.

The PCOP conducts an annual review of the handling of the complaints logged in the complaints and discipline system. It reviews processes and procedures and interviews members of the Disciplinary Chair Panel. The PCOP also reviews the By-Laws, and reports to the Board on its findings.

Details of the objectives of the above-mentioned process(es).

The objective of the above processes is to ensure the accountancy profession works to a high level of professionalism, providing a quality of service which achieves credibility with the general public.

CPA Australia recognises that the complaints process is an important step in ensuring professional standards are upheld by all members.

CPA Australia's approach to the investigations and disciplinary process is guided by the principles of procedural fairness, confidentiality, independence and the right of appeal.

CPA Australia maintains a Disciplinary Panel of members and community representatives who can be called upon to form a Tribunal to hear a Complaint about a member once a breach of its Constitution has been identified.

An outline of any 'key performance indicators' applicable to the above-mentioned processes. For examples, these may be timeframes for investigating matters or for completing stages of your disciplinary process.

CPA Australia aims to investigate and successfully conclude matters in the shortest timeframe possible to minimise the impact of the investigation on both the Complainant and the Member and to provide closure to both parties. The majority of matters are concluded within three to six months, with more complex matters or those proceeding to a DT taking longer.

CPA Australia does however place matters which are subject to a higher authority on hold until the Courts or statutory authorities have concluded their processes. Once there is an outcome from these higher authorities the investigation of the Complaint resumes.



For those matters that are referred to a DT, the allegations are drafted by external lawyers, known as Investigating Case Managers (ICM) and are brought in front of a DT as quickly as possible, generally within two to three months, depending on the complexity of the matter and the submissions made by the Member.

Details of the possible outcomes for an auditor subject to your disciplinary process(es), including any sanctions that can be imposed, the authority for imposing such sanctions and how such sanctions are enforced.

Complaints that are heard against Members who are auditors are subject to the same process and disciplinary penalties as all other Members. Auditors who are found to have breached the Constitution or any applicable regulations may be forfeited from membership, have educational requirements imposed upon them or have a fine applied.

The Professional Conduct business unit is responsible for enforcing the penalties applied. If the Member does not adhere to the sanctions imposed, their membership may be forfeited.

Details of any criteria applied in determining if an auditor's conduct should be investigated, subject to your disciplinary process, or used to determine the sanction to be imposed under your disciplinary process.

In assessing whether the Member has a case to answer, there must be documentary evidence indicating the Member has breached the Constitution or the Auditing Standards. For those breaches that can be rectified or are of a minor nature, with no identifiable harm caused, the Member may be reprimanded without the matter proceeding to a DT for hearing. However, the fact of the reprimand remains on file as a 'previous' outcome for any future disciplinary action.

For those matters that proceed to a hearing, the DT considers the extent of the misconduct, other parties affected and previous outcomes, to determine an appropriate penalty to apply. Education and fines are favoured for less serious matters, forfeiture of membership is reserved for serious breaches.

An outline of your interaction with the Australian Securities and Investments Commission (ASIC), the Companies Auditors Disciplinary Board (CADB) and the Tax Practitioners Board under your disciplinary process or processes for identifying and investigating auditor misconduct more generally. For example, this could include details of any protocols you have in place to share information about auditor conduct or refer cases of possible misconduct to the above-mentioned bodies.

CPA Australia monitors all media releases including those from ASIC, the CADB and the TPB to ascertain if a Member has been involved in any misconduct. If there is evidence that a Member has been the subject of an adverse finding by a statutory authority, a Complaint is initiated by the GMPC against the Member and is investigated.



Under the Tax Agent Services Act (TASA), the TPB is obliged to refer CPA Australia members that have been the subject of an adverse finding to CPA Australia. This however relies upon the Member having divulged details of their CPA Australia membership to the TPB.

ASIC and the CADB do not have a similar statutory obligation to refer Members to CPA Australia. In these instances, CPA Australia primarily relies upon media releases for information. Matters are only referred to ASIC and the CADB following a DT determination that a referral is made.

In the normal course of business, members cannot be referred to or from, other professional or statutory bodies, due to Privacy restrictions.

Details of any factors that limit your ability to share information with, or refer matters to, ASIC, CADB and the Tax Practitioners Board.

Due to privacy regulations CPA Australia can only refer to ASIC, the CADB and the TPB evidence of breaches of law or matters that have been published on CPA Australia's website and/or the DT specifies that ASIC, the CADB or the TPB is to be notified. Where this is the case CPA Australia's Professional Conduct Unit will notify the statutory authorities in writing.

Any other information you would like to provide about auditor misconduct and processes for addressing such conduct.

CPA Australia receives limited complaints relating to audit breaches, against members that are Registered Company Auditors. Breaches of the *Superannuation Industry (Supervision) Act 1993* are more common; however, those complaints are predominantly initiated due to a prior ASIC finding.



STAKEHOLDER REPORT: AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

FOR ATTENTION OF THE FRC

N/A

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- APRA continues to engage with entities and stakeholders on their preparedness to adopt AASB 17 “*Insurance Contracts*”. APRA also regularly updates and seeks feedback from the AASB 17 Transition Resource Group on AASB 17.
- APRA continues to monitor the effects of ongoing economic uncertainty on entities. This includes the level of provisions held by banks under *AASB 9 Financial Instruments*.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- APRA is monitoring recent developments at the IFRS Foundation relating to the formation of the International Sustainability Standards Board and its potential impact on its regulated entities.



ITEM 6A

2 JUNE 2022

STAKEHOLDER REPORT: INSTITUTE OF INTERNAL AUDITORS- AUSTRALIA

FOR ATTENTION OF THE FRC

- Not completed by stakeholder.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- IIA-A release a draft Code of Conduct for internal auditors for comment until end of May.
- The Code has been distributed for comment to major industry and professional organisations.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Not completed by stakeholder.



STAKEHOLDER REPORT: ASX LIMITED

FOR ATTENTION OF THE FRC

Not completed by stakeholder

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- No matters of relevance

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- No matters of relevance



STAKEHOLDER REPORT: CPA AUSTRALIA

FOR ATTENTION OF THE FRC

N/A

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- **Sustainability reporting:**
 - CPA Australia is working closely with CA ANZ with a view to formulating a joint response to the ISSB on its initial exposure drafts for public commentary (IFRS S1, general requirements for sustainability-related financial disclosures and IFRS S2, climate-related considerations).
 - We are also engaging actively with ASIC to understand how adoption, implementation and enforcement of the ISSB standards in the Australian context could potentially look like.
 - From an assurance perspective, we are mindful of the critical need of assurers to understand the reporting requirements being contemplated in the ISSB exposure drafts. We note that the XRB (New Zealand), which has forged ahead with its own set of standards (NZ CS1), requires a baseline expectation of limited assurance with a proposal to consider the introduction of reasonable assurance after a “suitable period of time has passed”.
- **ASQM 1:** To support our members in public practice in the adoption of ASQM 1 ahead of its effective date of 15 December 2022 we have developed a methodology to guide our members step by step in meeting the requirements of the standard. We plan to provide members with two libraries of possible quality risks and possible responses to those risks by 30 June 2022. One library is dedicated to sole practitioner or smaller firms and the second to network firms. This excel-based tool will also allow members to assess whether the risk requires a response and to assign responsibility for that response. We held an initial members webinar on ‘Quality Management for Audit Firms – How to get started’ on 16 February 2022 with a follow up ‘Quality Management for Audit Firms – Your Guide to Implementation’ session on 16 May 2022.
- **Removal of SPFS:** CPA Australia and CA ANZ are jointly developing a guide, expected to be published in late May, setting out the practical considerations arising from the AASB removal of special purpose financial reporting.



OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- **Economic conditions:** Members and other stakeholders are growing increasingly concerned over the solvency of many businesses, especially smaller businesses. The major reasons for this are:
 - Businesses carrying large, deferred liabilities, especially deferred rent and taxes. This has resulted from governments' initiatives to reduce cash flow pressures due to COVID-19
 - Margin pressures due to increasing business costs
 - Supply chain disruption due to strong global demand, COVID-19 and geopolitical issues
 - Labour shortages and fickle consumer demand.
 - Members do not expect a 'tsunami' of business closures but do expect it to be higher than normal for the next few years.
- We are conducting a survey of auditor use of technology in their engagements in Malaysia, jointly with Malaysia's Audit Oversight Board
- We are contributing towards a consultation paper by the Hong Kong FRC on its proposed disciplinary process and approach to sanctions.



STAKEHOLDER REPORT: HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE (HOTARAC)

FOR ATTENTION OF THE FRC

For Information

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- HoTARAC continues to support the Public Sector Working Group (PSWG) on the FRC proposals for Tier 3 financial reporting.
- Funding support to the Australian Accounting Standards Board (AASB) for the period 30 June 2022 -2025 is being finalised. Member jurisdictions having agreed to continue to support the activities of the AASB that are relevant to the public sector.
- HoTARAC has provided 5 submissions to standard setting boards since the FRC Meeting 10 December 2021. Refer Appendix A for details of these submissions.
- ED 319 *Insurance Contracts in the Public Sector* is the current focus for members. Concerns have been expressed over scope which would be enhanced by clarification of concepts during drafting. It is also understood that there may be some individual responses from agencies within some jurisdictions.
- Further information on current, and proposed, work in progress related to submissions to Standard Setting Boards is provided in Appendix B.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- HoTARAC continues to review how it engages with standard setters and other stakeholders, with the objective of exchanging more information on emerging issues, earlier in the standard setting cycle.
- HoTARAC continues to review how it can enhance its role in supporting financial reporting capabilities in the public sector.

APPENDIX A: HOTARAC FRC STAKEHOLDER REPORT 2 June 2022 - SUBMISSIONS TO STANDARD SETTERS COMPLETED

Organisation	Topic	Date Lodged	Project Summary	HoTARAC Response
AASB	ED 318 Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases	11/03/2022	Proposed amendments to AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-for-Profit Entities to clarify accounting for upfront fees and analysis regarding the recognition of a financial liability respectively. Documented as well is the AASB’s intention to retain the choice in AASB 16 Leases for not-for-profit private sector lessees to elect to initially measure a class of concessionary right-of-use assets at cost or fair value.	<p>ED 318 proposes amendments to:</p> <ul style="list-style-type: none"> (a) AASB 15 Revenue from Contracts with Customers – to add Illustrative Example 7A to clarify accounting for upfront fees; and (b) AASB 1058 Income of Not-for-Profit Entities – to amend Illustrative Example 3 to clarify the analysis regarding the recognition of a financial liability. <p>HoTARAC urged the AASB to allow not-for-profit public sector entities the same accounting policy choice of either cost or fair value, as proposed for the not-for-profit private sector entities as proposed in ED 318.</p>
AASB	ITC 46 AASB Agenda Consultation 2022-2026	18/02/2022	The agenda consultation will provide an opportunity for HoTARAC to recommend projects to the AASB based on our priorities, particularly addressing the financial reporting issues that relate to the NFP public sector. The Commonwealth has prepared a paper and a draft letter on a list of suggested projects based on the votes received from jurisdictions.	<p>The HoTARAC priorities submitted in our response included:</p> <ul style="list-style-type: none"> - discount rates for long-term employee benefits and superannuation - review of public sector disclosures (e.g., disclosures for Tiers 1 and 2) - outstanding issues on AASB 16 Leases - review of GFS harmonisation differences - service performance reporting - AASB 9 Financial Instruments – termination for convenience clauses and other Australian specific matters - application to Australian Standards of the IPSASB revised property, plant and equipment standard and - remuneration reporting. <p>HoTARAC also asked the AASB to expedite the PIR of AASB 1059.</p>

