



AGENDA – 103RD FRC MEETING

Date: 8 September 2022

Time: 9.30am – 4.00pm

Location: 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 7 September 2022.

Item	Report by	Time
NON-PUBLIC SESSION		
1. Matters for non-public session*	Chair	9.30am
PUBLIC SESSION		
2. Introduction		10.00am
A. Attendees and apologies	Chair	
B. Declarations of interest	Chair	
3. Matters for noting / action		10.05am
A. Minutes of previous meeting – 2 June 2022	Chair	
B. Matters arising	Chair	
4. Oversight of Australian Standards (Accounting and Auditing) per s225(1) to s225(2A)		10.30am
A. Australian Accounting Standards Board	Keith Kendall	
B. Auditing and Assurance Standards Board	Bill Edge	
C. AASB 1049 Post Implementation Review	Justin Williams	
D. AASB and AUASB Standards Portal demo	Justin Williams	
Morning tea		11.20am

Item	Report by	Time
5. Sustainability update	Bill Edge / Keith Kendall	11.40am
A. International and Australian developments		
B. Submission to the ISSB		
C. AASB and AUASB Sustainability Reporting Project Advisory Panel - Verbal		
6. Digital reporting update	Keith Kendall	12.40pm
A. Report of initial stakeholder views - verbal		
Lunch		1.00pm
7. Emerging issues and FRC priorities		1.30pm
A. Audit Committee Chairs project update – verbal	Bill Edge / Anne Waters	
B. Talent attraction and retention update	Bill Edge / Anne Waters	
C. Australian Casino Royal Commissions and Inquiries	Bill Edge / Anne Waters	
D. FRC Auditor Disciplinary Processes	Bill Edge / Anne Waters	
E. Cyber Security	Bill Edge / Anne Waters	
F. Impact of global economic environment on reporting update verbal	Chair	
G. Initiatives in addressing talent shortage issues in Public Sector	Tracey Carroll	
8. Monitoring and influencing international developments		2.40pm

Item	Report by	Time
A. International developments B. UK Government response to Kingman, Brydon and CMA reports on Financial Reporting Matters C. XRB Update – <i>verbal</i>	Chair Bill Edge / Anne Waters Michele Embling	
9. Monitoring and influencing Australian developments		3.10pm
A. Stakeholder reports <ul style="list-style-type: none"> At the time of drafting the meeting papers, the FRC received 11 stakeholder reports and 2 responses confirming nil update from its request to 26 stakeholders. 	Chair	
10. Other business		3.30pm
A. FRC Annual Report 2021-22 Update B. Nominations Committee C. Peer Review Survey 2021 D. International Standards Setting <ul style="list-style-type: none"> Structures and Funding Australia and New Zealand representation 	Chair Chair/Bill Edge Chair Bill Edge / Anne Waters	
11. Next meeting and close		4.00pm
A. Wednesday 23 November 2022	Chair	

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



ATTENDEES AND APOLOGIES

DESCRIPTION

Attached are the attendees and apologies for this meeting.

ACTION

- For noting.

Participant	Organisation
Andrew Mills	Chair
Keith Kendall	AASB Chair
Bill Edge	AUASB Chair
Suzanne Bell	KPMG
Tracey Carroll	Department of Finance
Michele Embling	External Reporting Board NZ (XRB) Chair
Cameron McDonald	Evans and Partners

Observers	Organisation
Matthew Bowd	Treasury
Alex Mahdavi	Treasury
James Zhou	Treasury

Guests	Organisation
Lawrie Tremaine	Origin
Thea Eszenyi	ASIC
Doug Niven	ASIC
Greg Yanco	ASIC
Justin Williams	Office of the AASB and AUASB
Kimberley Carney	Office of the AASB
Anne Waters	Office of the AUASB
Kathleen John	Office of the AASB
April Mackenzie	XRB

Apologies	Organisation
Sean Hughes	ASIC
Matthew Zappulla	AUASB



ITEM 2B

8 SEPTEMBER 2022

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 1 September 2022

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
Mr Andrew Mills	Graduate, Australian Institute of Company Directors Chartered Tax Advisor (Life), The Tax Institute Fellow, Governance Institute of Australia Executive Committee Member, International Fiscal Association Australia Branch	Senior Fellow, University of Melbourne Law School Chair, Public Rulings Advisory Panel, Queensland Revenue Office Member, Risk & Compliance Committee, Independent Planning Commission of NSW Member, Tax and Transfer Policy Institute Advisory Board Member, Melbourne Law School Tax Group Advisory Board	Director and Secretary, Ajay Investments Pty Ltd Member of Ajay Superannuation Fund (SMSF) that holds interests in listed securities and PE partnerships Son is Director, KPMG Tax & Legal Services
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 Member, Chartered Accountants Australia and New Zealand	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
Mr Bill Edge	Fellow, Chartered Accountants Australia and New Zealand	Chair of the Auditing and Assurance Standards Board	Fixed payment from PricewaterhouseCoopers (PwC) Retirement Plan

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
	Fellow, Institute of Public Accountants Australia Member, New Zealand Auditing and Assurance Standards Board		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	



ITEM 3A

8 SEPTEMBER 2022

MINUTES OF PREVIOUS MEETING

DESCRIPTION

Attached are the minutes from the FRC meeting held on Thursday 2 June 2022, which were approved out of session and have been published on the FRC website.

Action items are summarised in item 3B.

ACTION

- For noting.

MINUTES

DATE: Thursday 2 June 2022
TIME: 10 am – 4 pm
LOCATION: Melbourne / Videoconference

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																														
2.A	INTRODUCTION OF NEW CHAIR The new Chair, Andrew Mills, opened the meeting and introduced himself.																														
2.B	ATTENDEES AND APOLOGIES																														
	<table> <tr> <th>Members in attendance:</th><th>Observers:</th></tr> <tr> <td>Andrew Mills (Chair)</td><td>Matthew Bowd (Treasury)</td></tr> <tr> <td>Keith Kendall (AASB Chair)</td><td>Michael Bartlett (Treasury)</td></tr> <tr> <td>Bill Edge (AUASB Chair)</td><td>Vaishali Davé (Treasury)</td></tr> <tr> <td>Suzanne Bell</td><td>James Zhou (Treasury)</td></tr> <tr> <td>Tracey Carroll</td><td>Greg Yanco (ASIC)</td></tr> <tr> <td>Michele Embling (XRB Chair)</td><td>Sean Hughes (ASIC)</td></tr> <tr> <td>Cameron McDonald</td><td>Doug Niven (ASIC)</td></tr> <tr> <td>Lawrie Tremaine</td><td>Thea Eszenyi (ASIC)</td></tr> <tr> <td>Guests:</td><td>April Mackenzie (XRB)</td></tr> <tr> <td>Michael Bray (ABRLF)</td><td>Nikole Gyles (AASB)</td></tr> <tr> <td>Justin Williams (AASB)</td><td>Matthew Zappulla (AUASB)</td></tr> <tr> <td>Anne Waters (AUASB)</td><td>John Ngiam (CA ANZ)</td></tr> <tr> <td></td><td>Nadee Dissanayake (CPA Australia)</td></tr> <tr> <td></td><td>Tiffany Tan (CPA Australia)</td></tr> </table>	Members in attendance:	Observers:	Andrew Mills (Chair)	Matthew Bowd (Treasury)	Keith Kendall (AASB Chair)	Michael Bartlett (Treasury)	Bill Edge (AUASB Chair)	Vaishali Davé (Treasury)	Suzanne Bell	James Zhou (Treasury)	Tracey Carroll	Greg Yanco (ASIC)	Michele Embling (XRB Chair)	Sean Hughes (ASIC)	Cameron McDonald	Doug Niven (ASIC)	Lawrie Tremaine	Thea Eszenyi (ASIC)	Guests:	April Mackenzie (XRB)	Michael Bray (ABRLF)	Nikole Gyles (AASB)	Justin Williams (AASB)	Matthew Zappulla (AUASB)	Anne Waters (AUASB)	John Ngiam (CA ANZ)		Nadee Dissanayake (CPA Australia)		Tiffany Tan (CPA Australia)
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2.C	<p>REGISTER OF INTERESTS</p> <p>Members confirmed the agenda items for this meeting did not give rise to a conflict of interest for any member.</p>
3	<p>MATTERS FOR NOTING/ACTION</p>
3.A	<p>MINUTES OF THE PREVIOUS MEETING – 22 SEPTEMBER 2021</p> <p>Members noted the minutes from the FRC meeting on 10 December 2021 which had been approved out-of-session.</p>
3.B	<p>MATTERS ARISING</p> <p>Members reviewed the Matters Arising (document 3B of the document pack for the 2 June 2022 meeting).</p> <ul style="list-style-type: none"> • Bill Edge provided a progress update on the proposed Audit Quality Survey and supplementary interviews of Audit Committee Chairs (item 1 of document 3B). • The Chair provided an update on engagement with the Australian Securities and Investments Commission (ASIC) regarding auditor disciplinary processes and responses to the FRC's request for further information from key stakeholders regarding auditor disciplinary processes (item 2 of document 3B). • Members discussed access to relevant data sources on resourcing, capability and attractiveness of the accounting and auditing profession (item 3 of document 3B). • Keith Kendall provided a progress update on the AASB's digital financial reporting work (item 4 of document 3B). • Bill Edge and Keith Kendall provided an update on the AASB and AUASB's work to progress climate related disclosure and reporting standards (item 6 of document 3B). • Members discussed and agreed on an approach to setting future meeting dates, including for 2023 (item 7 of document 3B). The FRC Secretariat will seek to set meetings in the first week of each quarter. • Later in the meeting, members discussed rotating the location of in-person FRC meetings. The Chair also raised the possibility of inviting stakeholders to upcoming FRC meetings based on the state in which the FRC meeting is held and where the stakeholders are based. <p>Action</p> <ul style="list-style-type: none"> • Anne Waters (AUASB) to reach out to members to request contact details for Audit Committee Chairs for the audit quality survey and supplementary interviews. • Keith Kendall to confirm the AASB's approach to seeking stakeholder input on digital financial reporting.
4	<p>OVERSIGHT OF AUSTRALIAN STANDARDS</p>
4.A	<p>PROPOSED AMENDMENTS TO AASB AND AUASB CHARTER</p> <ul style="list-style-type: none"> • Members discussed the proposed amendments to the AASB and AUASB Charter, particularly the proposed increase in each board's membership from 12 to 14 members.

	<ul style="list-style-type: none"> Members discussed the identified need for greater climate and sustainability reporting capacity at the AASB and AUASB. Members noted that while the Charter does not specify the additional members on each board must have experience in sustainability related reporting, it is intended to appoint board members with this expertise. Members noted the AASB and AUASB intended to absorb the cost of expanding their respective board memberships (being only the sitting fees for the new members) within their existing appropriations. Members observed that any sustainability reporting processes adopted in Australia would likely give rise to significant costs. Members suggested the AASB and AUASB consider these well in advance and seek additional funding if necessary. Representatives from the AASB noted the AASB would continue to revisit its funding needs as part of its conversations with Treasury ahead of future budget rounds. The Chair of the FRC Nominations Committee, Lawrie Tremaine, noted the Committee supported the amendments. Members endorsed the changes to the Charter as set out in document 4A and agreed the following additional amendments: <ul style="list-style-type: none"> clause 4.5 be amended to clarify performance reviews are conducted in respect of the relevant Board as a whole clause 5.8 to be amended to explicitly refer to 'sustainability' as a capability for board membership. <p>Action</p> <ul style="list-style-type: none"> Keith Kendall and Bill Edge to revise the AASB and AUASB Charter to include the proposed amendments to clauses 4.5 and 5.8. The Nominations Committee to review and endorse the proposed additional changes to the Charter.
4.B	<p>ACCOUNTING STANDARDS</p> <ul style="list-style-type: none"> Members discussed the report of the AASB Chair (document 4B). <ul style="list-style-type: none"> The AASB is currently conducting stakeholder roundtables in relation to its proposed five year work agenda for 2022 to 2026. The AASB intends to conduct further reviews of AASB 16 Leases following concerns raised by stakeholders in the context of the post-implementation review of AASB 1049 Whole of Government and General Government Sector Financial Statements. The AASB will engage with the Public Sector Working Group (PSWG) on the review. The AASB has received extensive feedback in response to its exposure draft consultation on the ISSB IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures.
4.C	<p>AUDITING STANDARDS</p> <ul style="list-style-type: none"> Bill Edge provided an update on the AUASB's key priorities. <ul style="list-style-type: none"> The AASB and AUASB received preliminary legal advice about the scope of their legislative mandate to develop and implement sustainability related reporting

	<p>standards before the establishment of the International Sustainability Standards Board (ISSB).</p> <ul style="list-style-type: none"> – The AUASB is currently undertaking consultation on its proposed five year work agenda for 2022 to 2026 – The AUASB is issuing guidance to auditors on the use of technology in audits. – The AUASB has issued guidance on its new and revised Quality Management Standards. <ul style="list-style-type: none"> • Bill Edge advised he is attending a meeting of the International Auditing and Assurance Standards Board (IAASB) in June. It was noted the IAASB has not yet issued a sustainability assurance standard but was likely to do so in the near future. • Members and other attendees also discussed the following matters: <ul style="list-style-type: none"> – The mandate (if any) of the FRC, AASB and AUASB with respect to climate and sustainability related reporting. – Implementing sustainability standards for assurers who are not members of accounting bodies working under different regimes. – Stakeholders involved in providing assurance in sustainability reporting, and the risk of fragmentation between sustainability reporting practitioners (such as engineers and biodiversity specialists) and financial reporting practitioners. – The need to establish a set of common requirements in relation to sustainability reporting (for example, level of education and code of ethics). <p>Action</p> <ul style="list-style-type: none"> • Members to consider whether to seek legal advice about the FRC’s mandate as it applies to extended external reporting.
5.	OVERSIGHT OF AUDIT QUALITY PER s225(2B) TO s225(2C)
5.A	<p>AUDITOR DISCIPLINARY PROCESSES</p> <ul style="list-style-type: none"> • Lawrie Tremaine provided a summary of the FRC’s work on auditor disciplinary matters so far. • Members noted that the FRC did not have sufficient evidence to conclude there was an audit quality issue in Australia. <ul style="list-style-type: none"> – However, members also noted the FRC lacks visibility and granular data on auditor disciplinary tools and actions and auditor disciplinary outcomes (including enforceable undertakings). – Members noted stakeholder reports in response to FRC requests for information suggest few reported matters result in significant disciplinary action against auditors. – Members noted ASIC’s response to a question on notice by Senator O’Neill in a hearing of the Parliamentary Joint Committee on Corporations and Financial Services on 26 November 2021. • Members agreed the FRC should refresh its 2019 <i>Auditor Disciplinary Processes: Review</i> in 2022 or 2023, to assess the gaps in the auditor disciplinary system. The review could consider auditor disciplinary processes in other jurisdictions.

	<ul style="list-style-type: none"> Members discussed the issue of attracting skilled workers to the auditing profession and whether the FRC should additionally ask stakeholders about their work to address this issue. Members discussed ASIC's audit inspection reports and audit surveillance program, noting the reports (as well as disciplinary processes triggered by complaints) are not a proxy for overall audit quality. Members noted that audits represent only one aspect of the financial reporting system, and audit quality is a product of other factors (including the quality of inputs into financial statements). <ul style="list-style-type: none"> Members discussed assessing the health of the entire financial reporting system, which would require considering factors such as management activities. Members agreed the FRC will change its expectations around stakeholder engagement, by requesting detailed reports on auditor disciplinary matters, tools and outcomes, particularly with respect to less egregious matters. <ul style="list-style-type: none"> Members discussed the potential for the FRC to use its statutory information gathering powers to collect further information from stakeholders. <p>Action</p> <ul style="list-style-type: none"> FRC to routinely submit targeted requests for information to stakeholders in relation to auditor disciplinary processes. FRC to refresh its 2019 review of auditor disciplinary processes, with support from the AUASB, which will conduct the review under the strategic oversight of the Chair and Lawrie Tremaine.
6	MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS
6.A	<p>STAKEHOLDER REPORTS</p> <ul style="list-style-type: none"> Members reviewed reports from 10 stakeholders. Members reconsidered the questions it poses to stakeholders. It was suggested the FRC send out a standard set of questions with an additional set of thematic questions. Using stakeholder responses, the FRC can then track this information over time to find patterns. <p>Action</p> <ul style="list-style-type: none"> Bill Edge to contact Michael Bray to discuss the Australian Business Leaders Reporting Forum's plans to establish an ISSB hub in Australia. FRC to develop a standard set of stakeholder questions and a set of questions developed according to a particular topic, to be sent out before the next FRC meeting.
6.B	<p>SUPPLEMENTARY INFORMATION</p> <ul style="list-style-type: none"> Members reviewed reports from 5 stakeholders in response to the FRC's request for supplementary information. Members discussed a range of issues arising from the supplementary information including: <ul style="list-style-type: none"> support by Chartered Accountants Australia and New Zealand (CA ANZ) for a separate sustainability standards board in Australia

	<ul style="list-style-type: none"> – CA ANZ’s talent survey – the desire for greater interaction with, and better recognition by, the FRC expressed by the Institute of Internal Auditors (IIA) – concerns about the capability and capacity of internal auditors, who may not have the necessary skillset and training to identify ‘red flags’, which could result in internal assurance breakdown – the Australian Business Reporting Leaders Forum proposal to establish an ISSB ‘hub’ in Australia – the sample size and risk filters used in the review by the Australian Charities and Not-for-profit Commission (ACNC) of its charity audits / review reports. <p>Action</p> <ul style="list-style-type: none"> • FRC Secretariat to draft targeted stakeholder questions to be circulated to stakeholders ahead of the next meeting. • FRC Secretariat to prepare cover sheet of stakeholders who did and did not respond to stakeholder questions, and to track stakeholder response rates over time. • Bill Edge to further investigate the findings of the CA ANZ talent survey. • The Chair to contact the ACNC to enquire about the sample size and risk filters it used in its audit reviews.
7	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
7.A	<p>INTERNATIONAL DEVELOPMENTS</p> <ul style="list-style-type: none"> • Members noted their interest in the UK Government’s response to the consultation on strengthening the UK’s audit, corporate reporting and corporate governance systems (May 2022), particularly the recommendations about internal mechanisms. <p>Action</p> <ul style="list-style-type: none"> • AUASB to review the UK Government response and provide summary and analysis at the next FRC meeting.
7.B	<p>SUSTAINABILITY REPORTING</p> <ul style="list-style-type: none"> • Justin Williams provided an update on international sustainability activities: <ul style="list-style-type: none"> – The International Public Sector Accounting Standards Board (IPSASB) launched a global consultation on public sector sustainability reporting. Members agreed the FRC would make a joint submission, with the AUASB and AASB to the consultation. It was noted that the AASB would now begin determining the scope of the submission. Members agreed to the proposed joint submission. – The ISSB has called for nominations to its Sustainability Standards Advisory Forum. The AASB sought FRC support to nominate one of its members to the Forum. AASB advised the position would incur costs for attendance at meetings. These costs would be absorbed within the AASB’s existing appropriations. Members supported the proposal.

	<p>Action</p> <ul style="list-style-type: none"> – AASB to draft joint submission on behalf of FRC, AASB and AUASB to the IPSASB global consultation on public sector sustainability reporting. – AASB to nominate one of its members to the Sustainability Standards Advisory Forum.
7.C	<p>INTEGRATED REPORTING FRAMEWORK</p> <ul style="list-style-type: none"> – Michael Bray provided a briefing on the Integrated Reporting Framework developed by the Value Reporting Foundation. – Michael Bray proposed a further conversation between the FRC, AASB, AUASB and the ISSB, which he offered to facilitate.
7.D	<p>REPORT BY XRB</p> <ul style="list-style-type: none"> – Michele Embling provided an update on the activities of the New Zealand External Reporting Board (XRB). – Bill Edge has stepped down as a member of the XRB, after making a significant contribution. Andrew Mills' appointment to the XRB is progressing. – The XRB has received the results of a stakeholder survey conducted by an external firm. The survey asked XRB's stakeholders to reflect on the XRB's performance and future challenges to the sector. The responses reflect greater visibility about the XRB and its work, bolstered by its work on climate and sustainability. Stakeholders also identified climate change as the highest impact factor on reporting over the next few years, followed by audit quality and economic factors. – Under its mandate to issue non-mandatory guidance on non-financial matters, the XRB is developing guidance on integrated reporting, which is informed heavily by the Māori community. – The XRB will release an exposure draft for three climate related disclosure standards in late July, in time to issue a final standard by December 2022.
8.	EMERGING ISSUES
8.A	<p>FRC ACTIONS IN RESPONSE TO IDENTIFIED THEMES</p> <ul style="list-style-type: none"> • Members reviewed emerging issues and themes identified at the 10 December 2021 meeting (document 8A). • Members reaffirmed the acute skills shortage experienced across the industry, particularly the public sector. Members noted work by other organisations on talent attraction and retention, including by the PSWG and the Group of 100. <ul style="list-style-type: none"> – Members discussed action the FRC could take in response and agreed the FRC would reach out to the community to obtain qualitative and quantitative perspectives on this matter. The AUASB offered to support this project. • Members discussed the heightened uncertainty in the global economic environment, including because of inflation, supply chain issues, asset prices and the energy transition. Members expressed concern the compounding of these issues presents a significant threat to the financial reporting system and audit quality.

	<ul style="list-style-type: none"> – Members discussed action the FRC could take in response, including by demonstrating to stakeholders the FRC’s focus on this issue and raising awareness. Members agreed to use the FRC’s communique to seek input from stakeholders on the impact the global economic environment has had on confidence in financial statements and auditing and accounting standards and practices. • Members discussed cyber-security, noting that this was on the agenda of every board, but that cyber risk could never be completely mitigated. If the risk is material, it is expected that it will be reported; however, the materiality of the risk will differ between reporting companies. <ul style="list-style-type: none"> – Members and attendees discussed ASIC’s cyber education program being developed jointly with the Department of Home Affairs and the Australian Prudential Regulation Authority. – Members discussed action the FRC could take in response to the cyber issue and agreed to explore the possibility of commissioning a targeted scan of public company reports to ascertain how frequently this matter is reported. • Members discussed impact investing, and decided it was not as urgent. Members agreed to keep a watching brief on the impact investing issue. • Members agreed to continue considering and returning to the list of emerging issues. <p>Action</p> <ul style="list-style-type: none"> • FRC, with the support of the AUASB to reach out to stakeholders before the next FRC meeting to gather data on the skills shortage, including stakeholder actions in response to the shortage. • FRC Secretariat to develop questions for FRC stakeholders about the talent shortage in the accounting and auditing profession, to be sent out in July. • Tracey Carroll to report on the work undertaken by the public sector on the talent shortage issue at the next FRC meeting. • FRC Secretariat to include a request for input from stakeholders on the impact of the global economic environment on financial reporting in the communique for the 2 June 2022 meeting. • Anne Waters (AUASB) to explore the possibility of commissioning a university to undertake a targeted review of financial reports to identify scale of cyber issue reporting.
8.B	<p>FRC EMERGING ISSUE COMMUNICATION STRATEGY</p> <ul style="list-style-type: none"> • Members discussed this agenda item alongside item 8A above. See above for action items.
9	<p>OTHER BUSINESS</p>
9.A	<p>INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) FOUNDATION CONTRIBUTION</p> <ul style="list-style-type: none"> • Members considered the proposal at document 9A to provide a further \$1 million contribution to the IFRS Foundation in 2022-23. • Members noted the Commonwealth has made a \$1 million yearly contributions to the IFRS Foundation for approximately 20 years.