Organisation	Topic	Date Lodged	Project Summary	HoTARAC Response
AASB	ITC 48 Extended External Reporting	8/02/2022	AASB's proposed draft position statement relating to Extended External Reporting (EER) and intends to provide direction for preparers seeking to take immediate action on EER while appropriate consultation takes place. The AASB is proposing that entities can voluntarily adopt recommendations put forward by the Taskforce on Climate-related Financial Disclosures (TCFD) for external reporting, pending establishment of the IFRS ISSB.	HoTARAC agreed that, if an immediate position is adopted by the AASB, the recommendations of the TCFD provide an appropriate reporting framework on a voluntary basis. Applying the TCFD recommendations in the public sector in a way that provides meaningful information for users and is cost-effective, is likely to require some adaption. HoTARAC members continue to have divided opinions on the matter. HoTARAC recommended the AASB continues to consult on the application of the TCFD recommendations specific to the public sector.
AASB	ITC 47 Request for Comment on IASB Request for Information on Post Implementation Review of IFRS 9 Financial Instrument - Classification and Measurement	24/12/2021	A Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments.	HoTARAC supported the principles-based approach to classification and measurement in IFRS 9 and the simplification of measurement categories. HoTARAC believes that further guidance would be helpful on: <ul style="list-style-type: none"> • distinguishing between modifications and the de-recognition of financial assets • initial measurement of concessional loans • measurement of concessional financial guarantees • subsequent measurement of statutory receivables • trade date versus settlement date accounting for financial liabilities
IPSASB	IPSASB Mid-Period Work Program Consultation	30/11/2021	The two major projects proposed are (1) differential reporting and (2) presentation. Differential reporting involves public consultation on appropriate financial reporting for less complex entities and presentation of financial statement discusses opportunities for alignment with Government finance statistic (GFS) and Budgetary reporting.	HoTARAC recommended the IPSASB add sustainability reporting as a major project in light of the formation of IFRS's International Sustainability Standards Board

LEGEND

AASB Australian Accounting Standards Board

IPSASB International Public Sector Accounting Standards Board

APPENDIX B: HOTARAC FRC STAKEHOLDER REPORT 2 June 2022 – SUBMISSIONS TO STANDARD SETTERS WORK IN PROGRESS

Organisation	Topic	Due date	Project Summary
IPSASB	ED 81 Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in financial Statements	31/05/2022	Proposing amendments to Chapter 3 to include further guidance on the role of prudence in supporting neutrality and adding obscuring information as a factor relevant to materiality judgements. Amendments are also proposed to Chapter 5 including revising the definition of a liability along with other related changes and the inclusion of guidance on the accounting principles for binding arrangements that are equally unperformed.
AASB	ED 319 Insurance Contracts in the Public Sector	8/06/2022	<p>Proposes various modifications to AASB 17 <i>Insurance Contracts</i> for public sector entities. NSW has elected to take the lead on this.</p> <p>AASB 17 Insurance Contracts is effective for annual reporting periods beginning on or after 1 January 2023. It replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts. The AASB issued a Discussion Paper in 2017 to elicit views on: • how AASB 17 should be applied in the public sector; and • whether any public-sector-specific modifications or guidance might be required. The AASB considered comments on the Discussion Paper and noted more work is needed on both matters before proposing any amendments to AASB 17. The AASB decided to work jointly with the New Zealand Accounting Standards Board to progress the project</p>
AASB	ED Fatal-Flaw Review Draft AASB 2022-X Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments for Public Sector Entities	8/06/2022	Proposes modifications to AASB 17 <i>Insurance Contracts</i> for public sector entities and defers its application date to periods beginning on or after 1 July 2025.

Organisation	Topic	Due date	Project Summary
AASB	ED 320 Fair Value Measurement of Non Financial Assets of Not-for-profit Public Sector Entities	30/06/2022	Proposes amendments to AASB 13 <i>Fair Value Measurement</i> for NFP public sector entities to include implementation guidance in respect of non-financial assets not held primarily for their ability to generate net cash inflows along with illustrative examples.
AASB	ED 321 Request for Comment on [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures	15/07/2022	The AASB is consulting on the proposals in ISSB's Exposure Drafts on IFRS S1 and IFRS S2 to inform any possible future development of a separate suit of Australian sustainability reporting standards by the AASB.
ISSB	ED/S1 General Sustainability-related disclosures	29/07/2022	Sets out the overall requirements for an entity to disclose sustainability-related financial information about all its significant sustainability related risks and opportunities.
ISSB	ED/S2 Climate related disclosures	29/07/2022	Sets out the requirements for identifying, measuring and disclosing climate-related risks and opportunities and builds upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

LEGEND

AASB *Australian Accounting Standards Board*

IPSASB *International Public Sector Accounting Standards Board*

ISSB *International Sustainability Standards Board*



STAKEHOLDER REPORT: CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

FOR ATTENTION OF THE FRC

We agree that, as a first step, the AASB would be best placed to act in a caretaker capacity for considering an appropriate local structure and dedicated interpretation of the envisaged international sustainability standards for the Australian landscape. The caveat however being that in the medium to longer-term, we recommend the FRC consider mirroring the international structure adopted by the IFRS Foundation and establish a separate Australian Sustainability Standards Board. We support a 'climate first' approach to sustainability reporting but consider that this should form the first step of a broader roadmap (which could include the development of an overarching conceptual framework for corporate reporting) that covers the full range of environmental, social, and governance (ESG) criteria that are material to enterprise value creation.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

This section need include only 2 – 3 key bullet points to be noted by the FRC.

- Following CA ANZ's audit talent survey and [extensive advocacy](#) to incorporate auditors and accountants onto the Priority Migration Skilled Occupation List, Australia's Home Affairs Department reported they were among the top 15 professional groups granted VISAs in the period from July 2021 to March 2022. 450 VISAs were granted for auditors (790% increase on the previous comparable period), and 730 for accountants (164% increase).
- We have launched a [Quality Management Hub](#) for audit firms which curates the most useful guidance material that has been issued locally and internationally. Informed by engagement with members, standard setters and other bodies internationally we are also developing an illustrative risk assessment and pro-forma documentation to assist small and medium audit firms implement the new quality management standards.
- We have continued efforts towards uptake of digital reporting in Australia, New Zealand and internationally, including raising this issue to a positive response at the B20 - Integrity and Compliance Taskforce, and convening several meetings of the ASX, ASIC and AASB. CA ANZ's Reporting and Assurance Leader has posted an article on the topic on IFAC's Knowledge Gateway [The Accounting Revolution Will Be Digitized](#), which has gained prominence internationally including being shared by the IASB, and republished by several accounting bodies internationally.



- We published the results of the [2021 Chartered Accountants IFRS Survey](#). This is the second year CA ANZ has surveyed Chartered Accountants on various aspects of reporting. This quantitative research is designed to understand member views and the impacts of IFRS and related reporting.
- We published the 7th edition of the CA ANZ [Enhancing Not-for-Profit and Charity Reporting](#) 3-part guide. Part A of the guide aims to assist with identifying and defining objectives and then measuring and reporting on performance. Part B has discreet Australian and New Zealand sections designed to support attaining best practice in financial reporting.
- We launched a publication to aid in dealing with [Financial reporting and auditing in uncertain times](#) including the impacts of inflation and interest rate changes, the back end of the pandemic's impacts, flow on effects of conflict and other economic factors.
- We published our [Reporting and Assurance Essential Guides](#) for December 2021. These publications highlight the impact of the key reporting and assurance developments for this reporting season, as well as regulatory focus areas. Following that, our trans-Tasman Sharing Knowledge session; Reporting and Assurance Essentials – Navigating 31 December period ends, had over 1,000 member registrations.
- We created and shared with members an [animated video](#) outlining the changes to the Code of Ethics for role and mindset.
- We continue to publish a series of short articles that raise awareness of some common ethical matters faced by members under the title of [Practical Ethics Advice](#).

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

This section need include only, by bullet points, other activities/matters to be noted by the FRC.

- We facilitated input from members and completed several [submissions](#) including: IAASB ISA for LCEs, AASB agenda consultation 2022—2026, IASB management commentary, IPSASB mid-period work program, APESB for Fee related provisions, and IASB disclosure requirements in IFRS standards – a pilot approach.
- Offered together for the first time, our Audit and Accounting conference focusing on audit quality and financial reporting, particularly for small to medium sized practices, will be held online on 19 May.
- We issued a [public statement](#) updating our members on the action taken by the Professional Conduct Committee in response the sanctions applied by the PCAOB on KPMG Australia.



STAKEHOLDER REPORT: COMMONWEALTH DEPARTMENT OF FINANCE

FOR ATTENTION OF THE FRC

NIL

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- Sustainability reporting: The Commonwealth is monitoring current activity both domestically and internationally on sustainability reporting as it might impact the public sector. The current work of the International Sustainability Standards Board (and the AASB) is presently focussed on reporting by private-sector for-profit entities. It is anticipated that HoTARAC will make a submission on the AASB/ISSB exposure drafts, with the Commonwealth contributing. The Department of Finance has identified a range of issues in applying unamended ISSB proposals to the public sector, and notes that international organisations have done or are proposing work that is public-sector-specific (International Public Sector Accounting Standards Board and World Bank).
- The Australian National Audit Office (ANAO) released audit report 23 of 2021-22 *Audits of the Annual Performance Statements of Australian Government Entities — Pilot Program 2020–21*.
 - The report reflected on the ANAO's pilot of annual performance statement audits and preparation for the staged implementation of an annual performance statements assurance audit program.
 - Key findings were that reporting entities will need to undertake more work to improve processes, methodologies, links to results achieved and compliance with legislation.
 - The ANAO itself will need to increase awareness of its performance statement audit methodology across reporting entities.
- The Joint Committee on Public Accounts and Audit (JCPAA) recently issued several reports on Commonwealth financial management, including:
 - Report 492 *Governance in the Stewardship of Public Resources* (April 2022), which considered various issues including the procurement of land at Leppington for the Western Sydney Airport. The main ANAO findings were



about conduct of the procurement, including obtaining an appropriate valuation prior to purchase. The accounting standard on fair value (AASB 13) was referenced in parliamentary hearings on the report.

- Report 491 *Review of the Auditor General Act 1997* (March 2022). The JCPAA proposed a range of recommendations relating to the functions, powers, obligations and resourcing of the ANAO.
- Report 490 *Alternative financing Mechanisms* (March 2022), which examined financial reporting of alternative financing mechanisms such as loans, equity injections and guarantees. The JCPAA proposed several ways in which investments could be reported more transparently, including through disclosure of all estimated changes in balances across the forward years
- Report 488 *Commonwealth Financial Statements 2019-20* (March 2022). JCPAA recommendations included that:
 - relevant entities provide an update on progress on longstanding audit findings; and
 - the Department of Finance provide guidance on financial ratios used in its digital reporting tool transparency.gov.au.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- Australian Public Service (APS) Accounting and Finance Working Group (AFWG)
 - The Department of Finance has previously reported the establishment of the APS AFWG to grow the capacity and capability of the profession, address workforce pressures and develop future CFOs. The AFWG has representatives from a number of portfolio departments.
 - In 2021-22 the AFWG has:
 - developed the APS Accounting and Finance Profession Capability Framework, including for senior Chief Financial Officers;
 - established principles for mentoring, coaching, recruitment and secondments across the APS; and
 - established training in partnership with CA ANZ and CPA Australia.



STAKEHOLDER REPORT: AUSTRALIAN CHARITIES & NOT-FOR-PROFITS COMMISSION

FOR ATTENTION OF THE FRC

This section is likely to have no comments from most stakeholders, but there may be relevant issues that have not been dealt with out of session or elsewhere on the FRC meeting agenda.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

This section need include only 2 – 3 key bullet points to be noted by the FRC.

- In March 2022, the ACNC launched an enhanced version of the Charity Register which now allows the public to search for charities by program or beneficiary and now includes Google map functionality.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

This section need include only, by bullet points, other activities/matters to be noted by the FRC.

- The ACNC has published guidance material relating to disclosing key management personnel remuneration from 2022 and related party transaction disclosures from 2023 implementing recommendations 14 and 15 from the Government response to ACNC legislation review
- The ACNC made submissions in response to the following AASB consultations:
 - ED318): Illustrative Examples for Income of Not-for-profit Entities and Right-of-Use Assets arising under Concessionary Leases (February 2022)
 - ITC 46 AASB Agenda Consultation 2022–2026 (February 2022)
 - ITC 48 Extended External Reporting (January 2022)
- The ACNC made a submission to the National Indigenous Australians Agency on an exposure draft which set out its proposed amendments (including changes to financial reporting requirements) to the *Corporations (Aboriginal and Torres Strait Islander) Regulations 2017* (November 2021).