	<ul style="list-style-type: none"> Members agreed to the recommended action in document 9A to extend the Commonwealth's grant agreement with the IFRS Foundation to contribute a further \$1 million to the IFRS Foundation in 2022-23. Members noted there are other international standard setting boards, including the International Auditing and Assurance Standards Board (IAASB), the International Ethics Standards Board for Accountants (IESBA), the IPSASB, and the ISSB. <ul style="list-style-type: none"> Members discussed the funding arrangements, including funding disparities, between the various international standard setting boards. Members agreed to review the IFRS Foundation contribution in light of the other international standard setting bodies which do not receive a Commonwealth contribution. Other relevant factors will include changes to the international framework, the relevance of international accounting standards, and local demands. <p>Action</p> <ul style="list-style-type: none"> FRC Secretariat to progress consideration of the \$1 million contribution to the IFRS Foundation in 2022-23 through Treasury approval processes. Bill Edge and ASIC to draft a paper for the next FRC meeting which sets out relevant international bodies (including standard setting bodies, the International Organization of Securities Commissions and the International Forum of Independent Audit Regulators). FRC to consider and review funding arrangements to the IFRS Foundation at the next meeting.
9.B	<p>FRC ANNUAL REPORT 2021-22 TIMELINE</p> <ul style="list-style-type: none"> Members noted the proposed timeline for the 2021-22 FRC Annual Report (document 9B). Members noted the need to reflect recommendations of the Parliamentary Joint Committee on Corporations and Financial Services in its reviews of FRC annual reports. <p>Action</p> <ul style="list-style-type: none"> FRC Secretariat to contact the Treasury Parliamentary Business Team to discuss tabling requirements and timing of the 2021-22 FRC annual report.
9.C	<p>APPOINTMENTS – FRC DEPUTY CHAIR AND PSWG MEMBERS</p> <ul style="list-style-type: none"> The Chair nominated Lawrie Tremaine to be appointed as acting Deputy Chair. Members agreed to the appointment. The Chair nominated Tracey Carroll to be appointed as Chair of the PSWG. Members agreed to the appointment. Members agreed Stewart Walters should remain as a member of the PSWG. Members discussed a resourcing shortage on the FRC. The Chair noted he intended to write to the incoming Minister for the FRC as soon as possible, in which he would raise the need for additional FRC members. <p>Action</p> <ul style="list-style-type: none"> The Chair will write to the incoming Minister to note the need for additional FRC members.

10	NEXT MEETING AND CLOSE
10.A	Next meeting date will be 8 September 2022.



ITEM 3B

8 SEPTEMBER 2022

MATTERS ARISING

DESCRIPTION

Attached are the matters arising from the FRC meeting held on Thursday 2 June 2022.

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	Anne Waters (AUASB) to reach out to members to request contact details for Audit Committee Chairs for the audit quality survey and supplementary interviews.	Anne Waters	Complete – email sent 28 June 2022 and Anne Waters to provide update at the 8 September 2022 meeting under item 7A.
2.	PROPOSED AMENDMENTS TO THE AASB AND AUSDB CHARTER	To revise the AASB and AUASB Charter to include the proposed amendments to clauses 4.5 and 5.8.	Keith Kendall / Bill Edge	Complete
		The Nominations Committee to review and endorse the proposed additional changes to the Charter.	FRC Nominations Committee	In progress – this will be considered for endorsement at the Nominations Committee meeting on 7 September 2022. Final approval of the amendments will be sought at the 8 September 2022 meeting .
3.	AUDIT DISCIPLINARY PROCESSES	FRC to routinely submit targeted requests for information to stakeholders in relation to auditor disciplinary processes.	FRC Secretariat	Completed/ongoing – auditor disciplinary questions were sent to stakeholders as part of a request for input on the 2021-22 Annual Report on 25 July 2022. The FRC Secretariat will continue to request data on auditor discipline to assist the FRC refresh its 2019

Number	Issue	Action required	Owners	Status
				<i>Auditor Disciplinary Processes: Review.</i>
		FRC to refresh its 2019 review of auditor disciplinary processes, with support from the AUASB, which will conduct the review under the strategic oversight of the Chair and Lawrie Tremaine.	Chair/AUASB	In progress – Bill Edge and Anne Waters to provide update at 8 the September 2022 meeting under item 7D.
4.	DIGITAL FINANCIAL REPORTING	Keith Kendall to confirm the AASB's approach to seeking stakeholder input on digital financial reporting.	Keith Kendall	In progress – Keith Kendall to provide verbal update at the 8 September 2022 meeting.
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	Complete – to be discussed under item 10C.
6.	STAKEHOLDER REPORTS AND SUPPLEMENTARY INFORMATION	FRC to develop a standard set of stakeholder questions and a set of questions developed according to a particular topic, to be sent out before the next FRC meeting.	FRC	Complete/ongoing – standard stakeholder report template containing supplementary questions were sent to stakeholders on 3 and 4 August 2022 The FRC will continue to send stakeholders questions in relation to particular topics before each meeting, as determined by the FRC.
		FRC Secretariat to prepare cover sheet of stakeholders who did and did not respond to	FRC Secretariat	Complete – stakeholder responses and tracker are attached at item 9.

Number	Issue	Action required	Owners	Status
		stakeholder questions, and to track stakeholder response rates over time.		
		The Chair to contact the ACNC to enquire about the sample size and risk filters it used in its audit reviews.	FRC Chair	Complete - Chair has spoken with the ACNC and will provide a verbal update at the 8 September 2022 meeting.
7.	EMERGING ISSUES	FRC members with access to relevant data sources on resourcing, capability and attractiveness of the profession to share it with other members	FRC	Complete / ongoing – FRC members to circulate any relevant material as they become available.
		FRC Secretariat to develop questions for FRC stakeholders about the talent shortage in the accounting and auditing profession, to be sent out in July. FRC, with the support of the AUASB to reach out to stakeholders before the next FRC meeting to gather data on the skills shortage, including stakeholder actions in response to the shortage.	FRC Secretariat/AUASB	Completed – refer to action item 6 above
		FRC Secretariat to include a request for input from stakeholders on the impact of the global economic environment on financial reporting in the communique for the 2 June 2022 meeting.		Completed – the Communique from the 2 June 2022 meeting was sent to stakeholders on 20 July 2022.

Number	Issue	Action required	Owners	Status
		Bill Edge to further investigate the findings of the CA ANZ talent survey.	Bill Edge	Completed – Bill Edge to provide update at the 8 September 2022 meeting under item 7B.
		Tracey Carroll to report on the work undertaken by the public sector on the talent shortage issue at the next FRC meeting.	Tracey Carroll	Completed – Tracey Carroll to provide update at the 8 September 2022 meeting under item 7G.
		AUASB to explore the possibility of commissioning a university to undertake a targeted review of financial reports to identify scale of cyber issue reporting.	AUASB	In progress – Anne Waters and Bill Edge to provide update at 8 September 2022 meeting under item 7E.
8.	EXTENDED EXTERNAL REPORTING	Members to consider whether to seek legal advice about the FRC's mandate as it applies to extended external reporting.	FRC members	In progress – Secretariat is discussing with Treasury's legal division and will report to the Chair prior to the November meeting.
		Bill Edge to contact Michael Bray to discuss the Australian Business Leaders Reporting Forum's plans to establish an ISSB hub in Australia.	Bill Edge	In progress – Bill Edge to provide verbal update at the 8 September 2022 meeting.

Number	Issue	Action required	Owners	Status
		AASB to draft joint submission on behalf of FRC, AASB and AUASB to the IPSASB global consultation on public sector sustainability reporting.	Bill Edge / Keith Kendall	In progress – sub-committee is currently considering all feedback on the draft comment letter. The final draft will be reviewed by the FRC Chair prior to submission.
		AASB to nominate one of its members to the Sustainability Standards Advisory Forum.	AASB	Completed – application submitted; the AASB will be informed of the outcome in September.
9.	INTERNATIONAL DEVELOPMENTS	AUASB to review the UK Government response and provide summary and analysis at the next FRC meeting.	Bill Edge / Anne Waters	Completed – Bill Edge and Anne Waters to provide update at the 8 September 2022 meeting under item 8B.
10.	OTHER BUSINESS	FRC Secretariat to progress consideration of the \$1 million contribution to the IFRS Foundation in 2022-23 through Treasury approval processes.	FRC Secretariat	Completed – IFRS Foundation Grant Agreement has been extended accordingly.
		Bill Edge and ASIC to draft a paper for the next FRC meeting which sets out relevant international bodies (including standard setting bodies, the International Organization of Securities Commissions and the International Forum of Independent Audit Regulators).	Bill Edge / Anne Waters	Completed – Bill Edge and Anne Waters to provide update at the 8 September 2022 meeting under Item 10D.

Number	Issue	Action required	Owners	Status
		FRC to consider and review funding arrangements to the IFRS Foundation at the next meeting.	Chair	In progress – to be considered by the FRC at the 8 September 2022 meeting under Item 10D.
11.	FRC ANNUAL REPORT 2021-22 TIMELINE	FRC Secretariat to contact the Treasury Parliamentary Business Team to discuss tabling requirements and timing of the 2021-22 FRC annual report.	FRC Secretariat	Completed
12.	APPOINTMENTS	The Chair will write to the incoming Minister to note the need for additional FRC members.	FRC Chair	Completed



ITEM 4A

8 SEPTEMBER 2022

AASB CHAIR REPORT

DESCRIPTION

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

ACTION

- For noting.

Immediate technical priorities	
Sustainability Reporting (Strategic objective 1,3 & 4)	<p>The AASB issued the ISSB Exposure Drafts on [Draft] IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and [Draft] IFRS S2 <i>Climate-related Disclosures</i> for comment in Australia as ED 321. ED 321 closed for comments on 15 July 2022.</p> <p>The AASB and the AUASB submitted a joint comment letter to the ISSB on ED [Draft] S1 and [Draft] S2.</p> <p>The AASB also published a Staff article titled 'Project insights: Developing sustainability-related financial reporting standards in Australia', which provides an overview of the AASB's proposed approach to developing sustainability-related financial reporting standards in Australia.</p> <p>The AASB, the FRC, and the AUASB will also submit a joint comment letter to the IPSASB on its Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i>.</p> <p><u>Strategic impact</u> <i>Maintain International influence and create a framework for developing sustainability-related financial reporting in Australia.</i></p>
Not-for-Profit Private Sector Financial Reporting Framework (Strategic objective 1 & 4)	<p>The AASB made a number of preliminary decisions during the period to further the development of possible Tier 3 reporting requirements. These decisions are summarised in the Not-for-Profit Private Sector Financial Reporting Framework <i>Project Summary</i>.</p> <p>A discussion paper will be issued in September 2022.</p> <p><u>Strategic impact</u> <i>Develop a reporting framework that is simple, proportionate, consistent, transparent, and cost-effective for all NFP private sector entities in Australia.</i></p>

<p>Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities</p> <p>(Strategic Objectives 1 & 4)</p>	<p>The AASB issued <i>AASB 2022-4 Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities</i>, which makes amendments to AASB 1054 <i>Australian Additional Disclosures</i> and AASB 1057 <i>Application of Australian Accounting Standards</i>. AASB 2022-4 requires the Special Purpose Financial Statements to include disclosures that inform users of the basis upon which they have been prepared.</p> <p><u><i>Strategic impact</i></u> <i>The amendments support greater transparency and comparability in the SPFS of certain for-profit private sector entities.</i></p>
<p>Income of Not-for-Profit Entities</p> <p>(Strategic objectives 1 & 4)</p>	<p>The AASB issued <i>AASB 2022-3 Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i>. The amendments insert Example 7A to illustrate how AASB 15 <i>Revenue from Contracts with Customers</i> applies to the recognition and measurement of upfront fees charged by a NFP entity to its customers or members. The amendments do not change the requirements of AASB 15.</p> <p><u><i>Strategic impact</i></u> <i>Following stakeholder feedback, the amendments clarify the accounting for certain NFP transactions to reduce diversity in practice, resulting in financial statements that better meet users' needs.</i></p>
<p>Agenda Consultation</p> <p>(Strategic objectives 1, 5 and 6)</p>	<p>The AASB ITC 46 <i>AASB Agenda Consultation 2022–2026</i>, which was issued to gather views on the potential domestic projects to be included in its work program and priorities for 2022–2026, closed for comments on 18 February 2022. At its June 2022 meeting, the Board considered the feedback received on ITC 46 and decided to:</p> <ul style="list-style-type: none"> (a) remove the following inactive projects from the work program: <ul style="list-style-type: none"> (i) remuneration reporting; (ii) crowd-sourced equity funding; and (iii) definition of fundraising; (b) retain the public sector long-term discount rates project in the work program; (c) add the following projects to the standard-setting work program: <ul style="list-style-type: none"> (i) service performance reporting; and (ii) imputation franking credit disclosures; (d) add the following projects to the research work program: <ul style="list-style-type: none"> (i) intangible assets; and (ii) going concern disclosures; and (e) monitor and influence the development of digital financial reporting as appropriate. <p>The feedback statement is expected to be published in August 2022.</p> <p><u><i>Strategic impact</i></u> <i>Develop domestic standard-setting and research priorities.</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 issued <i>AASB 2022-2 Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1</i>, which makes 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 was 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><u><i>Strategic impact</i></u></p> <p><i>Following stakeholder feedback, the amendments support the first-time preparation of GPFS by certain for-profit private sector entities.</i></p>
Medium / longer-term technical priorities	
<p>Insurance Activities in the Public Sector</p> <p>(Strategic objectives 1 & 4)</p>	<p>The comment period on the following consultation documents closed on 8 June 2022:</p> <p>(a) ED 319 <i>Insurance Contracts in the Public Sector</i>; and</p> <p>(b) 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> <p>The feedback received will be considered by the Board at a future meeting.</p> <p><u><i>Strategic impact</i></u></p> <p><i>The proposals in the ED will clarify which arrangements in the public sector should be accounted for as an insurance contract under AASB 17 Insurance Contracts. The proposals will 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 comment period for ED 320 <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i> closed on 30 June 2022.</p> <p>The feedback received will be considered by the Board at a future meeting.</p> <p><u><i>Strategic impact</i></u></p> <p><i>The proposals in ED 320 will clarify how certain AASB 13 Fair Value Measurement 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>Post Implementation Review (PIR) of domestic Standards</p> <p>(Strategic objectives 1, 4 and 6)</p>	<p>A Post Implementation Review (PIR) of the following NFP domestic topics is in progress:</p> <p>(a) Income of NFP entities;</p> <p>(b) Control/consolidation;</p> <p>(c) Definition of a structured entity;</p> <p>(d) Related party disclosures by NFP public sector entities;</p> <p>(e) SPFS compliance with recognition and measurement disclosures.</p> <p>An ITC is expected to be published in October 2022.</p> <p>A PIR of AASB 1059 <i>Service Concession Arrangement – Grantors</i> has commenced with an ITC expected to be published in September 2022.</p> <p>In June, the AASB also commenced PIR's of other selected domestic public sector pronouncements.</p> <p><u><i>Strategic impact</i></u></p> <p><i>A PIR considers if the pronouncement was fit for purpose, including if it was effective and efficient. A PIR also offers AASB the opportunity to ensure that a pronouncement is operating as intended and remains appropriate and proportionate.</i></p>
<p>Key events, meetings or forums led by or attended by AASB in the last period.</p> <p>(Strategic objectives 4 & 6)</p>	





Type of Event	Subject Matter	No. of Attendees
Roundtable	Two Melbourne in-person roundtables on ED 321	18 attendees
	Two Sydney in-person roundtables on ED 321	30 attendees
	Two Perth in-person roundtables on ED 321	25 attendees
Virtual Roundtable	Six Virtual Roundtables on ED 321	114 attendees
	A series of Virtual Roundtables on ED 320	139 attendees
	AASB-NZASB Virtual Roundtable on ED 319 <i>Insurance Contracts in the Public Sector</i>	35 attendees
Meeting	AASB Staff presented on Intangible Assets and Fair Value Measurement at CPA Australia External Reporting Centre of Excellence	-
	AASB staff led the AOSSG Financial Instruments and Liabilities working group meeting to conduct outreach on IFRS 9 Classification and Measurement PIR	-
	IPSASB Board Member Todd Beardsworth provided an IPSASB update at the June AASB meeting	
Conference	AASB Chair presented at the University of Queensland on Digital Financial Reporting	-
	AASB Chair and Staff presented on various topics at the AFAANZ Conference 2022	-
	AASB Chair and Staff attended the IFRS Conference in London	-
Webinar	Co-hosted AFAANZ Insight Series along with the AFAANZ and the ISSB to discuss the ISSB's General Requirements and Climate Exposure Drafts	55 attendees
	AASB Dialogue Series on Intangible Assets	132 attendees
Forum	AASB Staff presented at the Commonwealth Department of Finance –Stewardship Forum on the role of the AASB and the standard-setting process.	-



This table is designed to update the FRC on the AASB's activities in support of its **STRATEGIC** objectives and key performance indicators in the 2021-22 AASB Corporate Plan for the 2021-22 period, with a status report and update of activities for the reporting period for each high-level priority area provided as of **18 July 2022**.


Performance Measure One: Brand/Reputation

Current Priorities	Status	Key Activities / Highlights for the FRC (Updates since the previous report are in bold)
Define appropriate reporting frameworks for each of the three sectors - for-profit (e.g., listed and large proprietary companies), not-for-profit (e.g. charities) and public sector		<ul style="list-style-type: none"> <u>For-profit –</u> <ul style="list-style-type: none"> AASB For-Profit Entity Standard Setting Framework updated July 2021 <u>NFP private sector –</u> <ul style="list-style-type: none"> Developing a discussion paper for public consultation in 2022 AASB Not-For-Profit Entity Standard Setting Framework updated July 2021 <u>Public sector –</u> <ul style="list-style-type: none"> Participation in the FRC Public Sector Working Group
Agree on 3-year program of work and deliver <ul style="list-style-type: none"> Maintain IFRS and New Zealand compliance for for-profit Private sector “publicly accountable” entities Tailor IFRS appropriately for other sectors, including developing Australian specific guidance Develop guidance on external reporting integral to financial reporting Develop guidance on emerging issues related to financial reporting 		<ul style="list-style-type: none"> IFRS compliance maintained this reporting period. <u>ED 311 Management Commentary. Submission</u> made to the IASB. <u>ED 312 Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards</u> issued August 2021 proposing consistency with IFRS terminology for Tier 2 entities. <u>ED 314 Subsidiaries without Public Accountability: Disclosures</u> issued to assess whether it is appropriate to amend or replace AASB 1060 with the IASB's proposals. <u>ED 316 Non-current Liabilities with Covenants</u> issued to propose amendments to AASB 101 <i>Presentation of Financial Statements</i> to improve the information entities provide about long-term debt with covenants. <u>Submission made to the IASB.</u> <u>ED 317 Supplier Finance Arrangements</u> issued to propose disclosure-only amendments to AASB 107 <i>Statement of Cash Flows</i> and AASB 7 <i>Financial Instruments: Disclosures</i>. <u>Submission made to the IASB.</u> <u>ED 318 Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases</u> issued to provide narrow-scope amendments to AASB 1058 <i>Income of Not-for-Profit Entities</i> and related AASB 15 NFP Australian implementation guidance to improve consistency. <u>Fatal-Flaw Review</u> Draft of AASB 2022-X <i>Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments for Public Sector Entities</i>. <u>ED 319 Insurance Contracts in the Public Sector</u> proposes public-sector-specific modifications to AASB 17 <i>Insurance Contracts</i>.

 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered
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Current Priorities	Status	Key Activities / Highlights for the FRC (Updates since the previous report are in bold)
		<ul style="list-style-type: none">• ED 320 Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities• 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
<ul style="list-style-type: none">• Enhance profile domestically and internationally• Maintain and enhance key international relationships with IASB, IPSASB, NZASB, AOSSG, International Financial Reporting for NPOs		<ul style="list-style-type: none">• Co-hosted 2 event(s) with the IASB (see below).• Co-hosted 1 event with the ISSB (see below).• Staff actively participate in IFR4NPO TAG meetings and other outreach activities• AASB Chair and staff presented at the AFAANZ Financial Reporting Conference.• Staff provided an update on the NFP FRF project at the ACNC Regulatory Day• Staff invited to present at the annual AOSSG meeting. Staff presented at the AOSSG interim meeting on the Going Concern project.• Staff participated on a panel at the World Standard Setters conference to discuss Australia's experience on AASB 1060 for the IASB's reduced disclosures for subsidiaries project.• Staff provided AASB update at ACNC Adviser and Sector Forums.• Staff presented at Conference on Adopting IFRS 17 organised by Insurance Institute of Taiwan.• Staff presented at the IFASS conference the preliminary findings from staff paper on intangible assets.• AASB staff made a presentation at the Australian Non-profit Accounting Standards Research Program• AASB staff presented its findings from the Research on Intangible Assets at the AOSSG Annual Meeting.• AASB hosted Research Forum• AASB staff presented at SAFA Accounting Standards Forum the findings from Going Concern staff paper.• AASB in its role of Financial Instruments and Liabilities Working Group finalised AOSSG submission on the IASB's IFRS 9 Classification and Measurement Post-implementation Review.• AASB staff presented at the December 2021 Accounting Standard Advisory Forum (ASAF) meeting on the AASB Agenda Consultation 2022-2026.• AASB Staff presented at the ACNC Adviser Forum on Not-For-Profit projects.• AASB Staff presented at the CPA Not-for-profit virtual conference on Not-For-Profit projects.• AASB Chair presented at a Webinar hosted by the University of Adelaide on Climate Change and Financial Reporting.• AASB Staff presented at the HLB Mann ENFP Community Board Room Briefing on Not-for-Profit Private Sector Financial Reporting Framework.





 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered
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Current Priorities	Status	Key Activities / Highlights for the FRC (Updates since the previous report are in bold)
		<ul style="list-style-type: none"> • The AASB staff presented at the IFASS conference on Sustainability-related Reporting. • The AASB staff presented the AASB comments on the PIR of IFRS 9 Classification and measurement at the IFASS conference • AASB Chair presented on AASB Research at Monash University workshop • AASB Chair presented on Digital Financial Reporting at the Accounting Business Expo. • AASB Staff provided an update at the ACAG-FRAC meeting • AASB Dialogue Series on Intangible Assets (132 Attendees) • AASB Chair and Staff presented on Sustainability at Monash University Roundtable • AASB Staff presented on Intangible Assets at CPA Australia External Reporting Centre of Excellence • AASB Staff presented on Fair Value Measurement at CPA Australia External Reporting Centre of Excellence • AASB Staff presented on Sustainability at the BRLF • AASB Chair presented at University of Queensland on Digital Financial Reporting • Co-hosted AFAANZ Insight Series along with the AFAANZ and the ISSB to discuss the ISSB's General Requirements and Climate Exposure Drafts (55 Attendees) • AASB Chair and Staff presented on various topics at the AFAANZ Conference 2022 <ul style="list-style-type: none"> ◦ Plenary session (IASB and AASB update) ◦ Plenary session (Purpose or perish: where is accounting researchers' real-world impact?) ◦ NFP Special Interest Group (AASB NFP work program and research update) ◦ Financial Reporting Special Interest Group (Current Challenges Facing Accounting Standard-Setters) • AASB staff led AOSSG Financial Instruments and Liabilities meeting to conduct outreach on IFRS 9 Classification and Measurement PIR • IPSASB Board Member Todd Beardsworth provided an IPSASB update at the June AASB meeting • AASB Chair and Staff attended the IFRS Conference in London • AASB Staff presented at the University of Tasmania on Sustainability Reporting • AASB Staff provided an update at the HoTARAC Meeting • AASB Staff provided an update at the ACAG-FRAC Meeting • AASB Staff presented at the Commonwealth Department of Finance – Stewardship Forum on the role of the AASB and the standard-setting process.