ITEM 06A 2 June 2022

STAKEHOLDER REPORT: AUSTRALIAN BUSINESS REPORTING LEADERS FORUM

Institutional arrangements for global system near complete - IFRS Foundation Announcements at COP 26

- International Sustainability Standards Board (ISSB):
 - The Chair and Vice-Chair of the ISSB have been appointed and six further appointments will be made in the next few weeks, with the remainder to follow later in the year. The additional six will make the ISSB quorate (the climate and general requirements exposure drafts having been issued by the Chair and Vice-Chair under one-off constitutional lower) in advance of the first meeting of the ISSB in July.
 - A public ISSB agenda consultation will take place later in 2022
- Consolidation into IFRS Foundation – includes:
 - It is anticipated that the consolidation of the Value Reporting Foundation, and its three key resources, the <IR> Framework, the Integrated Thinking Principles and the SASB Standards, will be completed on time (30 June).
 - The ISSB climate and general requirements exposure drafts are built on, among other things, the <IR> Framework, the TCFD Recommendations and the SASB Standards.
 - The IFRS Foundation has announced that industry-specific ISSB Standards will be issued, which will be built upon the industry-based SASB Standards.
 - It is expected that the IFRS Foundation will shortly issue an announcement on the future of the <IR> Framework once it becomes a resource of the IFRS Foundation on 1 July, which will also address the Integrated Thinking Principles. It is anticipated that the announcement will confirm that the <IR> Framework and Integrated Thinking Principles will be ongoing Foundation resources.
 - It is expected that market guidance for boards and management on the use of
- Publication of ISSB climate and general requirements exposure drafts:
 - The climate and general requirements exposure drafts were published in April 2022.
 - Comment period is 60 days.
 - The Value Reporting Foundation and ISSB are seeking stakeholder feedback on the exposure drafts. The FRC is encouraged to provide feedback.
 - Michael Bray and Jordan Knights of the Value Reporting Foundation presented to the AASB on the exposure drafts in April. Michael Bray will present to the FRC on the <IR> Framework on 2 June.

Australian Implications and Actions

Janine Guillot, CEO of the Value Reporting Foundation, will address the Australian Business Reporting Leaders Forum webinar on global developments on Tuesday 24 May, followed by presentations by Bill Edge (AUASB and Sustainability Reporting Advisory Panel) and Nikole Gyles (AASB) on Australian implications. FRC members are welcome.

The note on intangibles included in the November 2021 Stakeholder Report to the FRC remains a live discussion within the Value Reporting Foundation, based on a paper drafted by Michael Bray on intangibles in the context of the <IR> Framework.

As suggested in the previous FRC Stakeholder Report to the FRC, Australia should discuss with the IFRS Foundation a plan to establish an ISSB hub within Australia which houses an *Intangibles Centre of Excellence* such that Australia becomes a part of the multi-location ISSB as it is finalised over the next few months, probably as a liaison office. The hub would be a strong demonstration of the alignment of Australia with the ISSB, but more importantly would also be a strong contribution to the Australian national interest, which is important to the core objectives of the FRC under section 225 of the ASIC Act:



“The FRC functions are: (g) to advance and promote the main objects of this part”, which among other things are “to facilitate the Australian economy by (i) reducing the cost of capital; and (ii) enabling Australian entities to compete effectively overseas ... and (c) to maintain investor confidence in the Australia economy (including its capital markets”.

Assurance

- IFAC and the Institute of Internal Auditors, with acknowledgement of the Value Reporting Foundation for input of subject matter expertise, will shortly issue a second instalment in the integrated reporting assurance series. The paper will cover the responsibility of boards of directors for the integrity of integrated reports and underlying reporting processes. The paper explains the contribution that internal auditors can make to boards in discharging this responsibility.
- There are now thirteen known instances of integrated reporting assurance (where the opinion is expressed in terms of the <IR> Framework, and has a specific focus on the foundational description of *The Business* required by the <IR> Framework) globally, including three in Australia.
- Importantly, there are several requirements which require a partial description of *The Business*: the French interpretation of the CSRD requires management reports to describe the organisation’s business model, risks and risk management, and for the organisation’s financial statements auditor to opine on that partial description; the TCFD Recommendations require a description of the organisation’s governance, strategy and risk management in relation to climate matters; the various forms of management commentary around the world (eg MD&A in the USA, Strategic Report in the UK and OFR in Australia) require at least a partial description of *The Business*. Being built upon the TCFD Recommendations and the <IR> Framework, the ISSB standards will require a partial description of *The Business*.



STAKEHOLDER REPORT: INSTITUTE OF PUBLIC ACCOUNTANTS

FOR ATTENTION OF THE FRC

- Not completed by stakeholder.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

This section need include only 2 – 3 key bullet points to be noted by the FRC.

- Nil

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

This section need include only, by bullet points, other activities/matters to be noted by the FRC.

- IPA has commenced the development of its new digitised Quality Review Program (QRP), with the appointment of a UK based technology company, which is also developing the new digitised caseload management systems for its complaints and disciplinary function as well as the new AML-CTF systems and processes for its UK operations (part of the IPA Group).
- IPA has commenced a 'root and branch' review of its complaints and disciplinary function to ensure it remains at a best practice level.
- IPA has commenced a review of the SMSF auditor and Registered Company Auditor sections of the QRP to ensure currency and rigour.
- IPA is currently undertaking the annual review of the *Who Can Audit What* member guidance.
- All IPA members who are either Registered Company Auditors or SMSF auditors are now within the three-year cycle for completing the QRP in accordance with the requirements of the International Federation of Accountants Statement of Member Obligations SMO1. Areas of initial non-compliance were mostly around APES 320 – *Quality Control for Firms* and APES 325 – *Risk Management for Firms*.
- In the 18 months to 30 June 2022, the IPA offered 14 webinars (1-6 hours duration) and 10 face to face workshops (2-8 hours duration), on SMSF audit, advanced audit and related topics.



STAKEHOLDER REPORTS – REQUEST FOR SUPPLEMENTARY INFORMATION

DESCRIPTION

On 10 December 2021, members agreed to customise stakeholder reports to seek specific and targeted input from relevant stakeholders from time to time.

The FRC Secretariat subsequently sought input from members on additional questions to be put to stakeholders ahead of the 2 June 2022 meeting.

The FRC Secretariat sent the additional questions to 19 stakeholders on 16 May 2022, with a request for response by 23 May 2022.

Responses were received from eight stakeholders. Tracey Carroll will also provide a verbal response.

A copy of the questions and the responses received are attached this paper.

ACTION

- Chair to report.

SUPPLEMENTARY QUESTIONS

- Do you think the FRC is fulfilling its objectives? Why/why not?
- Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?
- The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC?



STAKEHOLDER REPORT – SUPPLEMENTARY INFORMATION – AUSTRALIAN SHAREHOLDERS’ ASSOCIATION

FOR ATTENTION OF THE FRC

- We acknowledge FRC pressing ahead on audit quality work in the absence of a Government response. ASIC's reports such as 21-321MR ASIC reports on audit inspection findings for 12 months to 30 June 2021 don't engender confidence amongst retail shareholders as asset values and restatements are usually significant. We note audit is a chain of assurance, where each party (directors-executives-internal auditors-external auditors-shareholders-regulators and even media) needs to do their part.
- We continue to await progress on audit quality measures and proposals. ASA notes the publication of FRC/AASB/AUASB Position Statement on Extended External Reporting and Assurance and FRC Audit Quality Action Plan - November 2021. We await the final report arising from UK consultation paper (CP) 382 Restoring trust in audit and corporate governance; and Consultation on the government's proposals.
- ASA supports the introduction of sustainability standards across the globe (ISSB, EU and SEC) as a way of providing investors the information required to evaluate long-term investments in a cost effective way for companies, and in a way that focuses companies on the risks and opportunities relating to operating well which includes ESG and maintenance of social licence to operate.

AUDITOR DISCIPLINARY ACTIVITIES/MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following supplementary information requested by the FRC.

- Do you think the FRC is fulfilling its objectives? Why/why not?
- Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?
- The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC?



STAKEHOLDER REPORT – SUPPLEMENTARY INFORMATION – AUSTRALIAN CHARITIES AND NOT-FOR-PROFIT COMMISSION

FOR ATTENTION OF THE FRC

Not completed by stakeholder

MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following supplementary information requested by the FRC.

- Do you think the FRC is fulfilling its objectives? Why/why not?
 - We are not in a position to make an objective assessment however there is no evidence to suggest the FRC is not. We have constructive relationships with both the AASB and AuASB and work collaboratively on matter relating to financial reporting in the not-for-profit private sector.
- Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?
 - From an ACNC perspective we saw the following areas of concern in our review of charity audit/review reports for the 2020 reporting period:
 - : 7% of audit reports were not prepared in accordance with the new audit report format
 - : 21% of audit/reports did not correctly identify the ACNC Act as the relevant reporting framework
 - As these are fairly fundamental audit/review issues, they do raise concerns about audit quality. Having said that, these figures are actually a significant improvement compared to the 2019 reporting period review results.
- The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC?
 - There is considerable interest in this subject. At this stage the nature and extent of the sustainability reporting information needs of charity stakeholders are unclear. Taking into account the ACNC Act's third object, 'to promote the reduction of unnecessary regulatory obligations' on the sector, the ACNC notes that many charities, particularly smaller entities, do not currently undertake



reporting of this type, and so any additional reporting requirements would likely increase costs and administrative burden. At this stage, further research and consultation with the sector is needed to determine whether such reporting by charities would be of sufficient interest to charity stakeholders and whether the benefits of this reporting would outweigh the costs.



STAKEHOLDER REPORT – SUPPLEMENTARY INFORMATION – AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

FOR ATTENTION OF THE FRC

Not completed by stakeholder

AUDITOR DISCIPLINARY ACTIVITIES/MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following supplementary information requested by the FRC.

- *Do you think the FRC is fulfilling its objectives? Why/why not?*

No comment on basis of APRA's low level of direct involvement.

- *Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?*

The new accounting standards for financial instruments and insurance are risk based and introduce considerable measurement uncertainty. In practice, there can be variability in the quality of audit outcomes across firms as auditors test the application of these standards by entities. Further efforts are needed to improve audit quality in this area, and this would enhance market confidence across the financial (and sustainability) reporting architecture.

- *The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC?*

The FRC decision to monitor sustainability related disclosures is a welcomed development. There will be a need to consider how these sustainability related disclosures get integrated into the reporting architecture for Australian entities in the future. The connection between the sustainability and financial reporting and assurance framework would need to be clearly drawn out. Given the extensive nature of the sustainability disclosures being proposed internationally, consideration will need to be given to whether a proportionate approach is needed when applying these sustainability standards. In addition, consideration will also need to be given to the level of assurance needed by market participants when applying these sustainability standards. In summary, the measurement uncertainty challenges associated with applying international sustainability standards and the flow on effects to audit quality with a Sustainability Reporting and Assurance Framework should not be underestimated.



**STAKEHOLDER REPORT – SUPPLEMENTARY INFORMATION – ASX
LIMITED**

FOR ATTENTION OF THE FRC

- Do you think the FRC is fulfilling its objectives? Yes
- Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold? Not applicable
- The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC? No



STAKEHOLDER REPORT – SUPPLEMENTARY INFORMATION

FOR ATTENTION OF THE FRC

- Institute of Public Accountants

MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following supplementary information requested by the FRC.

MATTER 1: Do you think the FRC is fulfilling its objectives? Why/why not?

IPA has not encountered any specific nor significant matters that suggest the FRC has not fulfilled its objectives. However, IPA's general observation is that, in the FRC fulfilling its objectives for overseeing the effectiveness of the Australian financial reporting framework, the projects undertaken by the AUASB and AASB tend to cater for the larger entities and practitioners, and yet requiring the small to medium entities to apply similar requirements. IPA's members predominately service small business or work in the small business and small and medium enterprise (SME) sectors.