 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered
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




Current Priorities	Status	Key Activities / Highlights for the FRC (Updates since the previous report are in bold)	
<ul style="list-style-type: none">Due process followed to ensure the quality of standard-settingEvidence-informed approach to standard setting activities supports need for regulation and proposed solutionappropriate consultation in accordance with the due process frameworkpreparation of regulatory impact statement assessing costs and benefits		<ul style="list-style-type: none">No negative feedback in response to due process from FRC.On-going: staff completing compilations of standardsEvents to consult stakeholders' views:<ul style="list-style-type: none">Virtual roundtable on ITC 45: the IPSASB's proposed 'current operational value' measurement basis (25 attendees)Webinar with the IASB on Management Commentary (ED 311) for Asia-Oceania region (60 attendees)Virtual roundtable with the IASB on ED 311 <i>Management Commentary</i> (39 attendees)Virtual Roundtable on Agenda Consultation 2022-2026 (38 attendees)Webinar on Income of not-for-profit Entities: AASB 15 and AASB 1058 – AASB staff education session (506 attendees)Encore Webinar on Income of not-for-profit Entities: AASB 15 and AASB 1058 – AASB staff education session (122 attendees)AASB/AFAANZ Academic Roundtable: EFRAG's Discussion Paper on Intangible Assets (29 attendees)Webcast on ED 320 <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i>AASB-NZASB Virtual Roundtable on ED 319 <i>Insurance Contracts in the Public Sector</i> (35 attendees)Delivered a series of AASB Virtual Roundtables on ED 320 <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i> (139 Attendees)Delivered two Melbourne in-person roundtables on ED 321 <i>Request for Comment on [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS S2 Climate-related Disclosures</i> (18 Attendees)Delivered six AASB virtual Roundtables on ED 321 (114 Attendees)Delivered two Sydney in-person roundtables on ED 321 (30 Attendees)Delivered two Perth in-person roundtables on ED 321 (25 Attendees)	
Post-implementation reviews conducted (PIR) for all significant projects to assess quality of standard-setting.		<ul style="list-style-type: none">No indication of non-contribution to confidence in the economyIndependent PIR of AASB 1049 (initiated by the FRC) was completed in December 2021 with acceptance by FRC of the final PIR report.<u>ITC 47</u> <i>Request for Comment on IASB Request for Information on Post-implementation Review of</i>	
 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered









Current Priorities	Status	Key Activities / Highlights for the FRC (Updates since the previous report are in bold)
		<p><i>IFRS 9 Financial Instruments – Classification and Measurement</i> issued in October 2021.</p> <p><u>Submission</u> made to the IASB.</p> <ul style="list-style-type: none"> In accordance with the Board's detailed PIR workplan, PIRs of multiple domestic Australian Accounting Standards have commenced.
<p>Improve consistency of implementation:</p> <ul style="list-style-type: none"> Educate stakeholders on the AASB standards, support materials available, including why standards introduced Support and encourage high quality teaching of the Australian financial reporting framework and standards at Australian educational institution 		<ul style="list-style-type: none"> Project commenced to provide narrow-scope amendments to AASB 1058 <i>Income of Not-for-Profit Entities</i> and related AASB 15 NFP Australian implementation guidance to improve consistency. <u>Staff paper</u> <i>Review of Executive Remuneration Disclosure Requirements</i> issued in September 2021 to provide a basis to support relevant regulators, working collaboratively with other standard setters, users and stakeholders, in their efforts to keep Australian executive remuneration reporting aligned with global best practices. <u>Staff paper</u> <i>Going Concern Disclosures: A Case for International Standard-Setting</i> issued in October 2021, which identifies potential areas for improvement relating to the existing going concern disclosure requirements in the IFRS Standards. <u>Joint Staff Article</u> <i>Globally consistent reporting for sustainability-related information: Australian perspectives</i> issued in December 2021, which 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. <u>Staff Paper</u> <i>Intangible Assets: Reducing the Financial Statements Information Gap Through Improved Disclosures</i> issued in March 2022. The Paper aims to facilitate discussion of possible solutions to a perceived financial statements information gap relating to intangible assets, focusing on disclosures about unrecognised internally generated intangible assets that could be made in financial statements, having regard to costs and benefits. <u>Staff Article</u> <i>Project insights: Developing sustainability-related financial reporting standards in Australia</i> issued in June 2022. This staff article provides an overview of the AASB's proposed approach to developing sustainability-related financial reporting standards in Australia.

Performance Measure Two: Stakeholder Engagement

 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered
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Current Priorities	Status	Key Activities / Highlights for the FRC
Enhance stakeholder engagement		<ul style="list-style-type: none">LinkedIn main page followers increased by 7.24% over the twelve months to June 2022 and increased by 3.88% over the last three months.Twitter followers increased by 3.96% over the twelve months to June 2022 and increased by 1.45% over the last three months.
Conduct Agenda consultations to determine projects and priorities		<ul style="list-style-type: none"><u>ITC 44 Request for Comment on the IASB Request for Information on Third Agenda Consultation</u> issued in April 2021. <u>Submission</u> made to the IASB's Third Agenda consultation.<u>ITC 46 AASB Agenda Consultation 2022–2026</u>



 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered
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



Performance Measure Three: People & Culture

Current Priorities	Status	Key Activities / Highlights for the FRC
Develop and implement People and Culture strategy		<ul style="list-style-type: none"> High morale of the team supported by virtual team meetings and events, such as virtual drinks and team lunches Staff encouraged to register for online work-related training of their choice as part of employee growth Flexible working hours and pandemic leave introduced during multiple closure periods due to COVID-19 to assist staff in managing workload and family commitments. New flexible working environment implemented 1 March 2022 which targeted return to office while also retaining high degree of workplace flexibility
New starter processes improved to support flexible subject matter expert involvement		<ul style="list-style-type: none"> Onboarding manual is continuously being updated. The onboarding manual is a working document which has insights and information regarding processes that take place at the AASB
Understand current capability (talent mapping)		<ul style="list-style-type: none"> External experts used for specific projects Utilisation of employees regularly monitored Regular resource planning meetings in place to identify the need for project prioritisation or for external resources
Resource planning to develop skills and allocate them appropriately		





Performance Measure Four: Technology

Current Priorities	Status	Key Activities / Highlights for the FRC
Develop and implement an IT strategy that enables flexible, seamless working via cloud		<ul style="list-style-type: none"> All AASB staff capable of working remotely. Staff have effectively worked from home since 17 March 2020 via One Drive due to Covid-19. No significant issues. External webinars hosted via ZOOM AASB moved offices (following end of lease at previous premises) Video Conferencing suites installed within new offices.
Website redesigned to improve stakeholder experience and engagement		<ul style="list-style-type: none"> Completed – New corporate websites live from 1 June 2021 Commenced work on AASB Standards Portal. The Portal to go live in the near future with limited content. This release will be a public BETA release.




 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered
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




Performance Measure Five: Operational & Business Excellence

Current Priorities	Status	Key Activities / Highlights for the FRC
Develop strategy supporting operational excellence and regulatory compliance		<ul style="list-style-type: none"> Continuous Compliance tasks completed by appropriate deadline date No breaches regulatory obligations identified
Key processes and standards documented		<ul style="list-style-type: none"> FP and NFP standard setting frameworks, Due process document, Annual Report and Corporate Plan published on AASB website (and Transparency Portal as appropriate) All Finance procedures and policies are documented and updated at least annually FP and NFP standard-setting frameworks updated in July 2021
Knowledge and information sharing support flexible subject matter expert involvement		<ul style="list-style-type: none"> Staff participate in monthly lunch and learn sessions to share knowledge from subject matter expert
Continuous improvement of operational processes to achieve planned outcomes		<ul style="list-style-type: none"> Working from home has focused AASB on ensuring critical operational tasks and processes can be sustained remotely. Core operational tasks being monitored and continuously improved to minimise slippage in internal and external service delivery

Performance Measure Six: Program & Project Management

Current Priorities	Status	Key Activities / Highlights for the FRC
Develop a strategy to improve program and project management		<ul style="list-style-type: none"> Utilisation of employees regularly monitored Regular resource planning meetings in place to identify the need for project prioritisation for external resources Continuous review process implemented to access completion of projects (on target, off target) as well as reviewing effort required to complete. Timesheet process being used to refine new project plans (work effort required) as well as ensuring work-life balance is maintained.
Identify and establish frameworks and processes to allocate resources appropriately, establish and monitor accountabilities		
Allocate resources efficiently and effectively		

 Completed / On track	 In progress / Partially Completed	 Yet to commence / Delayed due to issues beyond AASB control	 Delayed / Issues encountered
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ITEM 4B

8 SEPTEMBER 2022

AUASB CHAIR REPORT

DESCRIPTION

Attached is the AUASB Chair's Report covering the key activities undertaken during May – August 2022.

ACTION

- Chair of the AUASB to report.

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 and AUASB submitted their response to the ISSB's Exposure Drafts on (draft) IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and (draft) IFRS S2 <i>Climate-related Disclosures</i>.- At its June 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.- The AASB, the FRC, and the AUASB will submit a joint comment letter to the IPSASB on its Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i>. <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 working with relevant Australian stakeholders on the broader implications for the accounting and auditing profession.</p>

New update to AUASB Digital Standards Portal	<p>The AUASB's Digital Standards Portal has been updated to include new features which enhance the accessibility, functionality and usability of the full suite of AUASB Standards.</p> <p><i>Strategic impact</i> Supporting audit practitioners by making the auditing standards and other pronouncements more easily accessible online.</p>
AUASB Agenda Consultation Roundtables	<p>The AUASB completed its Agenda Consultation Process to gather views from Australian stakeholders on which projects the AUASB should address over the next few years, and identify other emerging Australian auditing and assurance issues the AUASB should include in its future Work Program.</p> <p>Stakeholder responses endorsed the AUASB's current priority areas and did not suggest any significant changes to the current AUASB work program. The AUASB staff are now incorporating the feedback into the 2022-23 AUASB Technical Work Program.</p> <p><i>Strategic impact</i> To understand stakeholders views when developing domestic standard-setting priorities.</p>
Audit Quality	<p>Auditors are facing a challenging 30 June 2022 reporting period arising from the impact of topical and emerging risks, and the changing and uncertain economic conditions. The AUASB issued a Bulletin <i>Auditor's considerations in times of changing and uncertain economic conditions</i>, which supports ASIC's Areas of Focus for 30 June 2022, and highlights how relevant Auditing Standards and existing guidance supports auditors to perform a high quality audit in the current economic and external environment.</p> <p><i>Strategic impact</i> Supporting audit practitioners in the performance of high-quality audit engagements.</p>
Use of Technology in an Audit of a Financial Report	<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 a Technology Project Advisory Group (PAG) 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. The following has been issued recently:</p> <ul style="list-style-type: none"> • a series of frequently asked questions on auditing general IT controls based on the new ASA 315 <i>Identifying and Assessing Risks of Material Misstatement</i>. • Updated GS 016 Bank Confirmation Requests to reflect the use of electronic confirmation services. <p><i>Strategic impact</i> Supporting audit practitioners in understanding and responding to the impact of technology.</p>

Public Sector Audit Issues: Guidance Statement 023 <i>Special Considerations – Public Sector Engagement</i>	<p>The AUASB has a Public Sector PAG comprising assurance practitioners representing all State, Territory and Commonwealth Auditor-Generals' Offices in Australia. The AUASB in consultation with the PAG developed and issued GS 023 in December 2021 to provide supplementary application and other explanatory material in relation to ASA 210 <i>Agreeing the Terms of Audit Engagements</i>. Additional topic guidance material will be developed and incrementally added to the Guidance Statement.</p> <p>The AUASB has recently updated GS 023 to provide guidance on ASA 570 <i>Going Concern</i>, and guidance on ASA <i>Engagement Leader Responsibilities</i> is currently being developed and is expected to be released in September 2022.</p> <p><i>Strategic impact</i> Supporting practitioners who audit public sector entities in complying with AUASB standards.</p>
Medium / longer term technical priorities	
Consultation Paper on proposed IAASB changes to the auditor's report	<p>The AUASB has released a consultation paper seeking public comment on the IAASB's Exposure Draft issued in response to recent revisions to the IESBA code which introduce a transparency requirement for firms to publicly disclose when the independence requirements for PIEs have been applied. The AUASB is hosting a webinar to take stakeholders through the key proposals and to give them an opportunity to provide feedback directly.</p> <p><i>Strategic impact</i> To influence the IAASB in its deliberations on potential amendments to the auditor's report.</p>
Post Implementation Review ASAE 3100 <i>Compliance Engagements</i>	<p>The AUASB conducted a post implementation review (PIR) on ASAE 3100 <i>Compliance Engagements</i> to gather feedback about the use and application of the standard since it was issued in February 2017. The PIR noted overall support for ASA 3100 in its current form, and the AUASB agreed that no changes are required at this time.</p> <p><i>Strategic impact</i> To consider if the auditing standard was effective in meeting its intended objectives.</p>
For noting by the FRC	
AUASB Annual Performance Report	Refer attached.

2021-22 AUASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The tables below identify the activities the AUASB outlined in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to its strategies above, for the 2021-22 reporting period. The tables also indicate, for each priority, whether or not the activities were achieved and if not, why not.

Priority One: *Develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC).*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Issue all IAASB-based AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders	Achieved	<ul style="list-style-type: none"> All International standards issued in the 2021-22 year have been adopted and tailored where necessary for local implementation by the AUASB. This includes ASA 600 on Group Audits and various conforming and consequential amendments to other AUASB standards reflecting changes made to ASA 600 and the new Quality Management Standards which were issued in the prior period. The AUASB has developed and/or rolled out a range of implementation support materials and other publications on its website to assist auditors apply all new or recently released Auditing Standards, including: <ul style="list-style-type: none"> A staff paper to assist auditors of LCEs by highlighting how scalability has been considered in ASA 315; Five online videos describing the different elements of the new Quality Management Standards; and Various IAASB Implementation Guides and FAQs. The AUSAB Technical Staff have also conducted numerous outreach and awareness sessions with key stakeholder groups to promote the education and application of all new or revised standards.

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Seek feedback on relevance, effectiveness and public interest of these standards through stakeholder feedback, outreach programs and post-implementation reviews	Achieved	<ul style="list-style-type: none"> As part of our mandate to support the adoption of a single set of global standards the AUASB has hosted engagement activities to capture local stakeholder feedback into all IAASB exposure drafts and other proposals issued. In particular the AUASB conducted: <ul style="list-style-type: none"> Extensive outreach and provided feedback to the IAASB on the Proposed Standard on the Audit of Less Complex Entities; and Interviewed various stakeholders to provide input into IAASB proposals on Going Concern and Fraud, as well provide feedback on the IAASB Auditor Reporting Post Implementation Review.

Priority Two: *Develop, update and maintain Australian specific Standards and/or Guidance Statements for topics not specifically addressed by IAASB Standards as required.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Issue Australian-specific AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders	Achieved	<ul style="list-style-type: none"> The AUASB issued a range of new and updated pronouncements this year targeted specifically at the Australian auditing and assurance environment. These covered a broad range of topics, including: <ul style="list-style-type: none"> A new Guidance Statement GS 023 which contains specific guidance on engagement letters and going concern matters targeted at public sector auditors. A revised version of GS 016 to address the increased use of electronic Bank Confirmations. An updated version of GS 010 which provides guidance to Auditors on how to respond to questions at AGMs. An updated <i>Foreword to AUASB Pronouncements</i> and a new <i>AUASB Preamble</i> to align these with updates made to the AUASB's Due Process Framework. Minor updates to ASA 560 <i>Subsequent events</i> and ASA 800 <i>Special Considerations-Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i>. A priority of the AUASB has been to provide implementation materials and raise awareness to support the adoption of the AUASB's suite of Quality Management Standards which were issued in the first half of 2021. The AUASB staff have worked

Current Priorities & KPIs	Achieved/Not Achieved	Comments
		<p>closely with the APESB to ensure alignment with the ethical standards that apply to assurance and non assurance firms. We have also supported the CA ANZ who produced an updated Audit Quality Management Toolkit and CPA Australia on their System of Quality Management for Public Accounting Services tool. These practice aids are particularly aimed at smaller firms, so that all practitioners can achieve the intended objectives of the standards.</p> <ul style="list-style-type: none"> • The AUASB has improved its Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications to incorporate a streamlined process to carry out narrow scope amendments. • The accessibility and functionality of all AUASB standards has been enhanced with the continued update and development of our AUASB Digital Standards Portal, which provides online access to all Australian Auditing and Assurance Standards from any PC or smart device.
Seek feedback on relevance, effectiveness and public interest of Australian-specific standards and guidance through stakeholder feedback, outreach programs and post-implementation reviews	Achieved	<ul style="list-style-type: none"> • All AUASB local pronouncements developed and issued across the year were subject to a transparent and rigorous due process, supported by extensive engagement with key stakeholders in accordance with our revised due process framework. • A post implementation review of ASAE 3100 was completed in May 2022, with no changes to this standard deemed necessary. • The AUASB carried out a survey and had direct engagement with practitioners to evaluate local implementation challenges associated with the revised auditor reporting requirements first introduced in 2016. The outputs of these information gathering activities will result in further initiatives in this area being undertaken in 2022-23.
Identify gaps in the AUASB Framework where guidance is required and issue Guidance Statements or Bulletins to address these	Achieved	<ul style="list-style-type: none"> • The AUASB has produced a significant number of publications this year that provide assurance practitioners with guidance on topical and challenging auditing and assurance issues. Whilst a full list of the AUASB Bulletins and Staff Papers released in 2021-22 is contained in the Output Structure on pages 11 & 12 of this document, highlights include publications on: <ul style="list-style-type: none"> ○ Integrity of data obtained for the purpose of an audit of a financial report; ○ Audit Quality considerations, including an analysis of audit inspection findings and the new Quality Management Standards; ○ ASA 315 and the Auditor's Responsibilities for General IT Controls; and ○ The Auditor's considerations in times of changing and uncertain economic conditions.

Priority Three: *Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Build and maintain strong international relationships with the IAASB and like-minded Global and National Auditing Standard Setters, particularly New Zealand and Canada.	Achieved	<ul style="list-style-type: none"> The AUASB Chair and Technical Director are active members of the IAASB's National Standards Setters group, which meets twice annually and participates in other IAASB forums to review IAASB activities and share knowledge between standard setters in each major global territory. The AUASB works closely with other like-minded National Auditing and Assurance Standards Setters (NSS) on projects with common interests. There is a regular dialogue maintained with NSS representatives in Canada and New Zealand, and over 2021-22 we have shared and collaborated with colleagues in these territories on a range of local and global auditing issues, such as the use of technology on audits, local implementation of new IAASB standards and sustainability reporting and assurance challenges.
Demonstrate the AUASB's influence on major international auditing and assurance developments by implementing the AUASB's International Strategy	Achieved	<ul style="list-style-type: none"> The AUASB Chair, Mr Bill Edge has been a member of the IAASB from January 2022, having succeeded the former AUASB Chair Prof. Roger Simnett whose IAASB term concluded in December 2021. Bill and Roger have both been supported in this role by an AUASB Deputy Technical Director and other AUASB staff, that ensures AUASB feedback is captured and considered for each IAASB meeting, as well as addressing AUASB considerations as part of the IAASB working group and task forces. At each AUASB meeting the Board review and provide input on the current IAASB work plan. Over the course of 2021-22 there has been comprehensive feedback provided to our local IAASB representative on the IAASB's activities relating to Audit Evidence, Audits of Less Complex Entities, Fraud, Going Concern and Sustainability Assurance standards. The AUASB provided detailed feedback to the IAASB on its proposed 2022-23 Work Plan via a response to the IAASB 2022-23 Workplan Survey in August 2021.
Provide input to the international standard setting process through responding to international pronouncements using input from Australian stakeholders	Achieved	<ul style="list-style-type: none"> To support the development of the IAASB's global standards the AUASB has developed formal responses to capture local stakeholder feedback into all IAASB exposure drafts and other proposals issued in the 2021-22 year. In particular the AUASB performed extensive outreach and provided feedback to the IAASB on the Proposed Standard on the Audit of Less Complex Entities in the second half of 2021

Current Priorities & KPIs	Achieved/Not Achieved	Comments
		and has worked closely with the APESB on proposed changes to the Code of Ethics for Professional Accountants which have an audit impact.
Maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols	Achieved	<ul style="list-style-type: none"> The AUASB Chair is also a member of the New Zealand Auditing and Assurance Standards Board (NZAuASB) and provides direct input into in New Zealand standard setting developments to ensure collaboration between the AUASB and NZAuASB. The standard setting activities of both the AUASB and NZAuASB are coordinated through regular technical staff meetings that ensure harmonisation of standards in accordance with relevant policies and protocols. Two significant areas where there has been close collaboration is on the NZAuASB's proposed assurance standard on Fundraisings and New Zealand's planned framework for assurance over climate change disclosures.

Priority Four: *In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
With the FRC, devise and complete activities to implement the FRC's Audit Quality Action Plan and contribute to improved audit quality outcomes in the Australian auditing environment	Achieved	<ul style="list-style-type: none"> The AUASB Chair and a dedicated AUASB Deputy Technical Director continue to provide resources to develop and drive initiatives identified in the FRC's Audit Quality Action Plan, including: <ul style="list-style-type: none"> Issuing several AUASB publications aimed at enhancing audit quality, including: <ul style="list-style-type: none"> <i>Supporting Auditors in Enhancing Audit Quality</i> which communicates the actions taken by the AUASB to assist auditors to enhance audit quality, including those in response to matters identified during recent ASIC audit inspections. <i>Quality Management Standards - Enhancing Audit Quality</i> which highlights how the new Quality Management Standards will assist in improving audit quality at the firm and engagement level. <i>Auditor's considerations in times of changing and uncertain economic conditions</i> which complements ASIC's Areas of Focus for 30 June 2022 and highlights how relevant Auditing Standards and

Current Priorities & KPIs	Achieved/Not Achieved	Comments
		<p>existing guidance supports auditors to perform a high-quality audit in the current economic and external environment.</p> <ul style="list-style-type: none"> Monitoring the adequacy of auditor disciplinary processes; and Planning for the next cycle of surveying Audit Committee Chairs on their perspectives on Audit Quality, which will be carried out through a series of qualitative interviews in late 2022. <ul style="list-style-type: none"> In conjunction with the FRC and other relevant standard setting bodies and regulators (such as the AASB, APESB and ASIC) the AUASB Chair and staff have continued to develop proposed responses to the recommendations from the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Regulation of Auditing in Australia covering areas such as auditors' responsibilities relating to Fraud, Going Concern and Audit Engagement Disclosures.
Work with ASIC, the AASB, practitioners and other stakeholders to identify and address significant inspection findings associated with accounting and auditing standards	Achieved	<ul style="list-style-type: none"> The AUASB continues to work closely with representatives from ASIC, the accounting professional bodies and a range of auditing practitioners to both address findings from the ASIC Audit Inspection process and assist with the improvement of this process. In December 2021 the AUASB produced a Bulletin "Supporting Auditors in Enhancing Audit Quality" which communicates the actions taken by the AUASB to assist auditors to enhance audit quality, including those in response to matters identified during recent ASIC audit inspections.

Priority Five: *Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Develop thought leadership and implement strategic projects to improve auditing and assurance practice in priority areas such as Extended External Reporting (EER), Audits of Less Complex Entities (LCEs) and the use of Technology in the Audit	Achieved	<ul style="list-style-type: none"> The AUASB has established Project Advisory Groups (PAGs) comprising industry experts to develop specific guidance that assist auditors on Audit Technology and Public Sector Audit Issues. <ul style="list-style-type: none"> The Technology PAG has contributed to the development of two AUASB Bulletins over the course of the reporting period, as well as overseen other guidance materials relating to IT associated with the implementation of ASA 315.

Current Priorities & KPIs	Achieved/Not Achieved	Comments
		<ul style="list-style-type: none"> ○ The Public Sector PAG has directly contributed to the release of two iterations of GS 023, a new AUASB Guidance Statement that addresses how the Auditing Standards can be effectively applied on public sector audit engagements. GS 023 includes specific guidance for public sector auditors relating to engagement letters and going concern. • An AUASB Staff Paper on 'ASA 315: Scalability Considerations for Audits of Less Complex Entities' was released in November 2021 to assist auditors of Less Complex Entities apply the new ASA 315 efficiently and effectively. • To support extensive guidance issued by the IAASB in 2021 the AUASB issued its own Bulletin on Extended External Reporting (EER) Assurance Guidance in Australia in August 2021. • In October 2021 the AASB and the AUASB have established an AASB/AUASB Sustainability Reporting Project Advisory Panel consisting of practitioners, professional bodies and academics who specialise in sustainability reporting and assurance. The AUASB has also jointly issued with the AASB two staff papers on sustainability reporting and assurance in the current reporting period: <ul style="list-style-type: none"> ○ A Position Statement on Extended External Reporting and Assurance; and ○ A Joint Staff Article on Globally consistent reporting of sustainability-related information: Australian perspectives.
Support the development and publishing of relevant and high-quality auditing and assurance evidence-based research in accordance with the AUASB Evidence Informed Standard Setting (EISS) Strategy	Achieved	<ul style="list-style-type: none"> • The AUASB has continued to engage with academics, the accounting professional bodies and other stakeholders over the course of the year to obtain evidence that supports its standard setting activities, through regular forums with AFAANZ and the AUASB's other outreach activities. • The AUASB this year has appointed Dr. Shan Zhou, Senior Lecturer at The University of Sydney, as an AUASB Research Scholar. Dr. Zhou's expertise covers integrated reporting, sustainability reporting and non-financial reporting about environmental, social and governance matters. In May 2022 the AUASB released 'AUASB Research Report 7: A Literature Review on the Reporting and Assurance of Climate-related and Other Non-financial Information', which was authored by Dr. Zhou which focuses on the current practice of climate-related and other non-financial information disclosures, and whether this information is subject to assurance.

Priority Six: Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Seek feedback on proposed changes to assurance requirements to ensure they are fit for the intended purpose and support changes to the external reporting framework	Achieved	<ul style="list-style-type: none"> The AUASB have worked closely with other standard setters and regulators responsible for the Australian external reporting framework to ensure AUASB Standards and auditing requirements remain fit for purpose and align to other legislative or regulatory changes. The AUASB continues to investigate how the potential impact of recommendations arising from the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Regulation of Auditing in Australia should be managed, specifically in relation to going concern, fraud and audit engagement disclosures. The AUASB Chair and Staff have actively supported the AASB's actions relating to international and local sustainability reporting developments, especially the AASB's response to the ISSB's proposed standards in this area. The AUASB has, both directly and through the joint AASB-AUASB Sustainability Reporting Project Advisory Panel, supported the AASB's outreach on this topic and fed into any related audit or assurance related considerations arise from the proposed ISSB standards. AUASB staff have continued to collaborate with AASB colleagues on recent changes designed to streamline the Australian Financial Reporting Framework, to ensure any audit or assurance related matters are appropriately addressed.
Support initiatives that promote consistency and understanding of the nature and extent of assurance required for external reporting requirements in Australia	Achieved	<ul style="list-style-type: none"> Following our consultation on the Audits of Less Complex Entities and the release of the AUASB's guide for Prescribing Assurance and Related Services in 2021 (which is intended to assist legislators, grantors, regulators and other organisations or individuals that mandate assurance engagements as part of their regulatory frameworks to draft assurance requirements which are clear and effective) the AUASB has commenced a project working with the Office of Parliamentary Counsel to improve the quality and accuracy of prescribed assurance reports required by government agencies. This is a long-term project which will be undertaken over several years and potentially be extended to also include reporting requirements and apply to state and territory jurisdictions also. The development and release of AUASB Digital Standards Portal now makes the auditing standards more accessible and easier to navigate. The Portal's design incorporates feedback from a range of different users of AUASB standards and will continue to be enhanced.

Priority Seven: *Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Increase engagement with stakeholders through new and existing AUASB communications activities and events	Achieved	<ul style="list-style-type: none">• The AUASB Digital Standards Portal released in June 2021 continues to be updated and maintained to ensure stakeholders and assurance practitioners have access to all Australian Auditing and Assurance Standards, both online and from any smart device.• The AUASB Website was redeveloped and redesigned recently to ensure easier and more logical access to AUASB content online.• Along with regular News Alerts being published on the AUASB Website the AUASB continues to produce a regular Newsletter (produced multiple times per year, at least Quarterly) which summarises all AUASB activity and provides details of recent AUASB pronouncements and publications.• AUASB regularly present and engage in a range of industry forums, including different webinars, conferences, and other presentations in conjunction with the accounting professional bodies and academic groups. In 2021-22 AUASB staff presented at a range of external events hosted by the CA ANZ, CPA Australia and the APESB.• The AUASB staff continue to improve its capability and capacity to hold online based outreach sessions, with various online forums and workshops held over the course of the year.



ITEM 4C

8 SEPTEMBER 2022

AASB 1049 POST IMPLEMENTATION REVIEW

DESCRIPTION

In the 10 December 2021 meeting of the FRC, the FRC received a report from Dr Kim Langfield-Smith on the Independent Post Implementation Review (PIR) of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*. The Members of the FRC supported the findings and recommendations of the PIR and recognised that the recommendations to the AASB will be actioned over time.

Initially, it was viewed that the recommendations could be passed to the FRC Public Sector Working Group. However, given the level of PIR activity within the AASB and overlap with the recommendations from the PIR of AASB 1049, it is now recommended that the FRC hand the AASB 1049 PIR recommendations back to AASB to progress as required

RECOMMENDATION:

- That the FRC formally hand the recommendations from the Independent PIR of AASB 1049 back to the AASB for actioning as required.



ITEM 4D

8 SEPTEMBER 2022

AASB AND AUASB STANDARDS PORTAL DEMO

DESCRIPTION

Justin Williams to present a demonstration of the AASB and AUASB Digital Standards Portal.

ACTION

- Justin Williams to present.



ITEM 5

8 SEPTEMBER 2022

SUSTAINABILITY UPDATE

DESCRIPTION

AASB and AUASB Chairs to provide a verbal update on sustainability matters.

A) International developments

Refer to August 2022 [AASB meeting papers](#) for update on:

- A) the International Sustainability Standard Board (ISSB);
- B) the nature-related risk management and disclosure framework published for public consultation by Taskforce on Nature-related Financial Disclosures (TNFD) in June 2022
- C) sustainability-related work in selected jurisdictions (New Zealand, European Union, United Kingdom and Canada).

B) Submission to the ISSB

Refer to AASB and AUASB [Joint submission](#) to the ISSB's General Requirements and Climate Exposure Drafts for FRC information.

C) AASB and AUASB Sustainability Reporting Project Advisory Panel

ACTION

- Keith Kendall and Bill Edge to provide an update to the FRC on sustainability developments.



ITEM 6

8 SEPTEMBER 2022

DIGITAL REPORTING UPDATE

DESCRIPTION

Verbal update by Chair of the AASB

ACTION

- Keith Kendall to provide verbal update on the initial stakeholder views.



ITEM 7A

8 SEPTEMBER 2022

AUDIT COMMITTEE CHAIRS PROJECT UPDATE

DESCRIPTION

Verbal update by Chair of the AUASB and Anne Waters.

ACTION

- Bill Edge and Anne Waters to provide verbal update.



ITEM 7B

8 SEPTEMBER 2022

TALENT ATTRACTION AND RETENTION UPDATE

ACTION

- For the FRC to consider:
 - the responses of stakeholders on questions on the skills shortage and actions to address
 - if further actions are required.

STAKEHOLDER FEEDBACK

- At its meetings on 10 December 2021 and 2 June 2022, the FRC discussed the skills shortage in the accounting and audit profession and questioned whether this has the potential to have a negative impact on the quality of financial reporting and auditing.
- The FRC agreed to gather information from stakeholders to better understand the extent of the skills shortage and what actions are in progress in response. As a result, on 3 August 2022, the FRC sent questions to 11 stakeholders seeking views and available data.
 - A copy of the questions and responses received are attached at item 9.
- At the time of finalising this paper, all of the responses are yet to be received and will be considered by the FRC at this meeting.
- Stakeholders raised migration and immigration issues, due to the pandemic, as contributing to the talent shortage. Other matters raised by stakeholders include shifting aspirations of prospective entrants and current members of the profession, in addition to evolving roles in the accounting and finance profession. Furthermore, stakeholder reports indicate that mid to senior level roles have been most affected by this issue.

CA ANZ SURVEY

- In July 2022, CA ANZ surveyed 18 Australian professional services and audit firms (ranging from small to large) on the topics of job vacancies, recruitment, and skilled migration challenges to highlight the ongoing workforce challenges facing Australia's professional services firms.

- Summary of the survey results:
 - 997 auditor vacancies (2021: 888) and 1,971 non-audit vacancies were identified, mainly for junior and intermediate level professionals. On average roles are taking 3 to 6 months to fill.
 - The firms surveyed had 519 candidate skilled visa applications outstanding. Of that, 320 were for auditors, 93 for general accountants, and 106 for other skilled occupations.
 - Visas are taking on average between one and three months to obtain, with some firms reporting delays up to six months or longer.
 - On average, the firms lost between one and 50 candidates who pulled out with visa delays being a key factor.
 - Staffing shortages are leading to a range of impacts including current staff being over worked, inability to service clients or take on new work, and problems meeting deadlines.
- CA ANZ is actively engaged with the Federal Government including Treasury and Home Affairs/Immigration regarding the overall issues raised and specifically, improving visa processing times.



AUSTRALIAN CASINO ROYAL COMMISSIONS AND INQUIRIES

ACTION

- For the FRC:
 - to understand the findings from the inquiries and the role of the financial reports and audit
 - to consider if there are any implications for Standard Setting Boards or others to improve the financial reporting system.

BACKGROUND

- At its 2 June 2022 meeting the FRC discussed emerging issues and significant matters relevant to the quality of financial reporting and auditing in Australia. This included the inquiries into Australian casinos.
- The FRC requested further information in relation to the Casino inquiries in order to fulfill its responsibilities as the peak body responsible for overseeing the effectiveness of the financial reporting system in Australia. This is relevant to the FRC functions of:
 - providing broad oversight of the accounting and auditing standard setting processes
 - determining the broad strategic direction of the AASB and AUASB and
 - giving strategic policy advice to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors.
- The following has been prepared for the FRC based on publicly available information.

INQUIRIES / ROYAL COMMISSIONS INTO CROWN RESORTS

- New South Wales *Inquiry under section 143 of the Casino Control Act 1992* [Report](#) (the Bergin Inquiry/Report), began in approximately August 2019 with final report tabled 16 February 2021
- Victorian government established a Royal Commission on 22 February 2021. The *Royal Commission into the Casino Operator and License* [Report](#), was released on 15 October 2021

- Western Australian government established a Royal Commission on 5 March 2021 with the Perth Casino Royal Commission [Final Report](#), tabled 24 March 2022.

The inquiry and Royal Commissions into Crown were multi-faceted but primarily focused on:

- Part A: Suitability Review – The suitability of Crown Resorts to hold a restricted gaming license for the purposes of the Casino Control Act.
- Part B: Regulatory Framework and Settings
 - (a) inquire into and report upon the efficacy of the primary objects under the Casino Control Act in an environment of growing complexity of both extant and emerging risks for gaming and casinos;
 - (b) undertake a forward-looking assessment of the Authority's ability to respond to an environment of growing complexity of both extant and emerging risks for gaming and casinos;
 - (c) identify recommendations in order to enhance the Authority's future capability, having regard to the changing operating environment.
- Both the Victorian and Perth Commission's had reference to the New South Wales Inquiry and the outcomes and recommendations of the Bergin Report.

In summary the Inquiry and Royal Commissions were about the suitability of the licensee and the robustness of the regulation.

Key Recommendations

New South Wales

- *Casino Control Act 1992 (NSW)* be amended to include an additional object of ensuring that all licenced casinos prevent any money laundering activities within their casino operations.
- The Independent Casino Commission (ICC) be established as an independent, dedicated, stand-alone, specialist casino regulator with the necessary framework to meet the extant and emerging risks for gaming and casinos.
- The Casino Control Act be amended to include a new requirement for casino operators to engage an independent Compliance Auditor, to report annually to the ICC on the casino operator's compliance with its obligations under all regulatory statutes both Commonwealth and State in particular the Casino Control Act, the Casino Control Regulation and the terms of its licence. Note this is a new requirement for a compliance auditor. If the Compliance Auditor while undertaking their duties, forms the belief that a contravention has occurred or may occur; the Compliance Auditor must immediately provide written notice of that belief concurrently to the casino operator and to the ICC.

Victoria

The report contains a number of recommendations primarily related to:

- Increase the regulator's power to obtain information.
- For the regulator to create the office of a Special Manager, who may be appointed by the Minister or the regulator to take control of a casino in certain limited circumstances.
- Additional functions and powers of the manager.

- Broaden the inspectors' functions and give them additional powers.

In June 2022 Crown was fined \$80m for illegally allowing Chinese bank cards to be used in Melbourne casinos.

Perth

The recommendations made are many and cover a large range of topics and relate primarily to:

- the trust and (or) corporate structure and the governance of the Perth entities.
- mitigation of risks of the conduct and organisation of gaming operations at Perth Casino.
- enhancements of the regulatory framework.
- enhancements of the capability and effectiveness of the casino regulator and the Department.
- activities of the Independent Advisory Body.

Implications for the Casino Operator and Licensee and Regulator

In all three-states it was found that the entity holding the Casino License was not a suitable person to do so and that the entities involved had engaged in conduct that was variously illegal, dishonest, unethical, and exploitative. This resulted in the Licensee Board's and senior management failing to carry out one of its prime responsibilities; namely, to ensure that the organisation satisfied its legal and regulatory obligations under their casino license and continued to meet the definition of a suitable person who always acts with good character, honesty and integrity. Crown Resorts has been given time to improve their processes and prove to the regulator they are suitable to continue operating their casinos.

The recommendations are focused very much on the role and powers of the casino regulators in each State and strengthening the State based legislation to ensure that an appropriate suitability review is undertaken for a Licensee and that adequate and strengthened regulatory frameworks and settings are able to be established.

OTHER INQUIRIES

AUSTRAC:

- On 19 October 2020 and 7 June 2021 AUSTRAC announced enforcement investigations into Crown Melbourne and Crown Perth into potential non-compliance with Anti-Money Laundering and Counter-Terrorism Financing laws. On 1 March 2022 AUSTRAC commenced civil penalty proceedings against Crown Melbourne and Crown Perth into alleged serious non-compliance.
- In September 2019 AUSTRAC commenced a compliance assessment of Star Sydney (Star Entertainment Group). On 4 June 2021 AUSTRAC announced they had identified potential serious non-compliance.
- In January 2022 AUSTRAC expanded the investigation to include Queensland.
- There have been no fines issued to date.

In addition, the Star Group is being investigated by the NSW and Queensland gambling regulators following allegations of governance breaches and money laundering. These investigations commenced in late 2021 and are ongoing.

DISCLOSURE IN THE FINANCIAL AND ANNUAL REPORT

Crown Resorts

The [June 2020 Annual Report](#) includes Legal and Regulatory Risks as a Material Business Risk in the Operating and Financial Review (OFR), and the inquiry in the Director's Report.

The [June 2021 Annual Report](#) and Financial Report includes extensive disclosure about the investigations. In particular:

- the Director's Report details the investigations and the remediation plan they have put in place and includes the regulatory reviews as a material risk in the OFR. Explicitly states that "The range of possible consequences is broad and could include (without limitation) remediation plans, changes to Crown's current regulatory framework, or suspension, restriction or cancellation of Crown's licences."
- the financial report includes a contingent liability note detailing the investigations and status.
- no expense or provisions were booked as it was not possible to reliably estimate the expense and penalties in accordance with the accounting standards.

In addition, the auditor included a key audit matter¹ on Provisions and contingent liabilities as they relate to legal and regulatory matters, focusing on whether a liability was required to be recorded at 30 June 2021 in accordance with AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*. This shows that this was a key focus area of the auditor.

Star Entertainment Group

There is no disclosure in the [June 2020 Annual and Financial Reports](#). The [June 2021 Annual and Financial Report](#) includes extensive disclosure about the investigations. In particular:

- the CEO and Director's Report include details of the inquiries and how they are responding.
- the financial report includes details of the AUSTRAC investigation in the contingent liability note.
- no expense or provisions were booked as it was not possible to reliably estimate the expense and penalties in accordance with the accounting standards.

IMPLICATIONS FOR THE AUDITOR

There is little if any mention of the role of the external auditor in the recommendations from the three-state based inquiry and royal commissions into Casino operations in Australia.

In the NSW inquiry additional new provisions in the Casino Control Act are recommended for a compliance engagement and reporting of breaches or non-compliance to the casino operator and to the ICC. This type of engagement is new and is separate to the scope of the audit of the financial statements and would be conducted under AUASB Assurance Standard ASAE 3100 *Compliance Engagements*.

Existing auditor's responsibilities under the Auditing Standards

¹ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* requires auditors of listed entities to detail the matters of most significance in the audit.

The auditor of the financial statements of the Casino Operator and Licensee has a responsibility to provide an opinion on whether the financial report as a whole is materially correct. This includes assessing whether there is a risk of fraud and non-compliance with laws and regulations which may be material to the financial report as required by the auditing standards (refer below).

As detailed above the financial impact was not recorded in the 30 June 2021 financial report as the outcome of the investigations had not been finalised and no fines / penalties had been announced. Therefore, the financial impact could not be quantified. There were extensive disclosures about the investigations in the Financial Report and in other parts of the Annual Report which is not subject to audit. (For disclosures in the Annual Report not subject to audit, the auditor does have a responsibility to read this information for consistency with the Financial Report and their understanding of the entity (under ASA 720 The Auditor's Responsibilities Relating to Other Information)). Also, the Crown auditor had a Key Audit Matter on the investigations.

Relevant Auditing Standards

ASA 315 Identifying and Assessing the Risks of Material Misstatement

Consider the risk of fraud and non-compliance with laws and regulations when identifying risk of material misstatement based on the entity's specific circumstances.

ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report

To identify and assess the risks of material misstatement of the financial report due to fraud; obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and respond appropriately to fraud or suspected fraud identified during the audit.

ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report

The auditor shall obtain audit evidence regarding compliance with the provisions of those laws and regulations generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial report.

During the audit, the auditor shall remain alert to the possibility and instances of non-compliance or suspected non-compliance with laws and regulations.



ITEM 7D

8 SEPTEMBER 2022

AUDITOR DISCIPLINARY PROCESSES

DESCRIPTION

A chronology of FRC actions in relation to auditor disciplinary processes is at Attachment A.

The Professional accounting bodies provided the following data for 2020-21 and 2021-22:

- The number of complaints received
- Investigations initiated
- Disciplinary processes commenced
- Disciplinary matters resolved/closed
- Matters unresolved as of 30 June.

The Professional accounting bodies provided further information for these periods, including the type of complaint received, who the complainant was and the resolution of disciplinary matters that were resolved or closed. The FRC will consider this information internally to assist refreshing its 2019 *Auditor Disciplinary Processes: Review*.

Bill Edge and Anne Waters to provide an update.

ACTION

- For the FRC to decide what further needs to be done in relation to the Auditor Disciplinary Review.

CHRONOLOGICAL SEQUENCE OF PREVIOUS ACTIONS

MARCH 2019

The FRC's Auditor Disciplinary Review

1. The Parliamentary Joint Committee on Corporations and Financial Services recommended that Government review auditor disciplinary processes. On 7 November 2018 the Government requested the FRC to conduct a review and the FRC issued its [Auditor Disciplinary Process: Review](#) in March 2019.
2. The findings were:
 - ASIC has only referred six matters to the Company's Auditors Disciplinary Board (CADB) in the last eight years and only commenced one matter in court. RCAs voluntarily cancelling their registration prior to a CADB referral, and ASIC's preference for negotiated outcomes was a factor influencing this.
 - ASIC's Audit Inspection Program is not a disciplinary process, and its purpose is to improve audit quality by working cooperatively with firms. Therefore, ASIC is generally focused on educative efforts rather than enforcement or imposing disciplinary consequences on firms.
 - The Professional accounting bodies'¹ disciplinary processes were limited in their application in part because they lack the power to fully investigate RCA misconduct. However, they consider a substantial number of matters, impose a range of disciplinary consequences, and are a useful disciplinary process and basis for education within the profession.
3. The review concluded that "the FRC does not believe that an entirely new process is necessary to provide adequate RCA discipline in Australia, but that the adjustment of existing mechanisms would result in a more cohesive, consistent, and improved RCA disciplinary processes. The FRC made a range of recommendations for ASIC, the CADB, and the Professional accounting bodies. The recommendations mainly related to increased public disclosure about the statistics and identity of RCAs found guilty, expediting the CADBs processes, increased communication between the ASIC and the Professional accounting bodies. Refer to **Appendix 1** for full recommendations.

SUBSEQUENT REQUESTS FOR INFORMATION

FEBRUARY 2020

4. The FRC requested ASIC, CADB and the Professional accounting bodies to outline how they have responded to the recommendations. All parties responded that they had or were in the process of addressing the recommendations.

¹ Chartered Accountants Australia & New Zealand, CPA Australia and Institute of Public Accountants

SEPTEMBER 2021

5. The FRC Chair wrote to ASIC, CADB and the Professional accounting bodies to seek an update on their disciplinary processes and outcomes. The Chair also met with representatives of CADB and CAANZ to discuss the matter. Written responses were received from all parties except no response was received from ASIC.
 - a. CADB's responded that in the 2020/21 year they had finalised the majority of cases referred to them by ASIC and a small number were in progress as they were complex. They also detailed that the decisions are published on their website.
 - b. The Professional accounting bodies responded that they report the results of the disciplinary processes in their Annual Reports. They also indicate that they have responded where required to the recommendations, and no further actions needs to be taken.

MAY 2022

6. At its 10 December 2021 meeting the FRC 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.
7. As a result, in May 2022 the FRC sent the supplementary questions to the Professional accounting bodies in respect of their disciplinary processes and outcomes. Refer to **Appendix 2** for the questions.

JUNE / JULY 2022

8. The FRC discussed the responses at its meeting on 2 June 2022 (refer to the [2 June 2022 meeting papers](#) agenda item 5A for the responses from the Professional accounting bodies). Extract from minutes:

"Members noted that the FRC did not have sufficient evidence to conclude there was an audit quality issue in Australia.

- However, members also noted the FRC lacks visibility and granular data on auditor disciplinary tools and actions and auditor disciplinary outcomes (including enforceable undertakings).
- Members noted stakeholder reports in response to FRC requests for information suggest few reported matters result in significant disciplinary action against auditors.
- Members noted ASIC's response to a question on notice by Senator O'Neill in a hearing of the Parliamentary Joint Committee on Corporations and Financial Services on 26 November 2021.

Members agreed the FRC should refresh its 2019 *Auditor Disciplinary Processes: Review* in 2022 or 2023, to assess the gaps in the auditor disciplinary system. The review could consider auditor disciplinary processes in other jurisdictions.”

9. After the 2 June 2022 meeting, as part of its preparation of the FRC Annual Report, the FRC requested further information from the Professional accounting bodies. Refer to **Appendix 3** for the questions. The FRC will internally consider the information it has received to assist the refresh of its 2019 *Auditor Disciplinary Processes: Review*.
10. At the date of preparation of this paper:
 - a. responses have been received however are yet to be reviewed
 - b. CAANZ announced Former Federal Court justice Dennis Cowdroy QC will oversee a review into their disciplinary processes (link to announcement <https://www.afr.com/companies/professional-services/former-judge-to-review-ca-anz-after-kpmg-cheating-scandal-20220819-p5bbc4>).

APPENDIX 1

FRC'S RECOMMENDATIONS

ASIC's detection, investigation, and enforcement processes

- ASIC should adopt a more structured and consistent approach to preliminary investigations of RCA misconduct matters.
- ASIC should improve its record keeping and data management systems to ensure key decision points in relation to RCA matters are easily tracked across the organisation.
- ASIC should evaluate whether the criteria used for resourcing a RCA misconduct matter for enforcement action appropriately recognises the market-wide benefits of improving audit quality.
- ASIC should outline how their 'why not litigate' enforcement strategy will apply to misconduct by RCAs.
- Barriers to ASIC making a factual public announcement when a RCA voluntarily cancels his or her registration while under investigation should be identified and addressed.