Our members have limited resources to allocate to the understanding and implementation of new or revised requirements. To address the needs of all entities and to improve the effectiveness of the standard-setters and therefore the FRC's effectiveness, IPA recommends that the FRC's strategic advice to the standard-setters is to develop standards with requirements that are scalable to different user needs. This contrasts to the current cumbersome and piecemeal approach of re-developing the financial reporting framework for the not-for-profit private sector entities that are in Tier 2 and Tier 3. The overall project is being undertaken in multiple stages of initially developing requirements for Tier 2, followed by the current stage to further simplify the reporting framework for Tier 3 reporting for the smaller entities. A more comprehensive, effective, efficient and transparent approach is to identify the requirements across all sectors in the one standard, then scale the requirements to the different tiers of entities.

MATTER 2: Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?

The results from IPA's recent Quality Review Program and complaint management activities have not indicated any systemic quality issues. IPA continues to closely monitor the engagement activities of audit practitioners with the views of identifying potential areas of non-compliance that warrant further investigation and compliance action by IPA and developing targeted professional development activities to better support compliance with Australian auditing and assurance standards and related legislative requirements. The AUASB's revised quality management requirements will be an area of focus from early 2023.



MATTER 3: The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC?

IPA emphasises the following matters for the attention of the FRC:

- Sustainability Reporting (SR) is an increasingly important and fast evolving area where stakeholders are seeking guidance. Additionally, SR covers broad and complex matters that affect a wide cross section of stakeholders such as, users, preparers, auditors, accounting bodies, and regulators. SR also covers areas that are outside traditional accounting. Existing accountants and auditors will need to retrain and accounting bodies may need to reassess the accreditation/regulation of its members so as to uphold the integrity of the developed SR framework.
- The development of accounting and auditing pronouncements must be timely and in-line with international developments where possible. This is so that Australia can remain at the forefront of standard-setting and reporting. This in turn permits Australian entities to be competitive in its commerce and trade, as markets are likely to place a price for entities that do not report information on a timely and/or adequate basis compared to similar entities in other countries that do.
- Given the above points, IPA has the following concerns:
 - Whilst IPA supports the AASB's SR project and its approach in setting the suite of SR related standards, the AASB has been slow in commencing the project. Considering the volume and pace of development on SR internationally, the AASB may have a considerable amount of work ahead in ensuring it as a standard-setter and its constituents are not left behind.
 - The AUASB has been monitoring the accounting and assurance developments on SR in Australia and internationally. It is only at the AUASB April 2022 meeting, that the Board agreed to consider a project plan for the auditing and assurance profession.
 - The AASB and AUASB must have sufficient resources and expertise in setting SR standards that meet constituents' needs and reflect the domestic and international sentiments on SR.



ITEM 6B

2 JUNE 2022

STAKEHOLDER REPORT – SUPPLEMENTARY INFORMATION – CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

FOR ATTENTION OF THE FRC

- None noted

MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following supplementary information requested by the FRC.

Do you think the FRC is fulfilling its objectives? Why/why not?

Overall, yes we believe the FRC is fulfilling its objectives. Specifically:

- The accounting and auditing standards issued by the Australian Auditing and Assurance Standards Board (AUASB) and Australian Accounting Standards Board (AASB) are of high, internationally equivalent quality and fulfill the purpose set out in the FRC's core objectives.
- The FRC, AASB and AUASB's wider outreach and coordination activities have been valuable and were particularly important and impactful during the pandemic.

We recommend the FRC's continued fulfilment of its objectives would be enhanced by:

- Improving engagement and outreach activities with the accounting profession and main professional bodies to ensure availability for opportunities to engage regularly.
- Adequate resourcing to effectively undertake the FRC's activities and engagement.

Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?

Achieving a high audit quality is a perennial goal and we believe constant effort across the financial reporting supply chain, including by auditors, directors, preparers and regulators, is needed to continue to achieve confidence in Australia's capital markets. As regards a "threshold", we believe the low level of financial misstatements reported in Australia and demonstrated high level of confidence in Australian listed company audited information (including in the FRC and CA ANZ surveys) are indicative that while constant vigilance is essential and there will always be a need for continuous improvement, overall the quality of audit in Australia is very sound. ASIC's audit inspections program delivers valuable insights into areas for improvement and focus.



CA ANZ has focused on several activities and recommendations regarding audit quality, including:

- Extensive outreach with members and stakeholders to provide a *Comprehensive Plan on Audit and Risk* to the Parliamentary Joint Committee on Corporations and Financial Services in its inquiry into the *Regulation of Auditing in Australia*. This plan canvasses a set of concrete policy actions toward confidence and quality in audit, including several which are reflected in the Inquiry's recommendations.
- Developing resources and engaging with auditors to support implementation of the new quality management standards, in collaboration with the AUASB.
- A comprehensive ongoing program of education, training, research and advocacy activities focused on audit quality as reported in CA ANZ's ongoing stakeholder reports to the FRC.

The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC?

While we supported the AASB adding an external reporting project to its work program in our [submission](#) on ITC 46: AASB Agenda Consultation 2022—2026, the proviso was that this was as an interim measure until such time that a separate Australian Sustainability Standards Board is established. This is akin to the approach taken by the IASB through its Technical Readiness Working Group (TRWG) who commenced the work then handed it over to the ISSB. We firmly believe that mirroring the international structure adopted by the IFRS Foundation would ensure that expertise and resources are allocated appropriately, and in turn best enable the domestic issuance of sustainability standards. While we support a 'climate first' approach to sustainability reporting, we consider that this should form the first step of a broader roadmap, which could include the development of an overarching conceptual framework for corporate reporting, that covers the full range of environmental, social, and governance (ESG) criteria that are material to enterprise value creation.



STAKEHOLDER REPORT – CPA AUSTRALIA

SUPPLEMENTARY INFORMATION

FOR ATTENTION OF THE FRC

- N/A

MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following supplementary information requested by the FRC.

- **Do you think the FRC is fulfilling its objectives? Why/why not?**

Overall, we believe the FRC continues to fulfil its objectives. Notably, the FRC facilitates the adoption of high-quality internationally accepted accounting and auditing standards through the work of the AASB and AUASB.

The opening of the FRC meetings to the public is a positive step in engaging with stakeholders, but in our view, there is scope for better and more regular two-way engagement by the FRC with the accounting profession and professional accounting bodies.

We also believe there is a need for better resourcing of the FRC to undertake some of the above activities and to fulfil its responsibilities in overseeing the effectiveness of the Australian financial reporting framework.

- **Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?**

We note that the Parliamentary Joint Committee on Corporations and Financial Services (PJC) inquiry into the “Regulation of Auditing in Australia” that centred around audit quality in Australia issued its final report in November 2020 including its recommendations to the government. It was clear from these recommendations that any improvements to audit quality had to be achieved through a collaborative effort between the government, audit regulators, standard-setters and the profession. As we are still awaiting a response from government to the PJC’s recommendations, we are not in a position to comment further at this time. Moreover, it is not clear to us to which threshold you are referring in your question, as one of the challenges confronting the auditing profession and regulators



globally is the lack of an agreed definition of audit quality, as well as there being no one agreed approach to measuring and assessing audit quality.

In response to the above referred PJC inquiry, we provided a submission that included recommendations on how CPA Australia believes audit quality might be improved in Australia. We also gave evidence at one of the hearings that formed part of the inquiry.

Our recommendations to improve audit quality included the following:

- Enhance the role of audit committees
 - Identify benchmarks for reliable measure of audit quality
 - Consider the need for enhancement of the Operating and Financial Review (OFR) as the value of audit is entwined with the value of corporate reporting.
 - Remove inconsistency of audit requirements between legislation and regulation at the Commonwealth and State level and with the AUASB standards, which professional accountants in Australia are required to follow.
- **The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC?**

One of the critical issues that needs to be addressed as part of incorporating sustainability reporting and assurance into the Australian reporting environment is a suitable adoption mechanism within the existing legislative and regulatory frameworks. We recommend that the FRC leverage its unique position as outlined in Part 12 of the *Australian Securities and Investments Commission Act 2001* to exert its influence with Treasury to ensure resources are devoted to developing a suitable legislative and regulatory framework for sustainability reporting and assurance.



STAKEHOLDER REPORT: SUPPLEMENTARY INFORMATION

The purpose of these Stakeholder Reports is to bring to the attention of the FRC matters that the Stakeholder believes are relevant to the FRC objectives.

The FRC objectives in general terms are as follows:

“The FRC is the key external advisor to the Australian Government on the ‘financial reporting system’.

In summary, its functions are to provide broad oversight of the processes for setting accounting and auditing standards for the public and private sectors, to provide strategic advice on the quality of audits conducted by Australian auditors, and to advise the Minister, and in some areas the professional accounting bodies, on these and related matters to the extent that they affect the financial reporting system in Australia.

The FRC is a statutory body under Part 12 of the Australian Securities and Investments Commission Act 2001, which specifies the FRC’s specific functions and powers.

The FRC’s objectives are to support the Act’s objectives outlined in Part 12 of the Act, to fulfil its functions effectively and efficiently and to provide timely and relevant advice to the Minister.

The objects of Part 12 of the Act are broadly to facilitate the development of high quality accounting standards that require the provision of financial information and the development of auditing and assurance standards and related guidance materials in order to facilitate the Australian economy and to maintain investor confidence in the Australian economy, including its capital markets.”



STAKEHOLDER REPORT – SUPPLEMENTARY INFORMATION – THE INSTITUTE OF INTERNAL AUDITORS AUSTRALIA

FOR ATTENTION OF THE FRC

Institute of Internal Auditors-Australia

AUDITOR DISCIPLINARY ACTIVITIES/MATTERS RELEVANT TO THE FRC OBJECTIVES

Please provide the following supplementary information requested by the FRC.

- Do you think the FRC is fulfilling its objectives? Why/why not? The IIA-Australia believes the FRC is primarily focussed on external auditing and assurance, and should also consider the benefits of promoting internal audit as the third line of defence. The key issue is that practitioners are claiming to have internal audit experience, and in many cases they are external auditors, who are not suitably qualified and do not follow the only applicable standard, The Internal Standards for the Professional Practice of Internal Auditing. Internal audit profession is self-regulated and relies on organisations to ensure its employees, or out-sourced consultants follow the standards in undertaking their roles. The FRC can assist by putting the internal audit function front and centre of the debate.
- The Institute of Internal Auditors – Australia believes that the FRC is fulfilling its objectives insofar as financial statement reporting and external auditing is concerned. However, we believe more can be done. Part 12 of the Act Section 224 (a) (iii) relates to financial information that is relevant to assessing performance. Internal auditors play a key governance role in protecting and adding value to organisations. More attention should be given by financial accountants on the work of internal auditors, particularly around assessing organisational performance.
- Given audit quality remains an ongoing issue, what specifically about audit quality do you believe is not reaching this quality threshold?

The FRC is monitoring global and local developments in Sustainability Reporting and Assurance and is considering policy implications for Australia. Do you have any specific matters you would like to emphasise for the attention of the FRC? The FRC should consider the global application of the internal audit function, and how this growing each year. The Institute of Internal Auditors – Australia believes the FRC should closely



monitor the work of the International Sustainability Standards Board and acknowledge the role that internal auditors will perform in providing assurance around the achievement of ISSB standards.



INTERNATIONAL DEVELOPMENTS

DESCRIPTION

The attachment provides a summary of key recent media releases by international financial reporting bodies and other stakeholders.

ACTION

- For noting.

RECENT MEDIA RELEASES

International Sustainability Standards Board

- On 27 April 2022, the International Sustainability Standards Board (ISSB) [announced](#) it had formed a working group of jurisdictional representatives to establish a dialogue for enhanced compatibility between the ISSB's exposure drafts and ongoing jurisdictional initiatives on sustainability disclosures.
- The ISSB will create a new advisory body, the Sustainability Advisory Forum, during the next quarter to facilitate regular dialogue with, and high-level advice from, a broad set of jurisdictions.

US Securities and Exchange Commission

- On 21 March 2022, the US Securities and Exchange Commission [released](#) proposed rules that would require registrants to provide certain climate-related information in their registration statements and annual reports, and certain climate-related financial metrics in their audited financial statements.

European Commission (EU)

- The European Commission (EU) consulted on its [Corporate reporting – improving its quality and enforcement](#) initiative, which aims to improve the quality of corporate reporting and its enforcement by addressing shortcomings in the current eco-system.

International Auditing and Assurance Standards Board

- On 7 April 2022, the International Auditing and Assurance Standards Board (IAASB) released its [International Standard on Auditing \(ISA\) 600 \(Revised\)](#), which addresses special considerations that apply to audits of group financial statements. It strengthens the auditor's responsibilities related to professional scepticism, planning and performing a group audit, two-way communications between the group auditor and component audits, and documentation. The revised standard becomes effective for audits of group financial statements beginning 15 December 2023. The AUASB has released its [Consultation Paper on Proposed Group Audit Standard \(ISA 600\)](#) for comment.
- On 5 May 2022, the IAASB issued non-authoritative guidance, [The Fraud Lens – Interactions between ISA 240 and other ISAs](#) illustrating the relationship between International Standard on Auditing (ISA) 240 and other ISAs when planning and performing an audit engagement and reporting.

Financial Reporting Council UK

- On 14 April 2022, the UK Financial Reporting Council opened [consultation](#) on [proposed Public Interest Entity Auditor Registration Regulations](#). The consultation closed on 26 May 2022.

International Ethics Standards Board for Accountants

- On 11 April 2022, the International Ethics Standards Board for Accountants (IEASBA) [released](#) a revised definition of a public interest entity (PIE), which specifies a broader

list of categories of entities as PIEs whose audits should be subject to additional independence requirements. The revised definition will become effective for audits of financial statements from 15 December 2024.

International Federation of Accountants

- IFAC released the [*Auditing Accounting Estimates: ISA 540 \(Revised\) Implementation Tool*](#) to help auditors implement the IAASB's International Standard on Auditing 540 (Revised).



SUSTAINABILITY REPORTING

DESCRIPTION

Attached is the:

- International Public Sector Accounting Standards Board media release regarding its launch of a global consultation on developing a sustainability reporting framework for the public sector
- International Financial Reporting Standards (IFRS) Foundation call for candidates to the Sustainability Standards Advisory Forum.

ACTION

- Justin Williams to provide update.

Having trouble viewing this email? [View the online version here.](#)



FOR IMMEDIATE RELEASE

ADVANCING PUBLIC SECTOR SUSTAINABILITY REPORTING: IPSASB LAUNCHES GLOBAL CONSULTATION

Comments are due September 9, 2022

(New York, New York, May 9, 2022)

While there has recently been significant progress towards the development of a global baseline for sustainability reporting in the private sector, public sector sustainability reporting has yet to move forward in the same way. Governments are significant in expenditure and employment terms in all jurisdictions, as well as in the global bond market. How and where they spend the money they raise through the taxes everyone pays will therefore be critical in successfully delivering the United Nation's Sustainable Development Goals (SDGs), and making meaningful progress on climate change. As a result of expected differences in focus and coverage compared with the private sector, global public sector sustainability reporting guidance will be required to bring the necessary transparency and comparability to government activities in this important area.

In response to stakeholder demand, including from the [World Bank](#), today the International Public Sector Accounting Standards Board® (IPSASB®) launched a global consultation on developing a sustainability reporting framework for the public sector. To kick-off the discussion, the IPSASB has issued its [Consultation Paper, Advancing Public Sector Sustainability Reporting](#). Comments are requested by September 9, 2022.

"The IPSASB has the experience, processes, and relationships to develop global public sector sustainability reporting guidance efficiently and effectively," said Ian Carruthers, IPSASB Chair. "We are ready to take on this responsibility, and the consultation paper we released today outlines how we would tackle this critical work through collaboration with others, and building on our 25 years of standard setting experience."

The aim of the public consultation process is to evaluate the demand from stakeholders for global public sector specific sustainability reporting guidance, as well as the degree of support for IPSASB developing such guidance, the priority areas for coverage, and how this might be approached.

[Within this consultation paper](#), the IPSASB proposes to:

- Serve as the standard setter for global public sector specific sustainability reporting guidance, drawing upon its experience, processes and global relationships.
- Develop initial guidance focused on the topics of general disclosure requirements for sustainability-related information and climate-related disclosures by drawing on the initial work of the newly formed International Sustainability Standards Board in these areas.
- Approach guidance development at an accelerated pace, with a potential for releasing initial guidance by the end of 2023.

To this end, strong stakeholder support and commitment are essential. The consultation paper lays out what the IPSASB believes is necessary to get started now, and the resources, including additional funding, required, to deliver public sector specific sustainability reporting guidance, in a timely manner.

How to Comment

Visit the [IPSASB's website](#) to access the [Consultation Paper](#). Comments are requested by September 9, 2022. The IPSASB encourages IFAC members, associates, and Network Partners to promote the availability of this Consultation Paper to their members and employees.

About the IPSASB

The International Public Sector Accounting Standards Board (IPSASB) works to strengthen public financial management globally through developing and maintaining accrual-based International Public Sector Accounting Standards® (IPSAS®) and other high-quality financial reporting guidance for use by governments and other public sector entities. It also raises awareness of IPSAS and the benefits of accrual adoption. The Board receives support from the Asian Development Bank, the Chartered Professional Accountants of Canada, the New Zealand External Reporting Board, and the governments of Canada and New Zealand. The structures and processes that support the operations of the IPSASB are facilitated by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please go to [permissions](#) or contact permissions@ifac.org.

About the Public Interest Committee

The governance and standard-setting activities of the IPSASB are overseen by the Public Interest Committee (PIC), to ensure that they follow due process and reflect the public interest. The PIC is comprised of individuals with expertise in public sector or financial reporting, and professional engagement in organizations that have an interest in promoting high-quality and internationally comparable financial information.

Contact:
Stephanie Whited
Manager, Communications
+1 212 286 9344
stephaniewhited@ipsasb.org

Prepared by IFAC's Communications Department. Contact communications@ifac.org for further information.
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Code for Mailchimp