Companies Auditors Disciplinary Board (CADB)

- CADB and ASIC should work to adopt a less formal and a more timely approach to the carriage of CADB matters. This should include a review of CADB's practice and procedures manuals.
- The Government should consider revising provisions so that CADB may publish the commencement of proceedings including naming the RCA subject to the proceedings and his or her firm.
- The Government should consider providing CADB with additional disciplinary powers, including powers to suspend registration during a CADB proceeding and impose fines against individual RCAs or the firms that employ them, if adverse findings are made.
- If a greater number of applications are made to CADB as a result of current and upcoming reforms, the Government should consider whether CADB will require additional administrative support to ensure matters are dealt with.

ASIC's Audit Inspection Program

- Potential breaches of the law and failures of RCAs to meet their obligations identified in ASIC's Audit Inspection Program should be reviewed for possible enforcement action.
- ASIC should publish the results of audit inspections in greater detail, including naming firms.
- ASIC be given the power to compel remediation of defective audits, alongside the power to publish notices when this occurs.
- ASIC should consider the division of resources between audit inspection and financial reporting surveillance work to ensure that ASIC's resources are being used effectively to ensure good RCA audit quality.

- ASIC and the FRC will work together to implement the Parliamentary Joint Committee on Corporations and Financial Services report Oversight of ASIC, the Takeovers Panel and the Corporations Legislation No.1 of the 45th Parliament recommendation to devise a study that would track audit quality over time.

Professional accounting bodies

- Professional bodies should refer to ASIC all matters relating to RCAs where there appears there may be a breach of the law.
- Professional bodies should accurately record all disciplinary processes, including those that lead to no substantive action, and the reasons for the decision. They should also distinguish between lack of evidence that conduct was inappropriate and lack of evidence because information was not provided.
- Professional bodies should formalise processes for advising each other and the FRC of their disciplinary proceedings, particularly regarding RCAs.
- Professional bodies should publicly report statistics on the number of complaints they receive, and the number of complaints that do not proceed

APPENDIX 2

AUDITOR DISCIPLINARY QUESTIONS - SENT MAY 2022

1. 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.
2. Details of what constitutes a disciplinary matter for the purposes of any disciplinary process you maintain.
3. 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.
4. An outline of any review or appeals processes that may be applicable to the abovementioned process(es).
5. An outline of any oversight mechanisms in place to ensure the integrity, timeliness, and effectiveness of the above-mentioned process(es).
6. Details of the objectives of the above-mentioned process(es).
7. 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.
8. 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.
9. 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.
10. 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.
11. Details of any factors that limit your ability to share information with, or refer matters to, ASIC, CADB and the Tax Practitioners Board.
12. Any other information you would like to provide about auditor misconduct and processes for addressing such conduct.

APPENDIX 3

AUDITOR DISCIPLINARY PROCESSES QUESTIONS - SENT JULY 2022

SYSTEMS AND PROCESSES FOR PLANNING AND PERFORMING QUALITY ASSURANCE REVIEWS

- Please complete the table below in respect of the outcomes of the quality assurance reviews of **individual members** completed by your organisation in 2021-22.

	2020-21		2021-22	
	No.	%	No.	%
Satisfactory / fully compliant				
Requires re-review / non-compliant				
Unsatisfactory / disciplinary action required				
Total		100		100

- Please complete the table below in respect of the outcomes of the quality assurance reviews of **audit firms** completed by your organisation in 2021-22.

	2020-21		2021-22	
	No.	%	No.	%
Satisfactory / fully compliant				
Requires re-review / non-compliant				
Unsatisfactory / disciplinary action required				
Total		100		100

Further questions

- How did your organisation identify firms and members that would be subject to quality assurance review in 2021-22?
- How many quality assurance reviews did your organisation **complete** in 2021-22?
- How did your organisation plan and decide on the number of quality assurance reviews to undertake in 2021-22?
- How did your organisation select a reviewer for each quality assurance review?

7. In relation to the quality assurance reviews of **individual members** your organisation **completed** in 2021-22:
 - 7.1. How many audit engagement files were reviewed?
 - 7.2. How long did the reviews take (on average per review)?
 - 7.3. Who signed off on the reviews before they were finalised?
 - 7.4. How many reviews resulted in the commencement of disciplinary processes?
 - 7.5. What disciplinary actions were taken in response to the reviews (please include the proportion of affected members subject to each type of action)?
 - 7.6. What action did affected members take in response to the quality assurance reviews?
8. Please answer the questions listed in question 6 above for quality assurance reviews of **audit firms** your organisation **completed** in 2021-22.

AUDITOR DISCIPLINARY PROCESSES

1. Please complete the table below in respect of your organisation's auditor disciplinary processes.

	2020-21	2021-22
Complaints received		
Other sources of referrals of member conduct received (e.g. media, regulatory investigations, member conviction)		
Investigations initiated		
Disciplinary process commenced (e.g. committee hearing, administrative action)		
Disciplinary matters resolved / closed		
Matters unresolved as at 30 June		

Further questions

2. In relation to the complaints **received** by your organisation in each of 2020-21 and 2021-22:
 - 2.1. What was the nature of the complaints? Please provide data on the type of conduct complained of and volume complaints received for each such type.

- 2.2. Who were the complainants (e.g. member of public, regulatory authority, member of your organisation etc)?
- 2.3. How many of the complaints were / are subject to an investigation by your organisation?
- 2.4. How many of the complaints were not investigated (or not investigated beyond an initial review) and what was the reason for not investigating (e.g. insufficient documentary evidence, out of jurisdiction etc)? Please quantify number of complaints by reason for not investigating.
- 2.5. What is the current status of each complaint (e.g. open, still under investigation, resolved, referred to another body)? Please quantify number of complaints by each stage / status.
3. In relation to the investigations **initiated** by your organisation in each of 2020-21 and 2021-22:
 - 3.1. In what financial year did you receive the complaints the subject of the investigation?
 - 3.2. How did your organisation select the investigator for each complaint?
 - 3.3. What is the current status of each investigation (e.g. collecting evidence, formal hearing, resolved)? Please quantify number of investigations by each stage / status.
4. In relation to the disciplinary processes **commenced** by your organisation in each of 2020-21 and 2021-22:
 - 4.1. In what financial year did you receive the complaints the subject of the disciplinary process? Please quantify number of cases by financial year.
 - 4.2. In what financial year did you complete the investigation the subject of the disciplinary process? Please quantify number of cases by financial year.
 - 4.3. What is the current status of each case (e.g. hearing scheduled, hearing completed, deliberation, matter closed)? Please quantify number of disciplinary processes by each stage / status.
5. In relation to the disciplinary matters **resolved or closed in** each of 2020-21 and 2021-22,:
 - 5.1. What was the resolution (e.g. no penalty, fine, censure, cancellation of membership)? Please quantify number of cases by resolution / outcome.
 - 5.2. Did your organisation publish the disciplinary outcomes, and if so, what details were provided (e.g. individual names, nature of conduct etc)?

6. In relation to the matters which were **unresolved** as at each of 30 June 2021 and 30 June 2022, when were the matters first brought to your organisation's attention? Please provide data on number of unresolved matters by financial year in which they were received.



ITEM 7E

8 SEPTEMBER 2022

CYBER SECURITY

ACTION

- For FRC to understand level of disclosure of cyber risk in annual and financial reports in Australia.

BACKGROUND

Cyber-security is a risk that all entities should be assessing and addressing, however the materiality of the risk will differ between entities. If the risk is material to an entity, it is expected that it will be reported in the Operational Financial Review (OFR) in the Annual Report and depending on the circumstances and materiality, in the financial report (refer below for more detail on when disclosure is required in the OFR and financial report). If a Cyber security incident or breach has occurred in the period, the impact of this is more likely to be material to the financial report and require disclosure in the OFR and the financial report and notes.

WHO IS REPORTING ON CYBER SECURITY IN AUSTRALIA?

From a search undertaken by academics Professor Matt Pinnuck from Melbourne University and Dr Mark Wallis from University of Queensland, on the key word “cyber” across the 2021 annual reports of the top 250 listed Australian entities, the majority of disclosures on cyber were found in OFR of the annual report where 216 entities mention the word cyber. 14 mention the word “cyber” in the notes to the financial statements, and 2 entities have the word cyber in the audit report, one which was disclosed as a Key Audit Matter. 35 entities mention cyber in their Corporate Social Responsibility Report (CSR).

This is not dissimilar to the trends observed by the AUASB on climate and climate-risk disclosures of ASX listed entities in 2018 annual reports with the majority of disclosures being made in the Director’s and the Sustainability report. As the focus on climate risk has become more prevalent, we now see a wider spread of disclosures throughout the whole Annual report.

GUIDANCE FOR PREPARERS AND AUDITORS

[AUASB Bulletin *The Consideration of Cyber Security Risks in an Audit of a Financial Report*](#) provides guidance on the responsibilities of management and those charged with governance (TCWG) when

preparing the financial report, and for auditors in considering the direct and indirect impact of cyber security on the audit.

For entities whose operations could be significantly impacted, it is important for management and TCWG to consider the risks related to cyber security and if a cyber security event occurs, whether it is quantitatively or qualitatively material and the implications for the financial report. [AASB / IASB Practice Statement 2](#) provides entities with guidance on making materiality judgements when preparing their financial report.

Auditors should consider cyber security risks when performing risk assessment and applying ASA 315¹. If a risk of material misstatement is identified the auditor responds to this risk by applying ASA 330² which requires them to perform audit procedures to determine the impact, including assessing the impact on amounts recognised in the financial report and relevant disclosures.

Cyber risk has also been a focus of ASIC who have published [cyber resilience including good practice guides](#) and [key cyber questions for an organisation's board of directors](#), to assist management and TCWG.

If entities have determined cyber security risks do not have a material impact on the financial report, they need to consider if disclosures in the OFR are necessary. If cyber security risks could have a material impact on the future prospects of the entity this should be disclosed in the OFR. This will not be relevant for all entities. Preparers and Auditors should refer to ASIC's [RG 247 Effective disclosure in an operating and financial review](#) for guidance which includes:

"Climate change is a systemic risk that could have a material impact on the future financial position, performance or prospects of entities. Examples of other risks that could have a material impact for particular entities may include digital disruption, new technologies, geopolitical risks and cyber security. Directors may also consider whether it would be worthwhile to disclose additional information that would be relevant under integrated reporting, sustainability reporting or the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), where that information is not already required for the OFR."

Importantly RG 247.63 also includes:

- "An OFR should:
 - (a) only include a discussion of the risks that could affect the entity's achievement of the financial prospects disclosed, taking into account the nature and business of the entity and its business strategy; and
 - (b) not contain an exhaustive list of generic risks that might potentially affect a large number of entities."

This means that if cyber risk (and other risks including climate) is unlikely to have a material impact on the future prospects of the entity, it should not be disclosed in the OFR as this boilerplate reporting will not be informative to users. And if they are disclosed it is important that the risk is described in its context and its potential impact on the entity's prospects ie. Not boilerplate.

RECENT ARTICLES FOR THE FRC'S INFORMATION

AFR articles

- 22 August 2022 – [Australia's cyber shield booster for "jewel" assets](#)
- 17 August 2022 – [Company directors issued with a cyber alert](#)

¹ ASA 315 *Identifying and Assessing the Risk of Material Misstatement*

² ASA 330 *The Auditor's Response to Assessed Risks*



ITEM 7F

8 SEPTEMBER 2022

IMPACT OF GLOBAL ECONOMIC ENVIRONMENT ON REPORTING UPDATE

DESCRIPTION

At the 2 June 2022 meeting, FRC members discussed the heightened uncertainty in the global economic environment. Issues include inflation, supply chain issues, asset prices and energy transition. Members expressed concern about the impact that the compounding of such issues may have on the financial reporting system and audit quality.

Members agreed that the FRC will use its communique to seek input from stakeholders on the impact the global economic environment has had on confidence in financial statements and auditing and accounting standards and practices.

On 20 July 2022, the FRC Secretariat sent the FRC communique to 20 stakeholders seeking input about the impact of the global economic environment on confidence in financial statements, and accounting and auditing standards and practices. Additionally, on 3 and 4 August 2022, the FRC Secretariat sent questions about the global economic environment via its Stakeholder Report request. At the time of drafting this paper, out of 26 requests the FRC received 11 responses.

Some common matters raised by stakeholders include the labour shortage in the accounting, finance and auditing professions (which will be discussed at item 7B of this meeting), in addition to difficulties adhering to reporting deadlines. All stakeholder responses are attached at item 9.

ACTION

- FRC Chair to provide verbal update
- The FRC to identify actions (if any) it could take with respect to the emerging issue of the global economic environment, in addition to impact investing and other emerging issues.



ITEM 7G

8 SEPTEMBER 2022

INITIATIVES IN ADDRESSING TALENT SHORTAGE ISSUES WITHIN THE PUBLIC SECTOR

DESCRIPTION

On 2 June 2022, the FRC discussed issues concerning the skills shortage experienced by the accounting profession, in the context that suitably qualified and experienced preparers and auditors are critical to the quality of financial reporting and audits. Tracey Carroll agreed to provide an update on recent initiatives undertaken in addressing talent shortage issues within the public sector in Australia.

This paper provides an overview of accounting and finance talent attraction and retention pressures in the public sector, focused on the Australian Public Service (APS) as a case study.

ACTION

- For noting.

DISCUSSION

Similar to the broader accounting and finance profession in Australia, the public sector is experiencing a skills shortage. The National Skills Commission has identified accountants on the [skills priority list](#) as one of the occupations in national shortage, with strong future demand.

The impacts of the COVID-19 pandemic and international border closures on skilled migration have been acutely felt in Australia in the accounting and finance profession, where the workforce has long been supplemented by international supply to the labour market. This was highlighted by Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia in their 2021 submissions to the [Joint Standing Committee on Migration's Inquiry into Australia's skill migration program](#). Accounting and finance professionals have since been added to the Priority Migration Skilled Occupation List however, it is expected to take some time for skilled migration to reach pre-pandemic levels.

The Australian public sector, including the APS, is experiencing significant resourcing pressures in the attraction and retention of both qualified and entry-level accounting and finance professionals. This has the potential to impact on the ability of the public sector to produce and prepare high quality financial reports, and the auditing of these financial reports.

The drivers of increased pressure in the public sector compared to the private sector in Australia include:

- Geographic constraints
- Citizenship requirements
- Remuneration constraints
- Awareness of the public sector amongst candidates
- Attractiveness of public sector accounting and finance roles to candidates

It is recognised that some of these drivers are not easily able to be addressed (for example, citizenship requirements and remuneration constraints) however, a number of actions have been taken or are underway to respond to resourcing pressures in the public sector, including engagement across Australian jurisdictions and with international counterparts to share and learn from similar experiences. These include (to date limited) remote working arrangements and engagement with universities and the professional bodies to promote public sector accounting and finance careers.

To manage talent related risks into the medium and longer term, the Australian Government established an APS Accounting and Finance Profession Working Group (the Working Group) in 2021. The priorities of the Working Group aim to grow capacity and capability and align with the [APS Workforce Strategy 2025](#) issued by the Australian Public Service Commission (APSC). The Working Group is facilitating ongoing collaboration, support and the development of accounting and finance professionals across the APS, in particular to identify career pathways and grow senior finance leaders and future CFOs. Since establishing the Working Group, a number of actions have been delivered or are underway. These include:

- development of Principles for Mentoring and Coaching, Recruitment and Secondments to facilitate capability development and mobility across the APS;
- analysis and expansion of learning and development opportunities for APS accounting and finance professionals, and, and an overview of accounting and finance graduate and entry level recruitment programs;
- following analysis of capability frameworks from across the public sector internationally and across Australian jurisdictions, development of an APS capability framework for accounting and finance professionals;
- development of a career pathway and capability framework for senior CFOs;
- participation of the APS accounting and finance profession in a Workforce Skills Pilot, which is a part of a broader program of work underway within the APSC to build and develop the APS workforce;
- collaboration with the APSC, CAANZ and CPA Australia, particularly in relation to learning and development;
- engagement with universities, particularly related to entry level and early career opportunities such as internships and cadetships; and
- establishment of an online community for APS accounting and finance professionals that provides an opportunity to connect and share knowledge.



ITEM 8A

22 SEPTEMBER 2022

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 Financial Reporting Standards (IFRS) Foundation

- The IFRS Foundation is [seeking nominations](#) for 4 new Advisory Council members. Applications close 14 October 2022.
- On 1 August 2022, it was [announced](#) that the IFRS Foundation completed its consolidation with the Value Reporting Foundation.

International Sustainability Standards Board (ISSB)

- On [8 June 2022](#), [14 July 2022](#) and [24 June 2022](#), the IFRS Foundation Trustees announced a total of 8 additional members to the ISSB, making the ISSB quorate.
- On 28 June 2022, the IFRS Foundation [launched](#) the Montreal ISSB centre, further announcing a new Memorandum of Understanding with Montreal International to obtain financial support of the Government of Canada and Government of Quebec.

International Accounting Standards Board (IASB)

- On 20 June 2022, the IASB released its [Project Report and Feedback Statement](#), summarising the work completed and conclusions reached in its Post-Implementation Review of IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of Interests in Other Entities*.
- The IASB has set out its 2022-2026 priorities; its 3 main strategic priorities are to:
 - maintain the strategic direction and balance of the IASB's activities while increasing slightly efforts to develop digital financial reporting and improving the understandability and accessibility of IFRS Accounting Standards
 - progress current projects
 - add intangibles, statement of cash flows and climate-related risk in financial statements to the work plan.

International Auditing and Assurance Standards Board (IAASB)

- It was [announced](#) that Tom Seidenstein was reappointed as IAASB Chair for a further three years.
- The IAASB submitted a [response](#) to the ISSB's consultation on its exposure drafts on sustainability-and-climate-related disclosures, noting that it has committed to taking dedicated standard-setting action to develop a standard for assurance on sustainability reporting.
- The IAASB released its [First-Time Implementation Guide for ISA 315 315 \(Revised 2019\) Identifying and Assessing the Risks of Material Misstatement](#), to help stakeholder understand and apply to revised standard.

Financial Reporting Council UK (UK FRC)

- On 22 June 2022, the UK FRC [issued a consultation](#) on publishing audit quality indicators (AQIs) for the largest UK audit firms.
 - The proposed AQIs would provide stakeholders with a range of comparable indicators on perceived culture within an audit firm, audit quality inspection results, staff workloads, and the level of partners' involvement in individual audits.
- The UK FRC [published comprehensive professional judgement guidance](#) for auditors to improve how they exercise professional judgement.



ITEM 8B

8 SEPTEMBER 2022

UK GOVERNMENT RESPONSE TO THE KINGMAN, BRYDON AND CMA REPORTS ON FINANCIAL REPORTING MATTERS

ACTION

- For the FRC to consider if any lessons or initiatives are relevant to Australia.

INTRODUCTION

- As a result of a series of large corporate failures the UK Government commissioned three independent reviews:
 - Sir John Kingman's Independent Review of the Financial Reporting Council ([published April 2018](#)).
 - The Competition and Market Authority Statutory Audit Services Market Study ([published April 2019](#)).
 - Sir Donald Brydon's Independent Review of the Quality and Effectiveness of Audit ([published December 2019](#)).
- In March 2021, the UK Department for Business, Energy and Industrial Strategy (BEIS) issued its consultation paper [Restoring trust in audit and corporate governance](#) which included a large number of proposals in response to the reviews, which would have a significant impact on corporate governance, financial reporting and auditing. The proposals were designed to:
 - Create a more effective and better-constituted regulator, i.e., Transforming the UK Financial Reporting Council (FRC) to the Audit, Reporting and Governance Authority (ARGA).
 - Improve reporting and directors' accountability.
 - Improve competitions and choice in the audits market, make audit a more effective tool for giving stakeholders reliable and relevant information about companies.
- In May 2022, the UK Government published [Restoring trust in audit and corporate governance](#), (the Response) which sets out the Government's plan for action. Not all the proposals / recommendation of the inquiries were accepted however many were. Also the Response did not include all implementation details as stakeholders such as

FRC/ARGA will need to determine how best to implement, and acknowledged that this will take a number of years.

- In July 2022, the Financial Reporting Council (UK) published a [Position Paper](#) setting out their next steps to support the government's response and more detail on how the reform will be delivered. Many of these require legislation, revisions to the UK Corporate Governance Code, issuing of guidance, or amendments to auditing standards. Whilst waiting for legislation UK FRC/ARGA will introduce through the Code and guidance, and will commence oversight as soon as possible.

HIGH LEVEL OVERVIEW OF THE AMENDMENTS

Internal controls

- Stepped back from requiring a full SOX type of reporting (which was originally proposed) but will require an explicit statement from the directors about the effectiveness of the internal controls and the basis for the assessment.
- Not mandating independent external assurance but leave the decision to the directors.
- The UK FRC / ARGAs to explore whether the auditor's report should provide more information about the auditor's work on the internal controls over financial reporting as part of the statutory audit (i.e., Current responsibilities and not assurance of the control system).

Resilience Statement

- Enhanced Resilience Statement to report on material challenges to short- and medium-term resilience. This will replace the existing Viability Statement and is in addition to going concern disclosures.
- Not mandating independent external assurance but leave the decision to the directors.

Fraud and going concern

- Directors to report on the steps they have taken to prevent and detect material fraud.
- This is consistent with an existing requirement for auditors in the UK to report on how they have addressed fraud in the auditor's report which is in addition to that required in the International Auditing Standards.

Capital Maintenance and Dividends

- Require additional disclosure in relation to dividends, distributable reserves and capital maintenance and to give ARGAs new powers in relation to how these are calculated.

Enhanced definition of public interest entity

- The definition of Public Interest Entity to include Large Proprietary Companies¹. This will increase the required reporting, regulation and oversight of these entities, as well as auditing requirements.

Audit and Assurance Policy (AAP).

- Companies to publish every 3 years
 - How they have taken account of shareholder views in its development.

¹ large companies with both 750 or more employees and an annual turnover of £750 million or more (750:750 threshold).

- Whether, and if so how, a company intends to seek independent external assurance over any part of the Resilience Statement, over reporting on its internal control framework and other corporate reporting.
- Describe the internal auditing and assurance process.
- Describe the company's policy in relation to tendering for external audit.
- State whether any independent assurance beyond the statutory audit will be carried out according to a recognised professional standard, such as the International Standard on Assurance Engagements (ISAE) (UK) 3000.

Oversight of audit committees

- ARGA to develop (for use initially on a voluntary basis) a set of Minimum Standards for Audit Committees. Expected to be in place end of 2023. These will address minimum requirements on audit committees in relation to the appointment and oversight of auditors of FTSE 350 companies, including supporting greater market resilience and diversity when tendering for audit services. These standards will be legislated in the future.
- A formal mechanism to be established to enable audit committees to gather shareholder views on the audit plan, and that shareholders to have better opportunities to ask questions about the audit at the AGM.

Competition, Choice and Resilience in the Audit Market

- ARGA to have greater regulatory powers and duties intended to increase choice and competition in the FTSE 350 audit market, initially through a managed shared audit regime and, if needed, taking a reserve power for a managed market share cap.
- ARGA will be given power to design and deliver an operational separation. (i.e., Operating the audit practice separately from the rest of the firm).
- ARGA will be given appropriate powers to increase transparency in relation to the financial statements of the audit practice and remuneration policies that set audit partner pay.
- The Government will seek powers to make regulations to deliver full structural separation if operational separation fails to deliver an increase in audit scepticism, independence and quality.
- ARGA will be given the power to require information to monitor the health and viability of firms. ARGA will also be given appropriate powers to require audit firms to address any audit quality and resilience concerns identified.
- ARGA will be equipped with the ability to operate a market share cap in the event of a major audit firm failure.
- To introduce legislation to improve notices of auditors ceasing to hold office for PIE audits to require certain positive statements by the auditor relating to their recent relationship with the company and its audit committee.

Audit profession

- It was proposed to create a separate auditing profession distinct from the accounting profession however this has not been accepted. Instead ARGA to work with the Accounting Professional bodies to make substantial improvements to auditor qualification, training and skills in order to deliver higher levels of scepticism and insights

recommended by the Brydon Review, and to further the development of audit as a profession distinct from accountancy.