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    text-decoration: none;
  }
</style>
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Verdana,sans-serif">Having trouble viewing this email?</span>
```

30 May 2022

Sustainability Standards Advisory Forum—Call for candidates

The IFRS Foundation (Foundation) invites nominations of candidates for membership of the [Sustainability Standards Advisory Forum \(SSAF\)](#). Relevant jurisdictional and regional bodies may nominate themselves or another eligible organisation.

The SSAF will be established in 2022. The advice of its members will help the International Sustainability Standards Board (ISSB) to develop IFRS Sustainability Disclosure Standards. Resources about the SSAF, including the [Terms of Reference](#) and the [Memorandum of Understanding](#), are available on the SSAF page.

Candidates for membership

The SSAF will comprise 12-16 non-voting members, represented by 12-16 individuals, plus the Chair. The Chair or the Vice-Chair of the ISSB acts as the Chair of the SSAF. To ensure a broad geographical representation and balance of the major economic regions in the world, the 12 to 16 members shall be from the following geographical regions:

- one member from Africa;
- three members from the Americas (North and South);
- three members from the Asia/Oceania region;
- three members from Europe (including non EU); and
- six members appointed from any area of the world at large, including international organisations, subject to maintaining overall geographical balance.

A minimum of four members of the SSAF will be representatives of emerging economies.

Membership of the SSAF is open to all relevant jurisdictional and regional bodies with existing expertise in sustainability-related reporting relevant to the development of IFRS Sustainability Disclosure Standards that are interoperable with jurisdictional sustainability-related reporting requirements.

Candidates for membership are asked to confirm that they would be willing to sign and agree to the Memorandum of Understanding with the Foundation, and, in particular, to provide the required commitments as set out in Section 2 of that document based on the Terms of Reference. The SSAF Terms of Reference have been informed in consultation with a working group of jurisdictional bodies. For its part, the Foundation confirms that it will formally meet the commitments set out in Section 3 of the Memorandum of Understanding.

Criteria for membership

Candidates should explain how they meet, or plan to meet, the criteria for membership in support of the commitments set out in the Memorandum of Understanding. In particular, any candidate should demonstrate:

- its technical competence—in other words, that it has the necessary technical resources, including human capital resources with standard-setting expertise, technical experience and practical knowledge of financial reporting issues, to enable it to contribute meaningfully and participate actively in substantive technical discussions; and
- the scale, degree and expertise of the resources available to the candidate that will enable it to participate as an active member of the SSAF, including an ability and willingness to fund the travel and accommodation costs of representatives and to devote sufficient time and other resources, where necessary, to the preparation of material for SSAF meetings; and
- the candidate's knowledge and experience of sustainability-related reporting at a jurisdictional and regional level and awareness of jurisdictional and regional developments that are relevant to the interoperability of IFRS Sustainability Disclosure Standards with jurisdictional requirements to meet wider stakeholder information needs.

Nominations

Nominations and applications are invited by 11 July 2022. They should be sent to the following email address: issbprojects@ifrs.org. Membership will be on the basis of organisational representation. Candidate organisations are required to select a single designated individual who will be their representative on the SSAF. The individuals should meet the criteria set out in paragraph 2.2.3 of the Terms of Reference.

Process for selection

Candidates will be selected on the basis of a geographical balance, the membership criteria and other factors referred to above. The Foundation will consider all candidates for selection by taking these issues into account. The final selection of members of the group will be made by the Trustees of the Foundation, having taken advice from the ISSB Chair and Vice-Chair.

Share



Related information

- [IFRS Sustainability Standards Advisory Forum](#)
- [International Sustainability Standards Board](#)

Followable tags

- Sustainability disclosure standards

Related news

- [IFRS Foundation and VRF vote to approve consolidation from 1 July](#)
- [June 2022 Due Process Oversight Committee agenda and meeting papers available](#)
- [June 2022 joint Capital Markets Advisory Committee and Global Preparers Forum agenda and meeting papers now available](#)
- [IFRS Foundation Trustees appoint four further members to the International Sustainability Standards Board](#)
- [April 2022 IFRS Advisory Council meeting summary now available](#)

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ITEM 7C
2 JUNE 2022

AUSTRALIAN BUSINESS REPORTING LEADERS FORUM – INTEGRATED REPORTING FRAMEWORK

DESCRIPTION

Report by Project Executive of the Australian Business Reporting Leaders Forum.

ACTION

- Michael Bray to report.

The IRFS Foundation Announcement on the Future of the Integrated Reporting Framework

Briefing for Australian Financial Reporting Council

2 June 2022



**INTEGRATED
THINKING
PRINCIPLES**

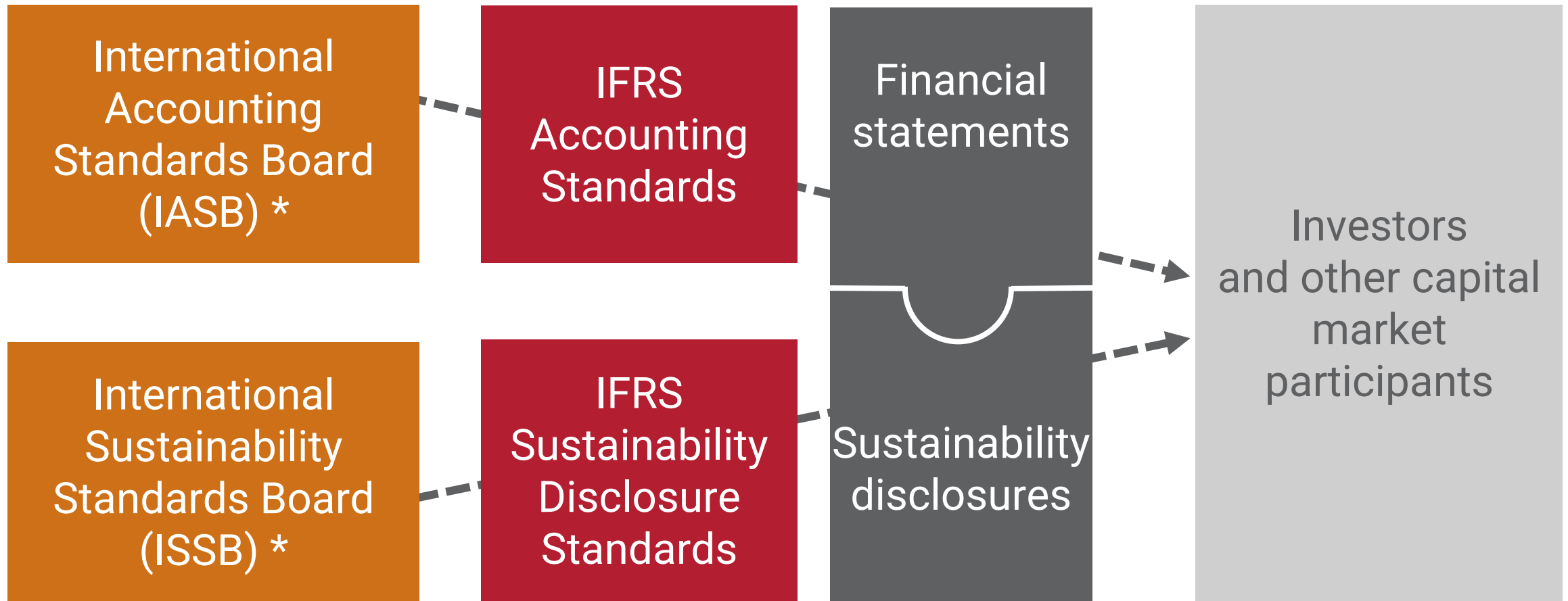


**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**

Compatible standards to meet investors' needs



* Integrated Reporting Council advise IASB and ISSB on connectivity via fundamental concepts/guiding principles of integrated reporting



[Home](#) > [News and events](#) > [News](#) > [Integrated Reporting—articulating a future path](#)

25 May 2022

Integrated Reporting—articulating a future path

As we are progressing with the Value Reporting Foundation (VRF) consolidation process, and after the [IFRS Foundation clarified its plans for the SASB Standards](#), the International Accounting Standards Board (IASB) Chair Andreas Barckow and International Sustainability Standards Board (ISSB) Chair Emmanuel Faber have communicated plans for the future role, governance and development of the VRF's [Integrated Reporting Framework](#) and [Integrated Thinking Principles](#). These plans and the future role of the Integrated Reporting Council in the IFRS Foundation are as follows:

The Integrated Reporting Framework

- The Integrated Reporting Framework will become part of the materials of the IFRS Foundation.
- The Integrated Reporting Framework will initially be positioned as a voluntary resource for preparers and have a prominent place on the Foundation's website.
- The IFRS Foundation and the Chairs of the IASB and ISSB actively encourage the continued adoption of the Integrated Reporting Framework by preparers.

Related information

[International Accounting Standards Board](#)

[International Sustainability Standards Board](#)

Followable tags

- Sustainability disclosure standards
- Strategy and governance

Integrated reporting resources to be leveraged in following ways

Integrated Reporting Framework

IASB and ISSB will jointly own the Framework and their leadership will be responsible for its future development

Governance and resourcing

A dedicated staff team, with support from both Boards, will be responsible for transitioning the Framework into official IFRS Foundation literature

Integrated Thinking Principles

The IASB and ISSB will encourage the continued development and use of the Principles, which will have a prominent place on the IFRS Foundation website

Integrated Reporting & Management Commentary

Integrated Reporting and Management Commentary will be more strongly aligned, with key principles and concepts from the IR Framework becoming core features of an evolved corporate reporting framework

Integrated Reporting Council

The Council will be repositioned as an advisory body to the IFRS Foundation Trustees and both Boards on connectivity and integrated reporting

Encourages use

The IASB and ISSB will encourage continued use of the Framework to drive high quality corporate reporting and connectivity between accounting and sustainability disclosure standards



Other Aspects of IFRS Foundation June Announcements on <IR> Framework

Encouraging Integrated Reporting

- **Connectivity:**
 - Description of *The Business* and between financial and non-financial metrics
 - Emphasises consistency and connections between financial statements and sustainability-related financial disclosure
- **Location:**
 - Sustainability information included in general purpose financial reporting targeted at investors
 - Such as an integrated report
- **Frequency:**
 - Proposes that financial statements and sustainability-related financial information be reported at the same time

Responding to the consultation



Value Reporting Foundation believes ISSB Exposure Drafts address market needs:

- Secure final positioning of SASB Standards and Integrated Reporting Framework
- Set course for future IFRS Sustainability Disclosure Standards
- Demonstrate market support for global baseline approach.
- For users of SASB Standards and/or Integrated Reporting Framework, we have identified some key areas you may consider in your response to consultation

Integrated Reporting Framework

The following questions within the General Requirements Consultation will be important to current users or preparers of integrated reports:

- **Connected information** (Q6): Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?
- **Frequency of reporting** (Q9): Do you agree with proposal that sustainability-related financial disclosures would be required at same time as financial statements?
- **Location of information** (Q10): Do you agree with proposals about location of sustainability-related financial disclosures? Why or why not?
- **Costs benefits and likely effects** (Q16): Do you have comments on likely benefits of implementing proposals and likely costs of implementing?

Other areas to consider

- **Statement of compliance** (Q12) – users of integrated reports tell us they value reports being signed by those charged with governance, as it helps deliver transparency and accountability. This may be an area to highlight in your response when responding to question on *statement of compliance*
- **Core Content** (Q4) - a key benefit of integrated reporting is articulation of business model – and inputs, outputs and outcomes of capitals. You may encourage IFRS Foundation to provide further guidance around business model. Crucial for demonstrating connection between sustainability and financial information
- **Conciseness** – General Requirement Exposure Draft acknowledges importance of avoiding duplication. A key benefit of integrated reporting is conciseness. We recognise challenge to balance conciseness with completeness - you may choose to emphasise need for further guidance on this within your response

IFAC / Institute of Internal Auditors New Paper



Paper released contemporaneously with IFRS Foundation <IR> Framework Announcement:

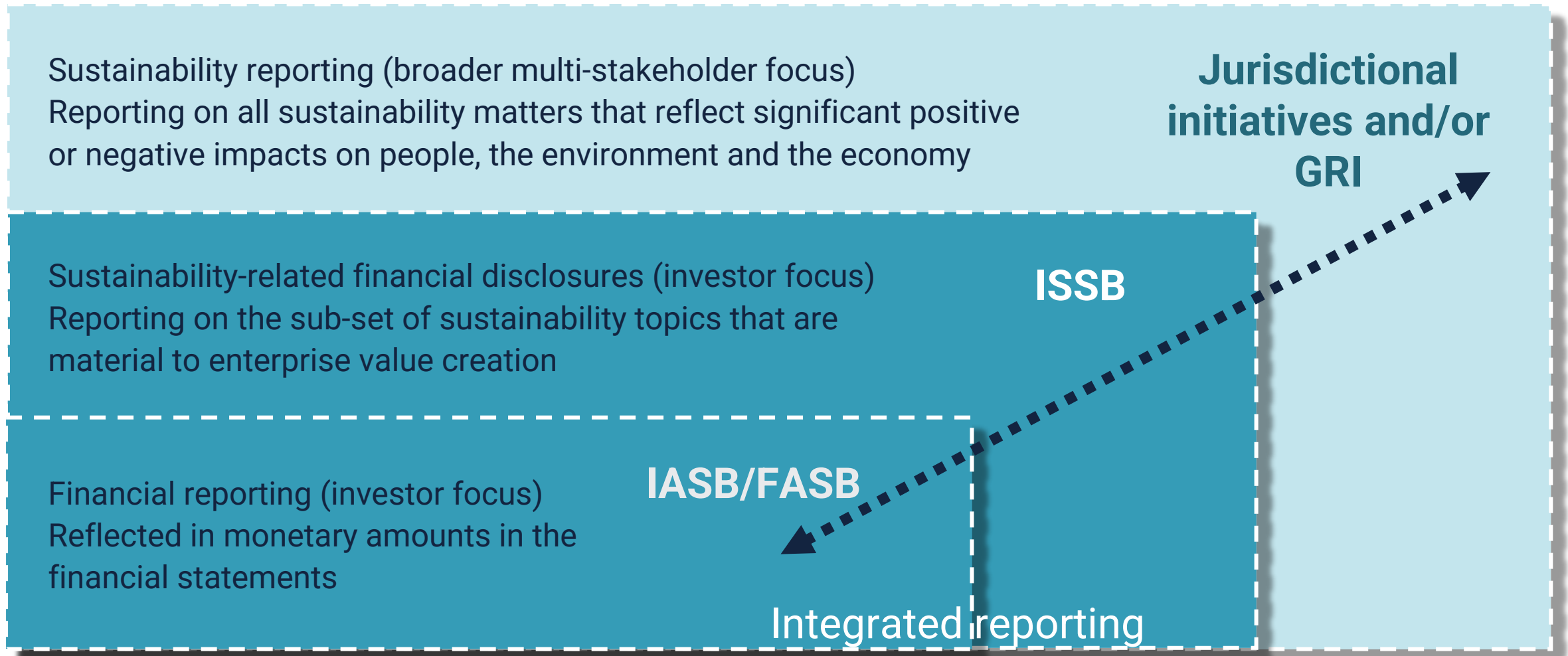
IFAC Press Release [Boards of Directors have a critical governance role in enhancing confidence in integrated corporate reporting | IFAC:](#)

“[The IFRS Foundation’s announcement](#) on the future of integrated reporting and the International Integrated Reporting <IR> Framework confirms that the International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB) will assume responsibility for the <IR> Framework from July,” said **Kevin Dancey, IFAC CEO**. “Within the IFRS Foundation, the Framework will be further developed to help companies prepare an integrated report and support connectivity between the reporting required by the IASB and the ISSB. This installment of IFAC’s integrated reporting assurance series shows how directors can deliver confidence in integrated reporting through coordinated and connected internal and external assurance activities.”

- The board responsibility statement and integrated reporting process
 - Reporting strategy, the integrated report, the integrity of the integrated report and integrated reporting process
 - Integrated thinking and integrated reporting assurance
 - Nedbank example
- The three lines model – supports delegation and proper segregation of responsibilities
 - The Institute of Internal Auditors *Three Lines Model*
 - The three lines model and the integrated reporting process
 - Example assurance responsibilities across the three lines
- The Combined (Internal) Assurance Report
 - Example content
 - Basis of Preparation and Presentation
- Challenges for boards in establishing integrity of corporate reporting processes
 - Corporate governance and integrated reporting are not always closely connected
 - Assurance is not always seen as a core component of the reporting strategy
 - Boards do not always ensure that integrity of integrated reporting process is tested
- What does integrated reporting assurance mean for stakeholders in the corporate reporting ecosystem?
 - The Internal Audit Profession
- Link to ASX Corporate Governance Recommendation 4.3 in Australia



Compatible standards and global baseline approach



IFRS Sustainability Disclosure Standards will focus on investor needs but will be compatible with jurisdictional requirements to meet broader stakeholder-information needs.

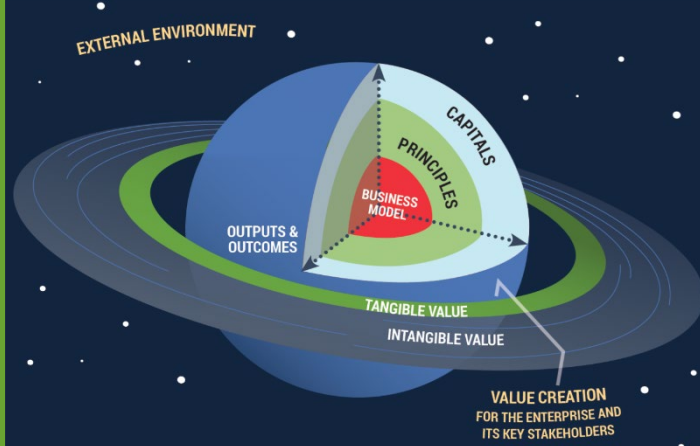


Future work program

- Integrated Reporting Framework – long-term vision
 - Market guidance for boards and executives
 - Conceptual Framework
 - Integrate Management Commentary
 - Connect IASB and ISSB
 - GRI
- Intangibles
- Assurance connectivity



INTEGRATED THINKING PRINCIPLES



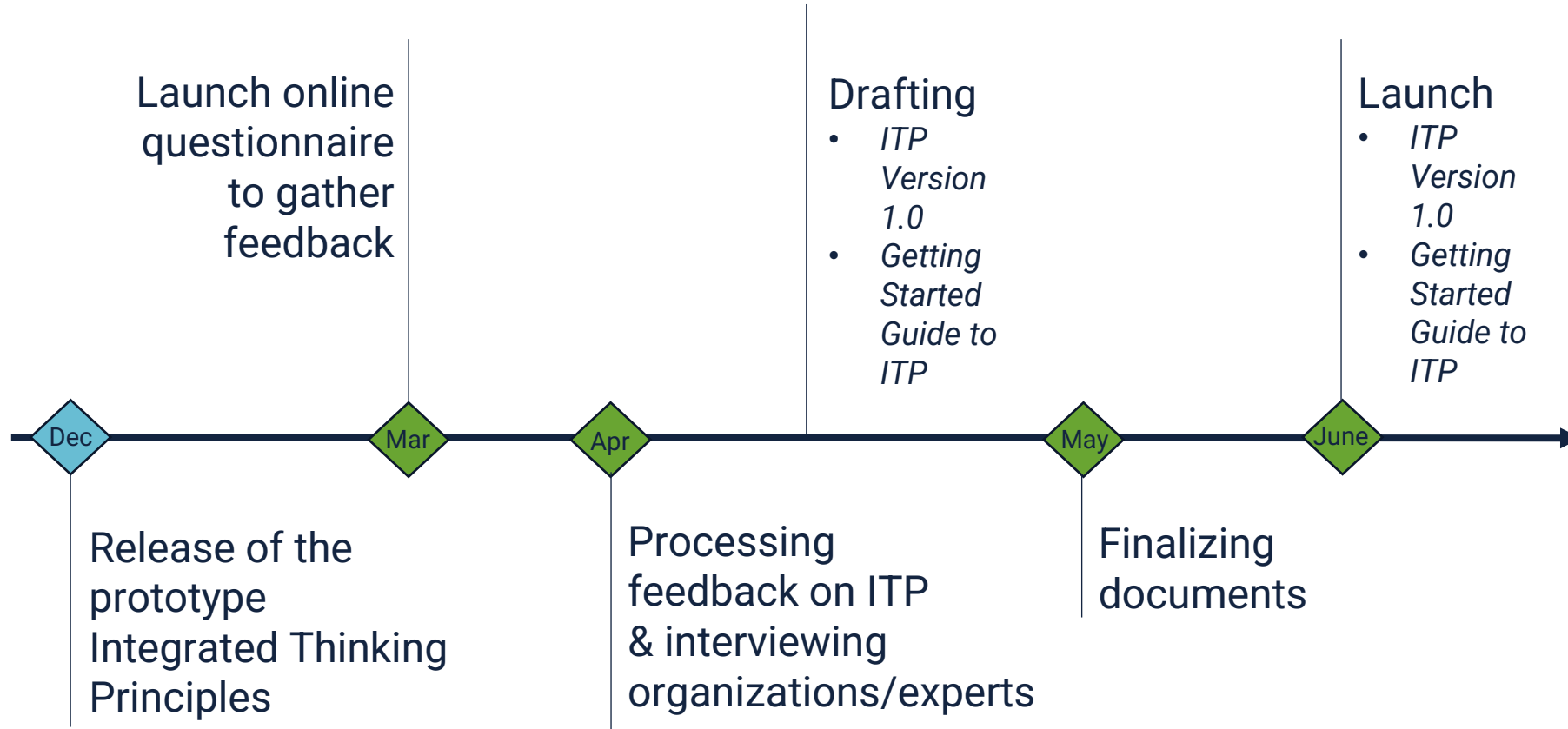
The prototype Integrated Thinking Principles

Business benefits from integrated thinking



Timeline of the Integrated Thinking Principles

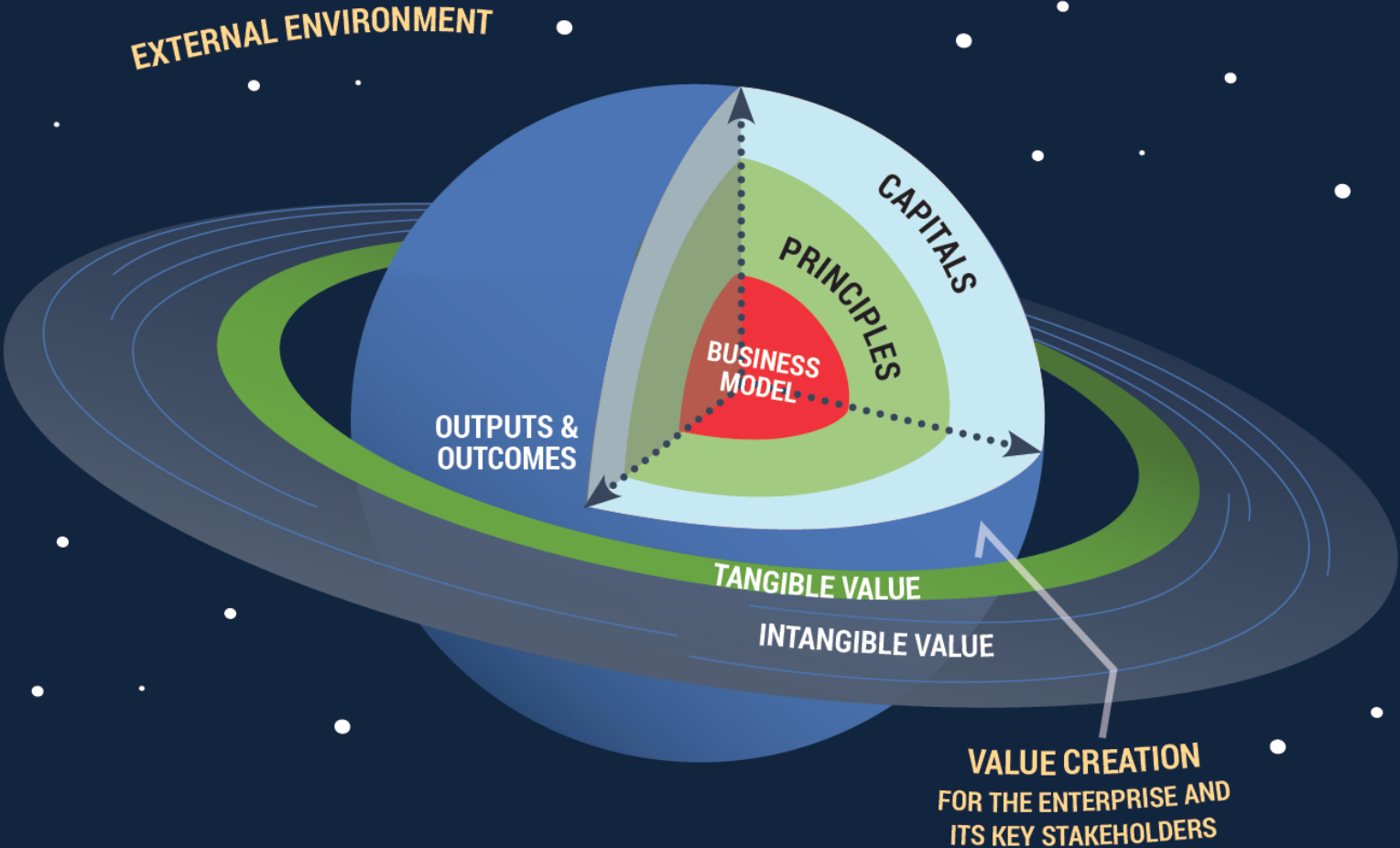
Released in December 2021 during VRF's Annual Symposium and since downloaded more than 3,000x.



◆ 2021
◆ 2022



Figure 1. How the Integrated Thinking Principles support value creation



THE CAPITALS

- FINANCIAL
- MANUFACTURED
- INTELLECTUAL
- HUMAN
- SOCIAL AND RELATIONSHIP
- NATURAL

THE PRINCIPLES

- PURPOSE
- STRATEGY
- RISKS & OPPORTUNITIES
- CULTURE
- GOVERNANCE
- PERFORMANCE

Level 1: The Principles



Level 1: The Principles

PURPOSE

How do we make a unique contribution to the needs of society and why do we exist?

STRATEGY

How does our organization seize opportunities, mitigate risks and maximize the resources available to us to meet the needs of our customers through the products we make and the services we provide, whilst generating a financial surplus?

Business Model

*Creating value today,
sustaining value tomorrow**

Level 2: Assessment

PURPOSE

Our organizational purpose is unique and clearly articulated. It is brought to life in the interactions of our leadership, management, staff, customers, suppliers, host governments and local communities.

STRATEGY

We scan the horizon for strategic opportunities.

We have identified our strategic objectives and gauged how their achievement will enable us to achieve our purpose and contribute to the SDGs.

Our sustainability priorities are aligned with our business strategy.

We understand how the material issues associated with our business model affect our ability to execute our strategy.

We understand how our products and services meet our customers' needs.

We consider how our strategic actions affect our broader stakeholders.

We generate competitive advantage through our innovation, unique insights and perspectives, and our ability to bring our products and services to market in an effective and efficient way, whilst also generating a financial surplus.

Business Model

*Creating value today,
sustaining value tomorrow**

Level 3: Operationalizing the Principles

key business processes and critical activities

PURPOSE

- Our organizational purpose is motivational and the North Star for how we conduct our business.
- Our Board routinely reviews whether our company's decision-making and resource allocation are consistent with our purpose.
- Our purpose is as relevant on the shop floor as it is in the Boardroom, as well as amongst our key external business partners and broader stakeholders.

STRATEGY

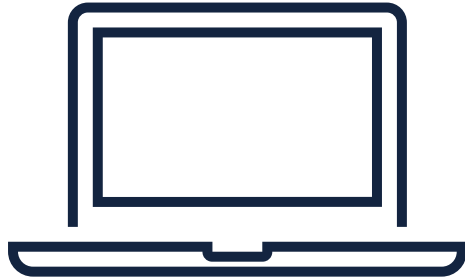
- The executive team identifies future opportunities for our organization during our strategic planning process.
- Our strategy and strategic objectives are clearly defined, forward-looking and responsive to longer-term drivers of value creation, such as technological, societal and climate change.
- Our strategy and strategic objectives are aligned with the distinct contribution our organization can make to the SDGs.
- Our sustainability priorities have been identified through an objective process and reinforce our business strategy.

- The executive team regularly assesses whether the achievement of our strategic objectives is helping us achieve our purpose.
- We undertake a periodic assessment of our material issues and have assessed how these may affect our ability to execute our strategy.
- The strategic opportunities presented by our operating environment, including in our supply chain and broader value chain, are regularly assessed by the executive team.
- We invest in innovative products and services and nurture a culture of innovation through our purpose and values.
- We manage our operations efficiently, taking account of all our dependencies and impacts on our material capitals.

Business Model

*Creating value today,
sustaining value tomorrow**

How to comment on the ISSB proposals?



Survey

or



Comment letter

Visit:
[ifrs.org/projects/
open-for-comment/](https://ifrs.org/projects/open-for-comment/)

Comments are published on ifrs.org





REPORT BY XRB

DESCRIPTION

Report by Chair of the External Reporting Board of New Zealand

ACTION

- Michele Embling to report.



FRC ACTION IN RESPONSE TO IDENTIFIED THEMES

DESCRIPTION

On 10 December 2022, FRC members discussed issues which could influence the financial reporting system. As part of this discussion, members identified the following themes:

- resourcing, capability and attractiveness of the profession
- cyber security
- impact investing
- global economic environment, COVID-19 recovery and impact on supply chains.

Members discussed actions the FRC could take with respect to the identified themes. In light of time constraints, discussion of FRC action in response to impact investing and the global economic environment was deferred to the next meeting.

A summary of key points raised the discussion on 10 December 2022 is included in the attachment to this paper.

ACTION

- Identify action (if any) the FRC could take with respect to the identified emerging issues of impact investing and the global economic environment.

KEY POINTS RAISED IN RELATION TO IDENTIFIED EMERGING ISSUES IN THE FINANCIAL REPORTING SYSTEM

RESOURCING, CAPABILITY AND ATTRACTIVENESS OF THE PROFESSION

Nature of the issue

- Talent attraction and retention is an increasing challenge both for preparers of financial reports and audit profession more broadly and is a particular challenge in the public sector.
 - At some point, this issue could adversely affect the quality of financial reporting and audits.
- A key driver of the issue is immigration, with an inability for firms to recruit overseas contractors. Members considered this to be a long term driver of talent attraction and recruitment challenges, rather than a short term result of COVID-19 travel restrictions.
- Members discussed whether the increased complexity of the financial reporting environment reduced the attractiveness of the accounting and auditing professions, as well as non-executive directorships and other sectors of the finance industry.
 - The number of people with deep knowledge of the complex financial reporting landscape has diminished, and fewer people are seeking to become preparers of financial reports, core business team members, or accountants.
- The skill sets required in the profession are changing, including because of digital financial reporting. This could dilute or stretch the people and skillsets available in the profession. Further, the threat of automation may have contributed to people turning away from the accounting and finance professions.
 - The attractiveness of the profession to younger recruits could be enhanced because of the move towards extended external reporting. However, this may diminish the supply of talent to financial statement preparation and audit.
- In emerging out of the pandemic, the financial system will face new and unknown risks, including to its resilience. This will require further stress testing, particularly in 'second tier' firms.
- Public sector accounting is less attractive than the private sector for finance professionals, including because work in the public sector is not promoted through universities.
- Australia may experience a similar phenomenon to the 'Great Resignation' in the United States, in which experienced leaders may leave the profession alongside the existing challenges of attracting and retaining new entrants.

Potential role for FRC

- Seek better information through stakeholder reports, including by asking specific questions on stakeholder activities on talent attraction activities.

- Encourage professional accounting bodies in particular to report on their activities, to develop a better understanding of potential gaps for FRC action. Potentially, ask the professional accounting bodies to present on the staffing and resourcing issues raised.
- Seek data to identify whether there is a current or anticipated future gap or other problem. Such data could include:
 - the number of auditors and finance professionals in the industry, their level of seniority, and the number of entities requiring staff
 - the number of people applying to start a career in the profession
 - number of students choosing finance as a field of study and the portion of these who could be streamed into public sector accounting