Audit quality

- ARGAs to identify non-legislative ways of improving the Audit Quality Review (AQR) process and continuing to seek consent from audit firms and audited entities where possible before publication.
- To engage with investors and other users to improve the usefulness to them of the information published on the AQR.
- ARGAs to investigate ways to improve the useability and informativeness of the audit process, through enhancing auditor's reporting to users and directors.

Strengthened regulator

- Many of the points above require greater powers for ARGAs.
- ARGAs to review and regulate the whole of the Annual Report including corporate governance disclosures, and to investigate and sanction breaches of corporate reporting responsibilities by directors.

Funding

- Market participants to pay a levy to meet the regulator's costs of carrying out its regulatory functions. This will provide ARGAs with a sustainable and independent basis to carry out its regulatory activities.



ITEM 8C

8 SEPTEMBER 2022

XRB UPDATE

DESCRIPTION

Report by Chair of the XRB

ACTION

- Michele Embling to provide verbal update.



ITEM 9

8 SEPTEMBER 2022

STAKEHOLDER REPORTS

DESCRIPTION

At its 2 June 2022 meeting, the FRC agreed to change its expectations around stakeholder engagement, including by:

- requesting targeted information from stakeholders on matters relevant to the FRC's work agenda, while maintaining the FRC's general request for information for matters relevant to the FRC's objectives
- preparing a cover sheet of stakeholder responses and tracking stakeholder response rates over time.

The FRC further agreed to reach out to stakeholders to gather data on talent shortage in the accounting and auditing profession.

On 3 and 4 August 2022, the FRC Secretariat sent questions tailored for certain stakeholders, requesting views and information on talent shortage in the accounting and auditing profession and the global economic environment.

At the time of preparing this paper, out of 26 requests, the FRC received 11 stakeholder reports and 2 responses confirming nil updates from AIST and ASX Limited.

A coversheet to be used at future meetings is at Attachment A and a copy of all the targeted questions is at Attachment B.

ACTION

- Chair to report.

STAKEHOLDER REPORTS

At its 2 June 2022 meeting, the FRC agreed to change its expectations around stakeholder engagement, including by preparing a cover sheet of stakeholder responses and tracking stakeholder response rates over time.

On [date] the FRC Secretariat sent Stakeholder Report templates containing questions tailored for certain stakeholders, requesting views and information on x.

It has received x responses out of x requests from the following stakeholders:

Stakeholder	Response – [meeting date] (Y/N/Nil Response)	Response Rate (out of x meetings)
Association of Superannuation Funds of Australia		
Australian Charities and Not-for-profits Commission		
Australian Institute of Company Directors		
Australian Prudential Regulation Authority		
Australian Securities Exchange (ASX)		
Australian Shareholders' Association		
Australian Institute of Superannuation Trustees		
Business Reporting Leaders Forum		
Business Council of Australia		
Chartered Accountants Australia and New Zealand		
CPA Australia		
Department of Finance		
Governance Institute of Australia		

Group of 100		
HoTARAC		
HoTARAC (NSW Secretariat)		
Institute of Internal Auditors		
Institute of Public Accountants		
PSWG (NSW Secretariat)		
[Additional stakeholders]		

SPECIFIC QUESTIONS FOR STAKEHOLDERS

Talent attraction and retention

1. Do you consider there to be a talent and skills shortage in the accounting and auditing profession? If so:
 - 1.1. what do you consider are the causes of the problem?
 - 1.2. how has it affected your organisation?
 - 1.3. what areas of the profession has it affected (e.g. specific roles, specific levels of seniority)?
 - 1.4. what action has your organisation/ members taken to address the problem?
2. What Government policies have affected attraction and retention of talent in the accounting and auditing profession? What has been the impact of these policies?
3. If readily available, can you provide any quantitative data demonstrating the talent and skills shortage or concerns around talent attraction and retention?

For example:

 - 3.1. Number of vacancies for *auditing and assurance* roles in your organisation at entry level / graduate, mid-level, or senior positions in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.
 - 3.2. Number of vacancies for *other accounting* roles in your organisation at entry level / graduate, mid-level, or senior positions in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.
 - 3.3. Number of applicants for entry level / graduate *auditing and assurance* positions at your organisation in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.
 - 3.4. Number of applicants for entry level / graduate positions for *other accounting* roles at your organisation in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.
 - 3.5. Number of membership applicants for *auditing and assurance / other accounting* roles to your organisation in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.
 - 3.6. Number of *auditing and assurance* employees/ professional members by level of seniority as at 30 June of 2020, 2021, and 2022.
 - 3.7. Number of employees/ professional members in *other accounting* roles by level of seniority as at 30 June of 2020, 2021, and 2022.
 - 3.8. Demographic characteristics of employees (e.g. age, gender, education etc.).

GLOBAL ECONOMIC ENVIRONMENT

4. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?
5. How have current economic conditions impacted on audit quality?
6. What actions has your organisation / members taken to mitigate these challenges?



ITEM 9

8 SEPTEMBER 2022

STAKEHOLDER REPORT: AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

FOR ATTENTION OF THE FRC

In this section, please insert a summary of key issues in this report.

- The key issues covered in this report relate to:
 - The International Sustainability Standards Board.
 - Progress is also being made on AASB 17.
 - APRA continues to monitor the current economic uncertainty and its impact on its regulated institutions.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of key activities relevant to the FRC's objectives undertaken by your organisation since the last reporting period.

- APRA has contributed to the International Sustainability Standards Board submission made by the Council of Financial Regulators. APRA has also shared its thinking on the ISSB standards with the AASB and AUASB.
- APRA continues to monitor the current economic uncertainty and its impact on its regulated institutions.
- APRA regulated entities are continuing to progress their work on AASB 17.

SPECIFIC QUESTIONS FOR STAKEHOLDER

The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?
2. How have current economic conditions impacted on audit quality?
3. What actions has your organisation / members taken to mitigate these challenges?



Combined response: At this point, we haven't observed current economic conditions having had much discernible impact. As part of its ongoing supervisory activity, APRA is actively monitoring the impacts of changes in current economic conditions on its regulated entities. APRA continues to engage with affected entities when needed.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

N/A



STAKEHOLDER REPORT: AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION (ACNC)

FOR ATTENTION OF THE FRC

In this section, please insert a summary of key issues in this report.

- N/A

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of key activities relevant to the FRC's objectives undertaken by your organisation since the last reporting period.

- The ACNC has launched a range of [free online short courses](#) for those charged with governance in the charity sector to assist sector leadership and accountability. One course: [Reporting Obligations of Your Charity Part A: Overview and Basic Financial Skills](#) provides an overview of the reporting obligations of Australian charities and helps develop basic financial skills for charity board members.
- In late June 2022, the ACNC published a report: [Reviewing charities' financial information and annual financial reports](#). This report summarises the results of a review (of 250 Annual Information Statements and Annual Financial Reports for the 2020 reporting period) where we analysed the quality and accuracy of financial information in accordance with the ACNC reporting requirements.
- The ACNC has regular liaison meetings with the AASB and AuASB. The ACNC also participated in the AuASB's Agenda Consultation Forum for Key Stakeholders.

SPECIFIC QUESTIONS FOR STAKEHOLDER

The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?
2. How have current economic conditions impacted on audit quality?
3. What actions has your organisation / members taken to mitigate these challenges?



The ACNC has received feedback from accounting firms who are struggling to meet reporting deadlines mainly due to staff shortages. The ACNC received extension requests (to extend reporting deadlines) from charities quoting the delay from auditors. The ACNC continues to approve reporting extension requests if the circumstances are beyond a charity's control.

The ACNC also announced a blanket extension on reporting deadlines for charities in flood affected areas in NSW and QLD.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of any other activities not covered above which are relevant to the FRC's objectives and were undertaken by your organisation since the last reporting period.

- Legislative changes for incorporated associations and fundraisers in Queensland start from 29 July 2022, allowing these charities to report directly to the ACNC. The ACNC has achieved streamlined reporting arrangements for incorporated associations and fundraisers across all states and territories. It is a significant milestone achievement in reducing red tape and duplicative reporting for the charity sector.
- The ACNC published the 8th edition of the [Australian Charities Report](#). The report analyses data submitted by 49,165 charities in their 2020 Annual Information Statements. The 2020 Annual Information Statement dataset was published to [data.gov.au](#).



ITEM 9

8 SEPTEMBER 2022

STAKEHOLDER REPORT: COMMONWEALTH DEPARTMENT OF FINANCE

FOR ATTENTION OF THE FRC

In this section, please insert a summary of key issues in this report.

The Commonwealth Department of Finance continues to monitor developments in sustainability reporting and standard development at a whole of government level as it might apply to the public sector.

Emerging risks related to the attraction, development and retention of accounting and finance professionals into the Australian Public Service has the potential to impact on the ability of the public sector to produce and prepare high quality financial reports, and the auditing of these financial reports.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- Sustainability reporting – The Department of Finance (Finance) continues to monitor developments in sustainability reporting and standard development as it might apply to the public sector, and has contributed to recent developments in sustainability reporting for the public sector through:
 - the Heads of Treasury Accounting and Reporting Advisory Committee (HoTARAC) submission to the Australian Accounting Standards Board (AASB) and attendance at AASB round tables on the current International Sustainability Standards Board (ISSB) sustainability reporting exposure drafts;
 - the proposed HoTARAC submission to the International Public Sector Accounting Standards Board (IPSASB) on public sector sustainability reporting;
 - collaboration with other Commonwealth agencies responsible for aspects of sustainability reporting, including the Treasury and the Department of Climate Change, Energy, the Environment and Water;
 - discussion of public sector sustainability reporting matters with international counterparts including the New Zealand Treasury and HM Treasury (United Kingdom).
- These initiatives are in addition to the Commonwealth's existing mandatory environmental reporting requirements under the *Environment Protection and Biodiversity Conservation Act 1999*.



SPECIFIC QUESTIONS FOR STAKEHOLDER

The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?
1. How have current economic conditions impacted on audit quality?
2. What actions has your organisation / members taken to mitigate these challenges?

There is an emerging risk resulting from a foreseeable shortage of accounting and finance professionals in the Australian public sector (APS), particularly in the Australian Capital Territory (ACT) including in mid to senior ranks. With the rebound of the Australian economy following the COVID-19 pandemic, the APS has faced increased competition from the private sector for accounting and finance professionals, with the private sector often able to provide remuneration and other benefits not available to public sector employers (for example, sign-on and retention bonuses).

This has the potential to impact on the ability of the public sector to produce and prepare high quality financial reports, and the auditing of these financial reports.



STAKEHOLDER REPORT: AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS

FOR ATTENTION OF THE FRC

In this section, please insert a summary of key issues in this report.

- AICD will soon publish a *Periodic Comprehensive Review of External Auditors – Guide for Audit Committees* in collaboration with the AUASB.
- AICD has made submissions supporting the draft ISSB sustainability and climate standards, and offering views on domestic implementation issues to be worked through.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of key activities relevant to the FRC's objectives undertaken by your organisation since the last reporting period.

- In collaboration with the AUASB, the AICD is finalising development of a new publication for use by directors, especially those serving on audit committees, *Periodic Comprehensive Review of External Auditors – Guide for Audit Committees*. The Guide is intended to assist boards to fulfill their responsibilities in assessing the quality and effectiveness of their company auditor and in deciding whether to retain the auditor or procure alternative audit services. We hope the Guide will support the maintenance of a high degree of investor confidence in financial reporting and overall audit quality in the Australian market.
- The AICD has made [submissions to the ISSB and AASB on the draft ISSB sustainability and climate standards](#). The AICD supports the standards in principle and is eager to engage on the issues that will ensure a successful domestic implementation. We are seeking to raise director community awareness of the draft Standards through member communication channels, events and webinars.
- The FRC Chair has accepted an invitation to address the AICD's Reporting Committee, an advisory forum comprised of senior NEDs, CFOs, auditors and representatives of professional bodies. We look forward to engaging with Mr Mills at the meeting on 6 September 2022.

SPECIFIC QUESTIONS FOR STAKEHOLDER

The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?



The first AICD Director Sentiment Index of 2022, which surveyed more than 1700 directors, revealed that directors, while still generally positive, are anxious about global uncertainty. The overall Director Sentiment Index for the first half of 2022 fell 7.1 points from 17.9 to 10.8 since the previous survey in December 2021.

Labour shortages have increased again as a top economic challenge facing Australian businesses with 60 per cent of directors nominating it, followed by global economic uncertainty and climate change. The Index reveals that 57 per cent of directors believe Australia's economic health is strong now and will remain strong in 12 months' time.

While we have not heard specific feedback on labour shortages in the accounting and auditing professions to date, we anticipate these may arise over time creating challenges for financial reporting.

2. How have current economic conditions impacted on audit quality?

The AICD has not had any concerns raised with it directly in terms of current economic conditions impacting on audit quality. However, we would note that as with other sectors of the economy, labour shortages (both in terms of relevant skill availability and COVID-related absenteeism) are a risk that will need to be managed.

3. What actions has your organisation / members taken to mitigate these challenges?

The AICD has previously issued guidance to support directors to effectively meet their responsibilities in signing off financial reporting in the context of the COVID-19 pandemic and associated market volatility and uncertainty. [We believe the guidance remains a useful resource for directors in the current climate and is available here.](#)

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of any other activities not covered above which are relevant to the FRC's objectives and were undertaken by your organisation since the last reporting period.

The AICD has released a legal opinion it commissioned from leading barrister, Bret Walker AO SC, in conjunction with junior counsel Gerald Ng, on the nature of the director's best interests legal duty, especially as it relates to stakeholder interests. The opinion concluded that while shareholder interests are central, directors have considerable latitude to determine where the interests of the corporation lie, and that stakeholder impact and corporate reputation are legitimate considerations. The legal opinion was released in conjunction with an AICD practice encouraging directors take a long-term approach in order to build sustainable value over time. We consider the opinion will provide some comfort to directors as they grapple with how to effectively govern for (and then report on) climate change risk and opportunity. [Link to the materials here.](#)

- The AICD held a highly successful *Climate Governance Forum* on 1 August 2022, where around 1400 directors and business leaders gathered in Sydney and online to share expert insights and board strategies to respond to the risks and opportunities associated with climate change. The Forum, part of the global Climate Governance Initiative (CGI) Australia, of which AICD is host, included sessions on the extent of the economic transformation needed to achieve net zero carbon emissions by 2050, the opportunities for Australia available from the transition, insights on climate disclosure and reporting, stakeholder considerations, scenario analysis and risk management pathways — as well as international board practice. An article summarising some of the key discussion points can be accessed [here](#).



- The AICD has welcomed the Government's introduction of the *Climate Change Bill 2022* to Parliament as a key step towards policy certainty. The Australian director community has consistently highlighted climate change as the number one policy priority they want to see the Federal Government address. Directors have also cited the lack of climate policy certainty as the most significant factor holding back effective climate governance at an organisational level. The AICD led the development of a joint statement by eight peak bodies encouraging passage of the Bill, available [here](#).
- The ASX Corporate Governance Council has begun internal deliberations on a potential 5th Edition of the ASX Corporate Governance Principles and Recommendations. The AICD is a member of the Council and will be active in this process.



STAKEHOLDER REPORT: AUSTRALIAN SHAREHOLDERS' ASSOCIATION

FOR ATTENTION OF THE FRC

In this section, please insert a summary of key issues in this report.

- [Insert]

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of key activities relevant to the FRC's objectives undertaken by your organisation since the last reporting period.

- Australian Shareholders' Association has made an individual and joined a joint submission to the International Sustainability Standards Board on proposed sustainability standards (links below). We engaged with a variety of retail shareholder users of financial and sustainability accounts, including the ASA Company monitors. The matter of assurance, who is responsible for fact checking any claims was a recurring theme, no matter whether it is a financial or sustainability issue.

[International Sustainability Standards Board on proposed sustainability standards](#)

[Peak Australian bodies submission to the ISSB on proposed standards](#)

SPECIFIC QUESTIONS FOR STAKEHOLDER

The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?
2. How have current economic conditions impacted on audit quality?
3. What actions has your organisation / members taken to mitigate these challenges?
 - *Australian Shareholders' Association has observed timely releases of listed company financial reports (audited) at this time. With the 30 June year end companies reporting season having another week to run, we may see some late reporting due to difficulty retaining staff and any increased costs will be reported at a later time.*



OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of any other activities not covered above which are relevant to the FRC's objectives and were undertaken by your organisation since the last reporting period.

- We are preparing for the Australian main AGM Season where we will review company reports including financial performance and Key Audit Matters.



ITEM 9

8 SEPTEMBER 2022

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

- The advancement of sustainability and climate change reporting is a key topic of interest for the public sector. HoTARAC's view is that the experience of its members in reporting public sector matters allows us to make a contribution to the deliberations of the IPSASB (International Public Sector Accounting Standards Board) on these matters. As such, member jurisdictions are currently engaged in providing a response to the consultation papers prepared by the IPSASB (refer Appendix B: Current Work in Progress).
 - HoTARAC's response to the AASB (Australian Accounting Standards Board) regarding *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* expresses views that are similar to those that will be expressed to the IPSASB (refer Appendix A: Submissions to Standard Setters).
- HoTARAC has provided 3 submissions to standard setting boards since the FRC meeting 2 June 2022. Refer Appendix A for details of these submissions.
- Further information on current, and proposed, work in progress related to submissions to Standard Setting Boards is provided in Appendix B.

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?

The COVID pandemic has created issues for member jurisdictions that would not be dissimilar from those experienced by accounting firms in the private sector:

- A significant proportion of the workforce continue to work from home, impacting staff wellbeing more generally and also the development of more junior staff.



- Accessibility to technology for those working away from the office, including remote access to customised systems and issues with internet access providers.
 - Collaboration and communication when remote work was being undertaken was challenging at times.
 - Quarantining requirements for employees, and their household members, created unanticipated breaks in work flows and reassignment of tasks at short notice.
 - Employee recruitment and retention have been hindered by the pool of candidates that would normally be available from overseas to fill private sector positions i.e. the pool of available employees has been much smaller to draw from, leading to increased competition between the public and private sector for candidates.
2. How have current economic conditions impacted on audit quality?
- No comment on audit quality.
 - However, we do understand that our Audit colleagues are experiencing recruitment and retention challenges similar to our own.
3. What actions has your organisation / members taken to mitigate these challenges?
- Staged approach to statutory financial reporting and audit timelines.
 - More proactive engagement with agencies and auditors to address challenges as they emerge and ensure timelines are achieved.
 - Increased focus on staff well-being, including mental health and issues faced by neural divergent employees.
 - Championing hybrid working arrangements.
 - Regular communication of public health orders and the relevant expectations of employees that may choose to work on site.

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 8 September 2022 - SUBMISSIONS TO STANDARD SETTERS COMPLETED

Organisation	Topic	Date Lodged	Project Summary	HoTARAC Response
IPSASB	ED 81 Conceptual Framework Update: Chapter 3, Qualitative Characteristics and Chapter 5, Elements in financial Statements	Nil Response	Proposed 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	Reported to FRC as Work in Progress at 2 June 2022. <u>Revised status for FRC 8 September 2022:</u> The proposed changes were reviewed and HoTARAC believe that no response is required.
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	AASB consultation on the proposals on the proposals in ISSB's Exposure Drafts on IFRS S1 and IFRS S2 to inform any possible future development of a separate suite of Australian sustainability reporting standards by the AASB. The proposals contained in the Exposure Drafts on [Draft] IFRS S1 and [Draft] IFRS S2 are not intended to have any impact on an entity's compliance with Australian Accounting Standards. Any future sustainability-related reporting requirements that may be developed by the AASB are proposed to be independent from, although aligned with, the existing requirements of Australian Accounting Standards.	HOTARAC's view is that the experience of its members in reporting matters allows us to make a contribution to the deliberations of the AASB and the International Sustainability Standards Board (ISSB) on S1 and S2. <ul style="list-style-type: none"> S1 and S2 seek to expand on and more formally incorporate into public reporting systems the existing aspirational reporting models used in current voluntary reporting, which is becoming increasingly widespread among private sector entities internationally. S2 focusses on climate-related reporting, with a heavy emphasis on emissions. We regard sustainability as being broader in scope than this, and we note that the ISSB will consider further standards after S1 and S2 are completed. HoTARAC supports the exclusion of the not-for-profit public sector at present because we consider more thought is warranted before application. The public sector (and some other not-for-profits) may genuinely have different

Organisation	Topic	Date Lodged	Project Summary	HoTARAC Response
				<p>objectives to be achieved from sustainability reporting, to those presented in the Exposure Drafts.</p> <ul style="list-style-type: none"> For application beyond the public sector, HoTARAC notes the expressed urgency to introduce consistent global standards for sustainability applicable to for profit entities and for use in capital markets. This has received widespread support from expected user groups. The proposals in the Exposure Drafts are primarily drawn from the recommendations of the (TCFD Task Force on Climate-Related Financial Disclosures), but have some differing reporting requirements.
IASB/ISSB	IFRS ED S2 Exposure Draft and comment letters: Climate-related Disclosures	15/07/2022	ISSB builds upon the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) and incorporates industry-based disclosure requirements derived from SASB Standards Comments are due by 29 July 2022.	Considered in conjunction with ED 321 lodged with the AASB 15 July 2022
IASB/ISSB	IFRS ED S1 Exposure Draft and comment letters: General Sustainability-related Disclosures	15/07/2022	ISSB has published ED S1 which sets out the overall requirements for an entity to disclose sustainability-related financial information about all its significant sustainability-related risks and opportunities, to provide the market with a complete set of sustainability-related financial disclosures. Comments are due by 29 July 2022.	Considered in conjunction with ED 321 lodged with the AASB 15 July 2022
AASB	ED 320 Fair Value Measurement of Non-Financial Assets of Not-for-profit Public Sector Entities	24/06/2022	Proposed 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	Overall, HoTARAC is highly supportive of the ED and considers it provides highly useful additional implementation guidance for application by not-for-profit (NFP) public sector entities which will facilitate greater consistency in the assumptions and components included in fair value reporting. We noted the different requirements in <i>AASB 116 Property, Plant and</i>

Organisation	Topic	Date Lodged	Project Summary	HoTARAC Response
			generate net cash inflows along with illustrative examples.	<i>Equipment, AASB 5 Non-current Assets Held for Sale and Discontinued Operations</i> and <i>AASB 13 Fair Value Measurement</i> and proposed that the AASB prioritise a review for alignment to ensure consistency in the approach for capitalisation and fair value measurement. Adopting different methodologies/approaches/components across the individual accounting standards have caused significant differences between initial measurement at cost in the first year and the measurement of fair value using revaluation model in subsequent years.
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:</p> <ul style="list-style-type: none"> • how AASB 17 should be applied in the public sector; and • whether any public-sector-specific modifications or guidance might be required. <p>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</p>	<p>HoTARAC is of the view that the proposals in ED319 will result in an unnecessarily large number of public sector arrangements subject to the “collective assessment” process, and inconsistency in the conclusions from a “balanced judgment”. Therefore, HoTARAC recommends the AASB:</p> <ul style="list-style-type: none"> • clarify the prerequisite/fundamental elements of an insurance contract (i.e. what an insurance contract must have), e.g. enforceability, at least some premiums/levies from those who stand to benefit from the coverage • clarify the relative significance of indicators in the collective assessment, e.g., by classifying them into primary and secondary indicators • clarify the features of “social benefits” and “compensation schemes” or other schemes or sub-groups of those schemes, that are intended to be scoped out of AASB 17, or make it a rebuttable assumption that certain schemes are, or are not insurance contracts • clarify the basis for the “balanced judgment”, such as the essence/focus for an insurance contract • provide illustrative examples of applying the proposed indicators in a collective assessment and making a balanced judgment thereon

Organisation	Topic	Date Lodged	Project Summary	HoTARAC Response
			decided to work jointly with the New Zealand Accounting Standards Board to progress the project	<ul style="list-style-type: none"> • provide further exemption from the general measurement approach • clarify whether a zero risk adjustment is permitted or possible in relevant circumstances • reduce disclosure requirements in the proposed para Aus34.3 • provide optional exemption to captive insurers in GGS that provides insurance services solely, or mainly, to GGS entities
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	Proposed 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.	<p>AASB proposes modifications to AASB 17 Insurance Contracts for public sector entities and defers its application date to periods beginning on or after 1 July 2025</p> <p>Considered in conjunction with ED 319 lodged with the AASB 8 June 2022.</p>

LEGEND

AASB *Australian Accounting Standards Board*
IPSASB *International Public Sector Accounting Standards Board*
ISSB *International Sustainability Standards Board*

APPENDIX B: HOTARAC FRC STAKEHOLDER REPORT 8 September 2022 – SUBMISSIONS TO STANDARD SETTERS CURRENT WORK IN PROGRESS

Organisation	Topic	Due date	Project Summary
IPSASB	<i>Consultation paper – Advancing Public Sector Sustainability Reporting</i>	9/09/2022	The IPSASB is consulting on the demand and initial direction of the development of global public sector sustainability guidance. They are also proposing the development of guidance at an accelerated pace with initial guidance to be released by the end of 2023. Comments are due by 9 September 2022.
IPSASB	<i>Consultation paper – Natural Resources</i>	7/10/2022	Proposes guidance on the identification and recognition of natural resources. The paper runs through categories including natural resources as subsoil, water or living resources. Comments are due by the 7 October 2022.