 - data on whether the reality of the accounting experience meets expectations of entrants into the profession.
 - trends in membership of professional accounting bodies
- Data sources could include:
 - Commissioned research into the content of finance degrees, particularly whether they are defocusing on necessary skills for financial reporting in a complex world. This could provide a baseline of how much of the talent and resourcing problem is attributable to quality and volume of potential recruits.
 - Literature on the Great Resignation, which may include references to organisations collecting relevant data.
 - Organisations which conduct employment engagement surveys.
 - Professional accounting bodies.
 - University and school counsellors.

GLOBAL ECONOMIC ENVIRONMENT, COVID-19 RECOVERY AND IMPACT ON SUPPLY CHAINS

- After decades of low inflation, many accounting and auditing profession leaders will not have experience of the issues arising in a higher inflation environment. Current global supply chain issues also give rise to other auditing and accounting challenges.
- The accounting and auditing profession has a very big role in these circumstances, as assurance and transparent reporting become highly relevant.
 - However, it may also have implications for the audit expectation gap, including questions about what an audit is, what is meant by audit quality, and what the expectation is with respect to audits.

CYBER SECURITY

Nature of the issue

- Cyber remains a clear and present risk to the financial reporting system. Some of this risk may be mitigated with growing maturity of systems.

- There is a question about what users of financial information expect about cyber breaches. It is not typically a matter for an accounting or auditing standards.
 - The FRC continues to support the need for robust minimum controls which enhance firms' resilience to cyber risk.
- The cyber risk to each company and industry will be different.
 - With cyber breaches becoming common, they are less of a reputational risk for businesses.
 - Industry benchmarking on resourcing for cyber resilience requires businesses in the industry to assess whether their IT expenses represent an underspend / overspend relative to the industry norm. This can be factored into the valuation assessment of the company.

Potential role for FRC

- The FRC should develop a communication strategy to demonstrate its view on cyber risk disclosure.
 - Given the breadth of the possible disclosure, it is necessary to rationalise the type of disclosure required.
 - Such FRC guidance should encourage companies to have controls to manage the risk and report accordingly.
- The FRC should review the work of other jurisdictions in this space.

IMPACT INVESTING

- A cohort of new entrants to the finance profession are interested in making a difference, including through impact investing. This is a fast growing and emerging space.
 - The objectives of impact investing differ from the profit motive of traditional investment. The investment style of impact investors may be geared towards objectives such as carbon emission reduction or health outcomes, rather than just returning a dividend to shareholders.
- There is a question of how the accounting and auditing standards interact with (or should interact with) the objectives and investment style of impact investors.



ITEM 8B
2 JUNE 2022

FRC COMMUNICATION STRATEGY

DESCRIPTION

As agreed by the FRC at its 10 December 2022 meeting, FRC members will consider a strategy for communicating its views, including on the need for companies to establish controls to manage cyber risk.

ACTION

- Members to discuss with a view to identifying a communication strategy for communicating its views.



IFRS FOUNDATION CONTRIBUTION

DESCRIPTION

The Australian Government's grant agreement with the IFRS Foundation is due to expire on 31 July 2022. The agreement can be extended for two future financial years.

In line with previous practice, the FRC will consider whether to recommend the Australian Government extend the grant agreement to provide a further \$1 million contribution to the IFRS Foundation in 2022-23. Further information on the IFRS Foundation and the Government's grant agreement with the IFRS Foundation is provided in the attachment. Further information can also be found in the IFRS Foundation's [2021 Annual Report](#).

If Australia stopped making contributions to the IFRS Foundation, it may undermine efforts to promote global accounting standards, and increase the amount the AASB is charged by the IFRS Foundation for the copyright to issue standards in Australia.

The contribution supports the IFRS Foundation to assist it in the development and promotion of the international financial reporting standards. It also signals Australia's commitment to the IFRS Foundation and the global harmonisation of accounting standards.

ACTION

Consider whether to recommend the Australian Government extend its grant agreement with the IFRS Foundation dated 11 December 2022 (as varied with effect from 1 August 2021), to:

- increase the value of the grant by \$1 million (exclusive of GST), bringing the total value of the grant to \$4 million (exclusive of GST), to be paid in 2022-23
- extend the term of the grant agreement for a further year, to end on 31 July 2023.

ABOUT THE IFRS FOUNDATION

The IFRS Foundation is a not-for-profit organisation which seeks to develop internationally recognised financial reporting standards. It has established the International Accounting Standards Board (IASB) and International Sustainability Standards Board to independently develop accounting and sustainability disclosure standards respectively.

The IFRS Foundation's income include voluntary contributions and revenues from the sale of publications and related activities. In 2021, the IFRS Foundation reported contributions of £17.3 million, comprising 60 per cent of its overall income, including from Australia, Canada, the European Commission, New Zealand, China, the United Kingdom and the United States. International accounting firms also contributed to the IFRS Foundation in 2021. Australia's funding relative to other countries (including from private enterprises) is set out below.

Australia's IFRS Foundation funding relative to other countries

Country	Cumulative amount raised (including contributions from private enterprise)
European Union	£3,823,589
People's Republic of China	£2,119,474
Japan	£1,864,681
United Kingdom	£1,546,000
France	£835,554
Italy	£629,656
Germany	£617,121
Australia	£561,300
Canada	£535,633
Republic of Korea	£464,370
Russia	£427,000
Netherlands	£378,591
United States of America	£376,130
Saudi Arabia	£145,324
Norway	£83,381
Brazil	£83,000
Switzerland	£82,593
Thailand	£81,251
New Zealand	£76,133
Singapore	£70,000
Indonesia	£68,000
Malaysia	£65,000
Chinese Taipei	£62,000
Hong Kong	£54,210
Portugal	£18,831
International	£17,591
Israel	£17,000
South Africa	£7,350
Kazakhstan	£7,296

Source: IFRS Foundation Annual Report 2021 (Appendices – Funding providers)

IFRS FOUNDATION GRANT AGREEMENT

The Australian Government makes an annual contribution to the IFRS Foundation of \$1 million on behalf of the FRC. The IFRS Foundation is invited to apply for a grant on an annual basis. The grant is provided as part of the Support for Markets and Business Program.

Australia's contribution to the IFRS Foundation in 2021 was delivered through a grant agreement dated 11 December 2020 (Grant Agreement) for a total grant amount of \$2 million (GST exclusive). The Grant Agreement was initially due to terminate on 31 July 2021 but included options to extend for three future financial years. Grants for future years are to be awarded based on the recommendation of the FRC and considered decision of the relevant Treasury delegate.

On 3 June 2021, the FRC recommended the Australian Government make an annual contribution of \$1 million to the IFRS Foundation in 2021-22.

The Commonwealth and the IFRS Foundation subsequently agreed to vary the Grant Agreement, such that the term of the grant was extended for a further 12 months to 31 July 2022, and to increase the value of the grant by \$1 million (GST exclusive) to a revised total of \$3 million (GST exclusive).

The Grant Agreement may now be extended for two future financial years.



ITEM 9B
2 JUNE 2022

FRC ANNUAL REPORT 2021-22 TIMELINE

DESCRIPTION

The FRC Annual Report 2021-22 will be drafted for approval out-of-session. Attached is the proposed Annual Report timeline.

ACTION

- Approve proposed timeline for 2021-22 Annual Report.

2021-22 ANNUAL REPORT TIMELINE:

Action	Responsibility	Timeline	Notes
Meet with Parliamentary Business Team	FRC Secretariat	2 June 2022	Discuss annual report tabling requirements and timing
Meet with the Creative Services Team	FRC Secretariat	28 June 2022	Discuss timelines, layout and printing cost and numbers.
Request input from key contributors	FRC Secretariat	1 July 2022	
Receive input from contributors	FRC members, AASB, AUASB, ASIC, CA ANZ, IPA, CPA Australia	22 July 2022	
Send final draft to FRC members	FRC Secretariat	17 August 2022	
Approve out of session	FRC	2 September 2022	
Send Ministerial Submission and draft to Minister	FRC Secretariat	9 September 2022	Allow until 22 September for approval
Send final copy to publications	FRC Secretariat	23 September 2022	
Despatch printed copies to Parliament House and Treasury	FRC Secretariat	4 October 2022	
Receive printed copies	Parliament House/ Treasury	6 October 2022	
Annual report to be tabled	Minister	W/c 11 October 2022	
Annual report to be uploaded to the FRC website	Treasury Digital Delivery team	W/c 25 October 2022	



APPOINTMENT OF ACTING DEPUTY CHAIR AND PSWG CHAIR

DESCRIPTION

The Chair proposes the FRC appoint Lawrie Tremaine as Acting Deputy Chair of the FRC. Mr Tremaine is currently an acting member of the FRC. He has previously served as Acting Chair of the FRC and Deputy Chair of the FRC.

The Chair also proposes the FRC appoint Tracey Carroll as the next Chair of the FRC Public Sector Working Group (PSWG). The PSWG was established to monitor financial reporting and auditing issues relevant to the public sector. It comprises members of the FRC and the public sector. The previous PSWG Chair, Stewart Walters, stepped down from the role after the end of his term on the FRC.

Mr Walters has agreed to continue to remain a member and contributor to the PSWG. He has also agreed to the NSW Government continuing to provide secretariat services to the PSWG.

ACTION

- Agree to appoint Lawrence Tremaine as Acting Deputy Chair of the FRC, from the date of this resolution until the end of his appointment as an acting member of the FRC (including any extension of the appointment).
- Agree to appoint Tracey Carroll as Chair of the FRC Public Sector Working Group from the date of this resolution until the end of her appointment as a member of the FRC (including any extension of the appointment).
- Agree to Stewart Walters remaining as a member of the FRC Public Sector Working Group.



ITEM 10A
2 JUNE 2022

NEXT MEETING AND CLOSE

DESCRIPTION

Next meeting date is 8 September 2022.

ACTION

- FRC Secretariat to identify suitable future meeting dates.