LEGEND

AASB *Australian Accounting Standards Board*

IPSASB *International Public Sector Accounting Standards Board*

ISSB *International Sustainability Standards Board*



**STAKEHOLDER REPORT: AUSTRALIAN BUSINESS
REPORTING LEADERS FORUM (BRLF) - AUSTRALIA'S ...**



FOR THE ATTENTION OF THE FRC

With sustainability-related financial disclosures now falling within the financial reporting domain of the IFRS Foundation, along with the Integrated Reporting Framework and the Integrated Thinking Principles, these matters all appear to fall within the domain of the FRC under s225 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)"

Successful integrated reporters usually note that adopting integrated reporting improves their:

- corporate reports by focusing on one integrated report describing their business and containing one sensible set of metrics (IASB, ISSB, GRI and other self-determined). This reduces the number of reports they produce while increasing their utility to investors and other stakeholders (cost of capital and investor confidence); and
- businesses by applying the integrated thinking foundation of the integrated reporting process (international competitiveness and cost of capital).

In this context, the change of Australian government provides an ideal opportunity for the government and its institutions - such as Treasury and the FRC - to be more actively involved in shaping the corporate reporting agenda and aligning Australia with the global corporate reporting system, so Australia can again 'punch above its weight' as it did 20 years ago when the IFRS Foundation and IASB were formed and IFRS Accounting Standards were created.

There is no need for any change to legislation, regulation or institutions to accommodate the suggestions made in 1-4 below. However, the active support of the government in aligning the Australian corporate reporting system to the extent possible with the global system is required. As the nearest Australian equivalent to the IFRS Foundation, the FRC is ideally placed to lead on all matters raised in this report. **The FRC should** over the next six months:

1. *support the Australian Government* regarding **mandatory adoption of ISSB Standards in Australia, including the climate disclosure standard**. We recommend that the FRC advocate for more than compliance by placing Australian adoption of the standards into the context of the Integrated Reporting Framework (a less but better reporting for investors and other stakeholders) and Integrated Thinking Principles (better business practice).
2. in the context of the IFRS Foundation's forthcoming integrated reporting public promotion campaign, *issue Australian market guidance* for directors and executives as preparers, and investors and other stakeholders as users, clarifying that is possible within existing legislation, regulation and standards to produce **one integrated report** under the Integrated Reporting Framework which provides suitable criteria for assurance:
 - *describing The Business* - the governance, strategy, business model and risk management; and
 - *containing* one sensible set of metrics derived from IASB, ISSB and GRI Standards, and other self-determined metrics which are critical to *The Business* (for example, in relation to intangibles).
3. *commission a study* on the **capacity of supply side market participants** in the Australian corporate reporting system to deliver the expertise required to adopt the ISSB standards effectively and efficiently within the context of integrated reporting and integrated thinking. Among such market participants are the professional accounting bodies, standard-setters, universities and regulators.
4. *appoint the Australian Business Reporting Leaders Forum (BRLF)* as a **formalised advisory body to each of the FRC and the joint AASB / AUASB Sustainability Advisory Panel**, in the same way that the International Integrated Reporting and Connectivity Council has become a formalised advisory body to the IFRS Foundation Trustees and joint committee of the International Accounting Standards and International Sustainability Standards Boards.



KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

INSTITUTIONAL ARRANGEMENTS FOR GLOBAL SYSTEM NOW COMPLETE THROUGH IFRS FOUNDATION

International Sustainability Standards Board (ISSB):

- Board was quorate in advance of the first meeting of the ISSB in July. Now has 13 members.
- Comment period for climate and general requirements exposure drafts is closed. Responses being analysed. Target release of standards: before end of 2022.
- ISSB agenda public consultation will take place in Q4 2022. This will be an opportunity for Australian stakeholders to focus on integrated reporting and integrated thinking (see further below).

Consolidation of Value Reporting Foundation into IFRS Foundation occurred on 1 August 2022:

- Value Reporting Foundation's three key resources - the Integrated Reporting Framework, the Integrated Thinking Principles and the SASB Standards - are now owned by the IFRS Foundation.
- Industry-specific ISSB Standards can now be based on the industry-based SASB Standards.
- In relation to integrated reporting, the 22 May 2022 announcement by the IFRS Foundation ([IFRS - Integrated Reporting—articulating a future path](#)) stated that:

Integrated Reporting Framework

- Will become part of the materials of the IFRS Foundation and will have a prominent place on the Foundation's website - will initially be positioned as a voluntary resource for preparers
- IFRS Foundation and Chairs of IASB and ISSB actively encourage continued adoption of Integrated Reporting Framework by preparers
- IFRS Foundation will undertake an engagement program to help market participants understand process of transitioning the Integrated Reporting Framework to a resource used by both boards, as well as advocating the use and development of Integrated Thinking Principles

Corporate Reporting Framework

- Chairs of IASB and ISSB commit to long-term role for a corporate reporting framework, incorporating principles and concepts from Integrated Reporting Framework. A corporate reporting framework will provide guidance on preparing an integrated report and/or otherwise support connectivity between reporting required by IASB and ISSB, enabling connected, holistic and cohesive corporate reporting.
- Market consultation will inform timing and approach to future development of Integrated Reporting Framework through IFRS Foundation's due process.

The Integrated Thinking Principles

- Will become materials of IFRS Foundation and have a prominent place on Foundation's website.
- IFRS Foundation and Chairs of IASB and ISSB encourage continued use of Integrated Thinking Principles and engagement by stakeholders in developing them as practical guidance that will enhance quality of corporate governance and reporting.

Integrated reporting and integrated thinking within IFRS Foundation

- A dedicated *Connectivity and Integrated Reporting Team* (CIRT) has been formed within the IFRS Foundation following the consolidation of the Value Reporting Foundation into the IFRS Foundation on 1 August 2022. Australia is well represented in the CIRT with Michael Bray being Special Adviser to the team leader and Liz Prescott leading the integrated thinking workstream.



- The CIRT reports to a committee of the Chairs and Vice-Chairs of the IASB and ISSB (the 'integrated reporting committee'), which is advised by the Integrated Reporting and Connectivity Council (IRCC). The integrated reporting committee is overseen by the IFRS Foundation Trustees. Richard Sexton, former co-chair of the Value Reporting Foundation board, has been appointed as an Observer to the IFRS Foundation Trustees.
- The first meeting of the IRCC, chaired by former IIRC CEO Charles Tilley, is scheduled for 10 November 2022. Australian representation on the IRCC is through John Stanhope (Chair of the Australian Integrated Reporting Regional Committee, the BRLF), CPA Australia, CAANZ, ACSI, G100 and AICD.
- The goals and priorities of the CIRT are being finalised in the lead up to the November IRCC meeting. More than 1,300 comment letters on the ISSB exposure drafts were received after 400+ outreach events. With the consultation on the ISSB exposure drafts closed and the results being analysed by the ISSB's technical team, the IFRS Foundation will shortly embark on a public communications campaign in relation to the Integrated Reporting Framework and Integrated Thinking Principles. It is likely that the results of this campaign will be available for the FRC meeting following the August meeting.
- A key work area for the CIRT will be developing guidance for boards and management as *preparers*, investors and other stakeholders as *users*, and assurance practitioners as *credibility-enhancers*, on preparing integrated reports using the Integrated Reporting Framework which contain material IASB, ISSB, GRI and other self-determined metrics.
- Other CIRT workstreams are likely to include developing guidance on intangibles in the context of integrated reporting¹, integrated thinking and the ISSB standards; further development of the Integrated Thinking Principles; contribution to the development of a conceptual framework for all corporate reporting, starting from the Integrated Reporting Framework; and 'assurance connectivity'.
- **Along with a summary of the likely timeline to the first ISSB standards following the analysis of results of the consultation, suggestions in relation to integrated reporting and integrated thinking and assurance connectivity opportunities in relation to integrated reporting in Australia, will be the main feature of the next BRLF report to the FRC.**

Assurance Connectivity

- The International Auditing and Assurance Standards Board (IAASB) has kicked off an ESG and broader sustainability reporting assurance project. The CIRT will continue the work started by the Value Reporting Foundation (and before it the IIRC) on a more integrated approach to assurance, with a focus on assisting the IAASB in matching the scale and pace of change in corporate reporting over the last two years.
- IFAC and the Institute of Internal Auditors, with acknowledgement of the Value Reporting Foundation for input of subject matter expertise, issued a second instalment in the IFAC integrated reporting assurance series on the responsibility of boards for the integrity of integrated reports and underlying reporting processes, and the relationship between the board's governance responsibility and independent external assurance².
- A third instalment in this IFAC series is currently under development. It will examine the value of integrated reporting assurance to investors and will feature attestations from major investors.

AUSTRALIAN IMPLICATIONS AND ACTIONS

Australian Adoption of ISSB Standards, Integrated Reporting and Integrated Thinking

Some in Australia believe that the Operating and Financial Review (OFR) has legal or regulatory status. However, an OFR is not required by either statute or regulation. It is not a required inclusion in directors reports. ASIC coined the term OFR in its 2013 RG247, 'Effective disclosure in an operating and financial review'.

¹ As suggested in the previous BRLF Stakeholder Report to the FRC, Australia should discuss with the IFRS Foundation a plan to establish an IFRS Foundation hub within Australia which houses an *Intangibles Centre of Excellence*. This centre would be part of and a core focus of IFRS Foundation Asia Oceania Office.

² 'Executing the Board's Governance Responsibility for Integrated Reporting', May 2022. The first instalment in this series, 'Accelerating Integrated Reporting Assurance in the Public Interest - IFAC and the IIRC Support Pathway to Integrated Reporting Assurance', was prepared jointly by IFAC and the IIRC in 2021.



RG247 has the status of guidance issued by ASIC as to how ASIC interprets section 299A(1)(a)-(c) of the Corporations Act, [paraphrased by us]: “The directors’ report must contain information that members would reasonably require to make an informed assessment of:

- a) the operations of the entity; and
- b) the financial position of the entity; and
- c) the business strategies, and prospects for future financial years.”

Several terms had previously been used in Australia to describe substantively equivalent reports to what ASIC calls the OFR, including:

- the requirement in ASX Listing Rule 4.10.17 for a ‘Review of Operations and Activities’; and
- the Group of 100’s 2003 ‘Guide to Review of Operations and Financial Condition’.

The term Operating and Financial Review was used in the 1985 UK Companies Act³, which has subsequently been superseded by the Strategic Report legislation.

Accordingly, it is open to Australian directors to re-characterise their OFRs as ‘integrated reports’, which makes sense given the acquisition of the Integrated Reporting Framework by the IFRS Foundation.

The FRC should consider the following suggestions in time for December 2022 reporting in the light of the forthcoming IFRS Foundation communications in relation to integrated reporting:

- engage with major investors and other key stakeholder groups to facilitate investor demand for use of the ISSB standards, Integrated Reporting Framework and Integrated Thinking Principles in connected fashion. The FRC may like to use upcoming market guidance from the IFRS Foundation on matters such as the ability to prepare **one integrated report** in place, or as part, of the OFR; and clarifying the possibility for such an integrated report to include metrics from applying GRI as well as ISSB standards.
- education for all key market participants clarifying that fully adopting the ISSB standards, Integrated Reporting Framework and Integrated Thinking Principles, and achieving integrated reporting assurance, will be a journey that will require innovation and experimentation while processes, systems and teams mature. Perfection should not be expected or required on ‘Day 1’. Potentially, there will be a need for a short term ‘safe harbour’ as companies get fully ready internally.
- ASIC may also like to consider updating RG247 in preparation for 2023 reporting.

Assurance

- The May 2022 BRLF report to the FRC covered the emergence of integrated reporting assurance practice. The FRC and AUASB should ensure that they remain abreast of international and local market developments in relation to ESG and integrated reporting assurance.
- The FRC and AUASB should make appropriate Australian market announcements in relation to international developments (refer above) on assurance, including the release of:
 - IFAC’s updated benchmarking study in relation to 2020 ESG assurance data⁴; and
 - Instalment 2 of the IFAC integrated reporting assurance series which reflects 2021 market conditions, including 13 instances globally of integrated reporting assurance, with four of these⁵ being in Australia, the most in the world. The emergence of integrated reporting assurance is closely related to both

³ The Companies Act 1985 (Operating and Financial Review and Directors’ Report).

⁴ [The State of Play in Reporting and Assurance of Sustainability Information: Update 2019-2020 Data & Analysis | IFAC](#)

⁵ Cbus, CPA Australia, LendLease and Dexu. The global pioneer of integrated reporting assurance was ABN Amro, the Dutch bank (EY). In 2022, ABN Amro again were a pioneer in relation to integrated reporting assurance, obtaining reasonable assurance on part of the report (the description of the materiality determination process). Also in 2022, another Dutch Bank, Rabobank, followed the lead of ABN Amro in obtaining limited integrated reporting assurance.



paragraphs 1.20 and 1.24⁶ of the Integrated Reporting Framework and ASX Corporate Governance Recommendation 4.3 disclosure⁷. An integrated report

- meeting the requirements of paragraphs 1.20 and 1.24 will form the basis of a well-prepared Recommendation 4.3 disclosure.

Deakin University recently released a report on first time Recommendation 4.3 disclosures by the ASX 300 in 2021, which indicated considerable room for improvement. Such improvement can be delivered through more widespread adoption of the Integrated Reporting Framework (including paragraph 1.20/1.24 statements) accompanied by more widespread integrated reporting assurance (integrity enhancement process).

- We are working towards one or several Australian investors being quoted in the third instalment of the IFAC integrated reporting assurance series (refer above).

System Capacity – Reporting and Assurance

- The capacity of the Australian corporate reporting system in relation to both reporting and assurance will be tested over the next few years, with such significant institutional change having occurred in the system. This has implications for all in the corporate reporting supply chain, including the professional accounting bodies, standard setters, universities and regulators, who all play critical roles. Importantly, many of the required skills already reside in individual parts of the system. The starting point for addressing system constraints should be working together on the opportunity to upskill existing resources to the extent possible and not 'starting again'.
- As a whole-of-system approach is necessary, there will be a need for FRC leadership. Supply side participants must anticipate the developments and adjust their business models accordingly. The change program needs to start with adoption of the ISSB standards, and a drive to more widespread adoption of integrated reporting. The initial trigger can be legal backing for the ISSB standards through the AASB, potentially with an adoption mandate. A non-mandatory adoption of integrated reporting, the Integrated Thinking Principles and integrated reporting assurance through the ASX Corporate Governance Council will be appropriate.
- This initial trigger will provide a stimulus for ASIC to regulate in relation to the ISSB standards and potentially make adjustments in relation to Registered Company Auditors. This will lead into the entry and continuing professional development requirements of the professional accounting bodies, and executive education by member bodies such as the AICD, being updated, which in turn will filter down into university courses.
- We recommend that the FRC *consider commissioning a study* on the **capacity of supply side market participants** to deliver the expertise required to adopt the ISSB standards effectively and efficiently within the business context of integrated reporting and integrated thinking. Deakin University would be pleased to undertake the study.

Appointment of BRLF as an Advisory Body to FRC

- The concept of formalising a relationship between the FRC and BRLF has been discussed previously by the FRC. So much has happened since that time, with the institutional changes discussed in this report, and the BRLF being recognised as the Australian Integrated Reporting Committee. The FRC may like to revisit this concept with a view to achieving a comparable arrangement to the way in which the International Integrated Reporting and Connectivity Council has become a formalised advisory body to both the IFRS Foundation Trustees and joint committee of the International Accounting Standards and International Sustainability Standards Boards.
- Consideration would need to be given to the Secretariat of the BRLF, which is currently provided by the Deakin University Integrated Reporting Centre. The FRC Secretariat may also be able to provide the BRLF Secretariat.

⁶ Paragraph 1.20: "An integrated report should include a statement from those charged with governance that includes: an acknowledgement of their responsibility to ensure the integrity of the integrated report; their opinion or conclusion about whether, or the extent to which, the integrated report is presented in accordance with the <IR> Framework." Para 1.24: "Process disclosures are encouraged as a supplement to a statement of responsibility from those charged with governance as this **indicates the measures taken to ensure the integrity of the integrated report.**"

⁷ Recommendation 4.3: "A listed entity should disclose its **process to verify the integrity of any** periodic corporate report [includes integrated reports under <IR> Framework] it releases to the market that is **not audited or verified by an external auditor.**"



STAKEHOLDER REPORT: CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

FOR ATTENTION OF THE FRC

- None noted

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of key activities relevant to the FRC's objectives undertaken by your organisation since the last reporting period.

- The results of CA ANZ's [2022 retail investor confidence survey](#) of 1000+ investors show investor confidence has fallen in local and international capital markets, however a strong level of confidence and trust remains in independent auditors. Investors are highly supportive of mandating digital reporting and see this as a vital way of tackling complexity in financial reporting. We will be issuing a report of the full results in due course.
- CA ANZ surveyed 18 Australian professional services firms regarding vacancies and recruitment challenges (see also detail attached and in question 1 over page). This demonstrated there was a substantial shortage of external auditors in Australia. CA ANZ has been engaged with the government on this issue and has accepted Australian Treasurer Jim Chalmers' invitation to participate in the Government's Jobs and Skills Summit at Parliament House, 1-2 September. Only 100 participants will attend this invitation-only event, and CA ANZ chief executive Ainslie van Onselen will be our representative.
- CA ANZ in conjunction with CPA Australia and HLB Mann Judd, has published a [new guide](#) to help members navigate the AASB's for-profit reporting framework reforms for 30 June 2022 period ends. If a transition from special purpose financial statements to general purpose statements is required, the guide then explains what the next steps in the transition are and points to further resources that can assist in that process.
- Prepared in partnership with the University of Melbourne and the University of Queensland, we have published the following package of benchmarking and data-driven research insights reports:
 - [Benchmark reports](#): These two jurisdiction-specific reports provide benchmarks of high, normal and low values for a wide range of financial metrics for ASX and NZX listed entities respectively compared to the rest of the world.
 - [Climate-related risks](#): This report looks at how climate-related risks were reported in statutory financial statements issued in 2021, and auditors' reports thereon, for ASX and NZX listed entities compared to the rest of the world.
 - [Key audit matters](#): This report outlines the frequency and nature of key audit matters (KAM) in auditors' reports of all ASX listed entities that issued financial statements in 2021.
- CA ANZ has launched a new research grant program focused on audit quality in collaboration with CPA Australia, the Australian Public Policy Committee (APPC), and the Auditing and



Assurance Special Interest Group (AASIG) of the Accounting and Finance Association of Australia and New Zealand (AFAANZ) 2022 conference. There was a call for expressions of interest to undertake research on two topics: talent in the audit profession, and audit market structure in Australia.

- CA ANZ published [Reporting and Assurance Essential Guides](#) for June 2022. These publications highlight the impact of the key reporting and assurance developments for this reporting season, as well as regulatory focus areas. Following that, a trans-Tasman Sharing Knowledge session with regulatory, standards and audit quality updates for 30 June period ends, had over 2,100 member registrations.
- CA ANZ launched an [audit quality toolkit](#) which aims to help small-to-medium sized audit firms implement the new quality management standards. The toolkit contains an illustrative risk assessment and pro-forma documentation to assist with implementation of responses to identified risks.
- On 19 August we published the terms of reference for our [professional conduct framework review](#). We encourage the FRC to make a submission to this review.

SPECIFIC QUESTIONS FOR STAKEHOLDER

The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.

Talent attraction and retention

1. Do you consider there to be a talent and skills shortage in the accounting and auditing profession? If so:

- 1.1. what do you consider are the causes of the problem?

A combination of factors ranging from migration and visa settings with the impact of the pandemic, an overall skills shortage across professional roles globally and evolving business models, together with the shifting demands and aspirations of prospective entrants and current members of the profession. These and other key factors are explored in depth based on research and a series of interviews in the CA ANZ insights paper: [Talking Talent - A conversation starter about attracting and retaining the most important ingredient for audit quality: people](#)

- 1.2. how has it affected your members?

Staffing shortages are leading to a range of impacts including current staff being over worked, inability to service clients or take on new work, and problems meeting deadlines. We have explored these issues in two member surveys linked and explained further below.

- 1.3. what areas of the profession has it affected (e.g. specific roles, specific levels of seniority)?

Vacancies by role and service line are examined in our most recent recruitment and visa survey [available here](#).

- 1.4. what action has your organisation/ members taken to address the problem?

- We published [Talking Talent - A conversation starter about attracting and retaining the most important ingredient for audit quality: people](#), and have facilitated a range of conference events, roundtables and other forums to promote a professional wide conversation on both the issues and potential solutions. This paper aims to spark discussion within the profession about how to rise to audit talent challenges and



opportunities. Audit leaders from Australia and New Zealand reflect on the obstacles they face, as well as some of the solutions they are exploring.

- We launched a [new CA Program](#) that offers two assurance-related subjects; a core ‘audit and risk’ subject which will equip candidates with skills needed for financial statement audits, with an emphasis on professional judgement and professional scepticism, and a new elective ‘assurance’ subject that provides specialisation for those seeking to broaden their skills into non-financial assurance on emerging areas such as sustainability assurance or controls assurance.
- We have a diverse number of post-graduate [pathways](#) into the profession, most recently we introduced the [International Pathways Program \(IPP\)](#). This is a significant step towards increasing and enabling mobility of talent from overseas CA bodies we now have recognition agreements with.
- Our [marketing](#) promotes careers in audit through various forums, including a substantial effort aimed at engagement on campus and increasingly at high school level with prospective entrants to the profession.
- In April 2021 we [surveyed](#) 16 of the largest Australian professional services firms regarding vacancies and recruitment challenges. This demonstrated there was a substantial shortage of external auditors in Australia. We submitted this evidence to ASIC in support of extending 2021 reporting lodgement dates and made a [submission](#) to the Australian inquiry on skilled migration. Following CA ANZ’s [extensive advocacy](#), auditors and accountants were incorporated onto the Priority Migration Skilled Occupation List.
- In July 2022 we conducted a [further similar survey of 18 of the largest Australian professional services firms](#), which revealed significant challenges around vacancies and recruitment remained. We are now engaging with the government including Treasury and Home Affairs/Immigration regarding the overall issues raised and specifically, improving visa processing times.
- CA ANZ has accepted Australian Treasurer Jim Chalmers’ invitation to participate in the Government’s Jobs and Skills Summit at Parliament House, 1-2 September. Only 100 participants will attend this invitation-only event, and CA ANZ chief executive Ainslie van Onselen will be our representative.

2. What Government policies have affected attraction and retention of talent in the accounting and auditing profession? What has been the impact of these policies?

Key factors are explored in depth in the CA ANZ insights paper: [Talking Talent - A conversation starter about attracting and retaining the most important ingredient for audit quality: people](#)

3. If readily available, can you provide any quantitative data demonstrating the talent and skills shortage or concerns around talent attraction and retention?

[Please see latest CA ANZ visa and recruitment survey results here.](#)

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?

Economic conditions and uncertainty are impacting preparation and audit of financial reports in Australia, please refer to the following recent publication which sets out key impacts and provides guidance for directors, preparers and auditors: [Financial reporting and auditing in uncertain times](#)



2. How have current economic conditions impacted on audit quality?

The primary matters raised in the publication [*Financial reporting and auditing in uncertain times*](#) are closely related to key challenges in audit quality including matters of judgement, asset valuation and going concern.

3. What actions has your organisation / members taken to mitigate these challenges?

- Prepared and issued the following publication: [*Financial reporting and auditing in uncertain times*](#), along with bringing a focus to these challenges and impacts on audit quality into ongoing training and conference events.
- Convened regular meetings of audit firms ranging from medium to large with ASIC, the AUASB, AASB and other key stakeholders to identify and address key challenges arising.
- Providing input for standards setters, regulators, and policy makers to support addressing the issues through guidance and standard setting, including facilitating sharing the experiences and views of professional accountants and issues arising in practice

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Insert 2 - 3 bullet points of any other activities not covered above which are relevant to the FRC's objectives and were undertaken by your organisation since the last reporting period.

- We facilitated input from members and completed several [submissions](#) including: ISSB Sustainability Disclosure Standards, AUASB agenda consultation, EFRAG intangibles discussion paper, AASB fair value guidance for NFPs.



Attachment 1: Stakeholder Report

For the attention of the FRC:

- Quality in the preparation and auditing of general purpose financial statements in Australia must remain a priority for the Australian economy.
- We continue to see value in actively participating in the revision or development of new accounting and assurance standards to ensure they remain fit for purpose.
- We would welcome the FRC taking a leadership role in advising and supporting the government and standard setters (including new standard setters that may be required) on the implementation of international sustainability standards, including how these will integrate with the existing reporting framework.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Key activities relevant to the FRC's objectives undertaken by PwC Australia since the last reporting period:

1. Stakeholder Engagement:

- As both a global network, and a local Australian firm, we continue to actively participate in consultations led by the accounting and assurance international and domestic standard setting boards. An example of this is our recent submissions related to the draft standards issued by the International Sustainability Standards Board.
- We continue to engage with stakeholders across the reporting ecosystem on key issues relevant to the FRC's strategic plan including:
 - The Non-Executive Director community, both directly with our clients and through our Non-Executive Director Network "Many Hats";
 - With peer firms, for example through the Australian Public Policy Committee;
 - With peak and professional bodies such as the G100, BCA, AICD, CPA and CAANZ; and
 - Through regular dialogue with regulators such as ASIC, APRA and the ATO.

2. Audit Quality:

- We continue to monitor the FRC's Audit Quality Action Plan.
- We continue to work with the FRC, AASB and AuASB - as well as peer firms, on addressing the recommendations of the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the Regulation of Auditing in Australia. This has included our advocacy for the development of an Australian Institute of Company Directors guide which encourages Audit Committees to undertake a comprehensive review of their auditors every five years.
- We continue to provide practical support to both the AASB and AuASB through our attendance at outreach events, and through one of our partners being a board member on the AuASB. We also contribute by providing subject matter experts to project advisory groups of the AUASB and AASB.



SPECIFIC QUESTIONS FOR STAKEHOLDERS

Talent attraction and retention

1. Do you consider there to be a talent and skills shortage in the accounting and auditing profession? If so:

1.1. What do you consider are the causes of the problem?

PwC response: In our view there continue to be pressures on recruitment and retention across the profession, largely driven by disruptions to talent pipelines caused by the pandemic (e.g. limited immigration) and an increase in demand for assurance services.

1.2. How has it affected your organisation?

PwC response: The impact of these resourcing constraints has been a higher than usual turnover of our skilled people, and the inability to replace people who leave with skilled recruits or secondees.

1.3. What areas of the profession has it affected (e.g. specific roles, specific levels of seniority)?

PwC response: The primary impact is across our senior associate and manager cohort.

1.4. What action has your organisation taken to address the problem?

PwC response: The pressure on recruitment and retention was one factor that led to the revision of our People Value Proposition, "The Deal Reimagined". This program encompasses new ways of working; changes to our total reward; and investments in the PwC Academy and workplace experience.

2. What Government policies have affected attraction and retention of talent in the accounting and auditing profession? What has been the impact of these policies?

PwC response: The government has been responsive to matters put to them around attraction and retention of talent, including action taken during the pandemic to prioritise auditors on the list of occupations with access to immigration. As has been well publicised by CAANZ, there remain challenges with visa progressing times which we hope the government will address.

3. If readily available, can you provide any quantitative data demonstrating the talent and skills shortage or concerns around talent attraction and retention?

PwC response: With respect to the first six questions asked within this section, we would refer you to CAANZ who have collated this information from across the industry. <https://www.charteredaccountantsanz.com/news-and-analysis/insights/research-and-insights/skilled-professionals-lost-due-to-visa-delays>. With respect to the question on the demographic characteristics of employees (e.g. age, gender, education etc.), we refer you to our FY22 Transparency report which comprehensively outlines these relevant metrics <https://www.pwc.com.au/about-us/assets/firmwide-transparency-report-fy22.pdf>.



GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?

PwC response: The current economic conditions have not fundamentally impacted our ability to audit general purpose financial statements, although certain matters have been of particular focus, for example economic conditions can significantly increase the estimation uncertainty inherent in many areas of the financial report (eg. valuations, going concern considerations etc). This necessarily requires more senior attention given the level of judgement required in auditing these areas.

We also note the broader economic impact of sanctions applied to Russian and Belarusian individuals and entities.

[We note that there was no question 2].

3. How have current economic conditions impacted on audit quality?

PwC response: These conditions have not impacted audit quality.

4. What actions has your organisation / members taken to mitigate these challenges?

PwC response: Our systems of quality ensure that we continually monitor for factors that could risk the quality of our audit effort and take action where appropriate (e.g. through additional training).

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Other activities not covered above which are relevant to the FRC's objectives and were undertaken by your organisation since the last reporting period.

PwC Response: The FRC's Strategic Plan 2021-24 does not specifically cover ESG, although it does reference under the Reporting Framework that the FRC seeks "to examine external reporting initiatives, specifically reports on non-financial information". We would welcome the FRC taking a leadership role in advising and supporting the government and standard setters (including new standard setters that may be required) on the implementation of new sustainability standards, including how these will integrate with the existing reporting framework.



ITEM 9

8 SEPTEMBER 2022

STAKEHOLDER REPORT: CPA AUSTRALIA

FOR ATTENTION OF THE FRC – N/A

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- **Financial Reporting:**
We made submissions (jointly with CA ANZ) to the EFRAG Discussion Paper on Better Information on Intangibles and to Treasury on Reporting Requirements for Superannuation Annual Member Meeting Notices. We also developed and published (jointly with CA ANZ) guidance to assist AFSs apply the removal of SPFS to their financial reporting requirements for the 30 June 2022 year-end.
- **Sustainability Reporting:**
Submissions (jointly with CA ANZ) were made to the AASB and ISSB on the EDs IFRS S1 and S2.
- **Information provided to the FRC:**
CPA Australia has compiled and provided a significant amount of information to the FRC in order to assist with its objectives as follows:
 - For the previous meeting of the FRC (2 June 2022), providing supplementary information through responses to a number of questions including on CPA Australia's auditor disciplinary activities and processes
 - Providing information on CPA Australia's audit quality initiatives and relevant activities for inclusion in the FRC 2021-22 Annual Report. Further information including statistics was also provided through responses to supplementary questions surrounding CPA Australia's quality assurance reviews, auditor disciplinary processes and professional and business ethics education.
 - For the upcoming meeting of the FRC (8 September 2022), providing responses to questions set out below.

SPECIFIC QUESTIONS FOR STAKEHOLDER

Talent attraction and retention

1. **Do you consider there to be a talent and skills shortage in the accounting and auditing profession? If so:**

Skills shortages in the accounting and auditing profession were already causing significant concerns prior to the onset of the pandemic and the situation has further deteriorated since. Latest data shows there's a huge, unmet demand, with job adverts for accountants increasing by 34 percent in the year to June 2022 and 4% over that month.



1.1. what do you consider are the causes of the problem?

Tough economic times combined with a lack of flow in human resources due to the pandemic have resulted in accounting and finance professionals being in huge demand, but the homegrown supply of accounting and finance professionals falls short of meeting this demand.

With unemployment now at 3.4% and net overseas migration not matching pre-pandemic levels, there are more vacancies for skilled workers than ever before.

Smaller accounting firms are struggling to compete with larger organisations to retain and attract employees as they can't compete on salaries and bigger and better employee value propositions.

Roles in the accounting and finance profession are evolving and the Australian accounting workforce currently does not have the necessary skillsets required to fill these roles. With digitisation, transformation and the growing impacts of climate change, new roles and technologies will emerge. Accounting and finance professionals are critical for supporting this transition and we are already seeing an increasing reliance on accountants to support these areas.

1.2. how has it affected your members?

Pandemic driven economic activities have resulted in accounting and finance professionals being in huge demand as individuals and businesses sought to access support measures offered by all levels of government, apply for loans, and extend their credit, defer their financial obligations, and otherwise resolve their financial stress.

Professional accountants have been integral in the implementation of governments' support initiatives. Furthermore, accounting and finance professionals provide a crucial source of advice to individuals and businesses on risk management, and how best to recover and reinvent themselves in the new COVID normal, as well as advising on how to capitalise on opportunities as the economy opens up.

The skills shortages are impacting the mental health of our members as they struggle to manage the pressures associated with such skills shortages against the backdrop of a dynamic and challenging economic environment.

Members have also highlighted the challenges with recruitment and filling roles with many roles not being filled or remaining open for substantial time periods (some over 12 months).

1.3. what areas of the profession has it affected (e.g. specific roles, specific levels of seniority)?

There is an acute shortage of accounting and finance professionals particularly at the mid to senior level roles as employers and our members seek those with experience to support increasing workloads and pressures.

The shortage in homegrown supply of accounting and finance professionals is also impacting the ability of employers to fill quotas of graduate intakes, particularly for auditing and tax.

1.4. what action has your organisation/ members taken to address the problem?



- CPA Australia continues to engage with its members to better understand how we can support them with guidance, resources, products and services related to upskilling in interdisciplinary skills.
- CPA Australia continuously engages with the Australian Government on matters related to skilled migration, skills shortages and is participating in roundtable discussions in the lead up to the Australian Government's Job Summit
- Our members continue to actively recruit to fill roles, however a reduction in the homegrown talent pool of accounting and business professionals has resulted in seeking to source talent from overseas. The challenges with Australia's Migration program and timeliness of processing visas continues to present significant barriers for our members in filling vacancies.
- CPA Australia has made the following recent submissions on skilled migration:
 - [Joint Chartered Accountants Australia and New Zealand CPA Australia submission to the Department of Home Affairs on the Migration Program 2022-23](#)
 - [Inquiry into Australia's skilled migration program submission - Part 1](#)
 - [Inquiry into Australia's skilled migration program submission – Part 2](#)
- CPA Australia has partnered with the Department Employment and Workforce Relations (formerly Department of Education, Skills and Employment) on initiatives to deliver faster skills assessments for the government's Skills Assessment Pilots. The program looks to boost workforce participation in key industry sectors with government incentives to deliver faster skills assessment for eligible people who are in Australia and are ready to work.
- CPA Australia continues to explore ways to work with our members to improve the attractiveness of the profession and homegrown talent pool of accounting and finance professionals.

2. What Government policies have affected attraction and retention of talent in the accounting and auditing profession? What has been the impact of these policies?

State and Federal Government policies to assist with managing the pandemic and post pandemic recovery has impacted the availability to meet skills shortages.

The impacts of the policies have been discussed above.

3. If readily available, can you provide any quantitative data demonstrating the talent and skills shortage or concerns around talent attraction and retention?

Please refer to our response to question 1.4 and links to our submissions provided therein for information on skills shortages and concerns around talent attraction and retention. We are however unable to provide specific quantitative data including those indicated in 3.1 to 3.4 below.

For example:



- 3.1. Number of *auditing and assurance* professional members by level of seniority as at 30 June of 2020, 2021, and 2022.
- 3.2. Number of professional members in *other accounting* roles by level of seniority as at 30 June of 2020, 2021, and 2022.
- 3.3. Demographic characteristics of members (e.g. age, gender, education etc.).
- 3.4. Number of membership applicants for *auditing and assurance / other accounting* roles to your organisation in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.

GLOBAL ECONOMIC ENVIRONMENT

1. How have current economic conditions impacted on your ability to prepare, audit and use financial reports?

Presumably this question is in reference to the members of CPA Australia who work in diverse roles within the finance and accounting sectors. Our observations are:

- Feedback from our members working in the audit profession have indicated that the current economic condition continues to pose challenges in completing audit assignments on time. This is due to general staff shortages arising from illness afflicting both the audit staff and clients' staff.
- Feedback from our members working in the accounting and finance profession as financial report preparers is consistent with that received from the audit profession. There is a significant backlog of operational day-to-day financial management tasks which in turn impedes the timely preparation of the financial reports due to staff shortage and sickness.
- Feedback from our members, who have received feedback from the wider business community, indicates that apart from the delays in financial report preparation and audit, the use of financial reports remains mostly unchanged. Given the current economic environment, we expect there will be a heightened focus on going concern and cash flow liquidity disclosures in the financial reports.
- We note that some Australian public sector entities are also facing similar challenges as noted in this [article](#).

2. How have current economic conditions impacted on audit quality?

We note the financial report preparation and audits thereon for 30 June 2022 year-ends are currently under way and it is too early to provide meaningful comments.

3. What actions has your organisation / members taken to mitigate these challenges?

See response to Question 2 above. Our responses to previous questions highlight some of the efforts we have undertaken to mitigate economic and pandemic related challenges.



ITEM 9

8 SEPTEMBER 2022

STAKEHOLDER REPORT: DELOITTE

FOR ATTENTION OF THE FRC.

- Improving visa processing times will help ease talent shortages
- ESG Reporting in Australia: Deloitte is supportive of the development of high-quality, transparent, relevant and comparable non-financial information that is connected to financial information within mainstream corporate reporting.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

ESG Reporting in Australia

Deloitte supports corporations disclosing high-quality, transparent, relevant, and comparable non-financial information that is connected to financial information within mainstream corporate reporting. This will help direct capital to long-term sustainable business, by showing how corporations are creating long-term value and by providing insights into their business models, the broader risks they face and the impact they have on people, the economy, and the planet. Connectivity with financial information plays a critical role. Existing financial reporting requirements already require the consideration of ESG matters when they have a material effect on the financial statements, especially where judgements and estimates are required, for example in assessing impairment of long-life assets. The front and back half of annual reports should be intrinsically linked.

To achieve disclosures of the necessary quality, companies need to implement high-quality mechanisms for oversight, controls and verification, including assurance, applying the same rigor as for financial reporting. Independent assurance can enhance the credibility and reliability of information that corporations disclose.

For years, Deloitte has supported clients' response to climate change and sustainability issues with the view that tangible steps on climate action should be a priority for all organisations and we are continuing to develop our offering as ESG reporting is adopted in Australia. We have recently increased our work with Boards including publications, webinars and workshops as they grapple with this important issue.

There is a pressing need to establish the legal and regulatory framework for ESG reporting and assurance to allow organisations that will have mandatory ESG reporting requirements to prepare.



SPECIFIC QUESTIONS FOR STAKEHOLDER

The FRC considers the responses to the following specific questions to your organisation are relevant to its objectives and current work agenda. Please respond as substantively as possible.

Talent attraction and retention

1. Do you consider there to be a talent and skills shortage in the accounting and auditing profession? If so:

1.1 what do you consider are the causes of the problem?

In recent years, the talent and skills shortage has been exacerbated by the closure of international borders and slow processing of visas for international hires to enter the country.

Individuals with CA qualifications and with Big 4 professional services firm experience, continue to be attractive to employers across the market in Australia. As Corporate Australia experiences its own talent challenges, there has been increased competition and greater reward and remuneration packages offered.

1.2 how has it affected your organisation?

There has been an increased demand for professional services across Corporate Australia due to extended talent shortages and capability gaps experienced across many functional areas and industries. To service and support an increased market demand, we have utilised a wide variety of talent across the Deloitte network, including broader international talent to ensure the experience and wellbeing of our people remains a committed priority. We continue to review our capacity to serve to meet these commitments.

1.3 what areas of the profession has it affected (e.g. specific roles, specific levels of seniority)?

Key areas have been within the Audit profession, primarily at the Senior Analyst / Manager level, i.e. CA qualified.

1.4 what action has your organisation taken to address the problem?

We have focussed on a number of engagement and retention mechanisms, including enabling unique and individual career experiences, ongoing investments in learning and development, enhancements in our reward and remuneration practices, investment in our people's development and continued focus on the provision of flexible work practices for our people including working overseas.

We have increased our utilisation of a wide variety of talent from across the Deloitte network.

2. What Government policies have affected attraction and retention of talent in the accounting and auditing profession? What has been the impact of these policies?

Border closures and the slow return to processing of visas for new joiners entering the country has challenged the attractiveness of Australia to overseas talent.



3. If readily available, can you provide any quantitative data demonstrating the talent and skills shortage or concerns around talent attraction and retention?

For example:

3.1 Number of vacancies for *auditing and assurance* roles in your organisation at entry level / graduate, mid-level, or senior positions in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.

Financial Year (1 June – 31 May)	Number of roles opened during the financial year
2019-20	244
2020-21	194
2021-22	468

As at 31 August 2022, we have committed job offers to overseas talent to a total of 181 people of whom 54 have been granted visas and 127 are waiting for visas to be issued.

3.2 Number of vacancies for *other accounting* roles in your organisation at entry level / graduate, mid-level, or senior positions in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.

No response provided.

3.3 Number of applicants for entry level / graduate *auditing and assurance* positions at your organisation in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.

Financial Year (1 June – 31 May)	Number of applicants
2019-20	5,035
2020-21	7,989
2021-22	6,223

3.4 Number of applicants for entry level / graduate positions for *other accounting* roles at your organisation in 2019-20, 2020-21, 2021-22, and 2022-23 YTD.

No response provided.



3.5 Number of *auditing and assurance* employees by level of seniority as at 30 June of 2020, 2021, and 2022.

	No of auditing and assurance employees at:		
	30 June 2020	30 June 2021	30 June 2022
Partner	196	193	203
Principal	27	20	18
Director	245	241	270
Senior Manager	97	143	190
Manager	296	298	276
Senior Analyst	406	376	365
Analyst	464	494	624
Support	78	77	85
Graduate	342	377	357
Undergraduate	16	32	56
Vacationer	3	12	13
Grand Total	2,170	2,263	2,457

3.6 Number of employees in *other accounting* roles by level of seniority as at 30 June of 2020, 2021, and 2022.

No response provided.

3.7 Demographic characteristics of employees (e.g. age, gender, education etc.).

Deloitte Australia total workforce was 12,748 at 31 May 2022.

Our gender diversity across the organisation is 48% female, and within A&A it is 52%.



GLOBAL ECONOMIC ENVIRONMENT

How have current economic conditions impacted on your ability to prepare, audit and use financial reports?

Talent and skills shortage has been the main challenge to auditors and clients alike.

Ukraine/ Russia conflict and associated sanctions have impacted our ability to provide services to a very small number of clients with operations in affected regions. The broader economic environment has not impacted our ability to conduct audits but does require careful consideration during the conduct of our audit.

How have current economic conditions impacted on audit quality?

Despite the challenges presented by COVID and current economic uncertainty we do not believe audit quality has been impacted.

What actions has your organisation / members taken to mitigate these challenges?

Our teams have a heightened awareness for changes in the business risks and updating our understanding of the environment that our clients are operating in. Volatility in commodity pricing (including energy), supply chain disruption, rising interest rates and inflation all need to be considered by companies as they prepare financial reports with a particular focus on the assumptions underlying accounting estimates.

There has been an increasing focus on the client's IT environment as changes to hybrid and remote working models have become more prevalent.



ITEM 10A

8 SEPTEMBER 2022

FRC ANNUAL REPORT 2021-22 UPDATE

DESCRIPTION

The FRC Annual Report 2021-22 will be drafted for approval out-of-session.

The Chair to provide an update on the progress of the Annual Report.

ACTION

- For noting.



ITEM 10B

8 SEPTEMBER 2022

NOMINATIONS COMMITTEE UPDATE

DESCRIPTION

Nominations Committee update by the Chair and Chair of the AUASB.

ACTION

- Verbal update by Chair/Bill Edge.



PEER REVIEW SURVEY 2021

DESCRIPTION

From 8 October to 10 November 2021, the FRC Peer Review Survey (Survey) was open for FRC members to provide views on matters relating to the FRC's skills and behaviours, composition, meetings, strategy, stakeholder engagement and emerging issues.

Responses were received from 8 out of 8 of FRC members.

At the 10 December 2021 meeting, FRC members expressed support for the peer review survey process and questions and discussed the Survey results.

It was agreed that the FRC would develop and implement a plan to respond to, and address the issues raised in the Survey results.

To date, actions taken in response to the results include:

- The FRC has increased and refreshed stakeholder engagement by requesting more targeted information via FRC stakeholder reports and communiques; The FRC Chair has also increased the regularity of stakeholder meetings.
- FRC meetings will focus on emerging issues and identifying potential actions the FRC can take in response to them.
- The FRC has agreed to refresh its 2019 *Auditor Disciplinary Process: Review*.
- The FRC Chair has engaged with Treasury and the Assistant Treasurer on sustainability related reporting, the PJC Inquiry into the regulation of auditing in Australia and FRC resourcing.
- The FRC Secretariat will provide a complete compilation of meeting papers to FRC members one week prior to the meeting date.

Attached is a collation of the results of the 2021 Survey for reconsideration.

The peer review survey will be reconducted later this year to inform further action.

The FRC Chair to provide a verbal update.

ACTION

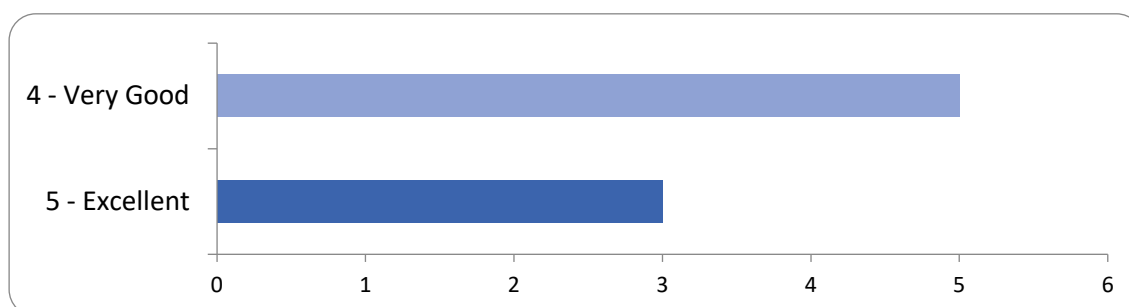
- FRC members to
 - Note the actions taken to address the survey results
 - Agree to discuss further possible actions following the next survey.

FRC PEER REVIEW SURVEY

SKILLS AND BEHAVIOUR

1: WHAT IS YOUR RATING OF THE SKILLS AND BEHAVIOURS THE MEMBERS BRING TO THE FRC TO COLLECTIVELY ENABLE CONSTRUCTIVE AND INFORMED DISCUSSION ABOUT THE RELEVANT ISSUES?

There were 8 responses to this part of the question.



Option	Total	Percent
1 - Poor	0	0.00%
2 - Fair	0	0.00%
3 - Good	0	0.00%
4 - Very Good	5	62.50%
5 - Excellent	3	37.50%
Not Answered	0	0.00%

2: IF YOUR RATING IS NOT A 5 WHAT DO YOU SUGGEST IN ORDER FOR YOUR RATING TO BE A 5?

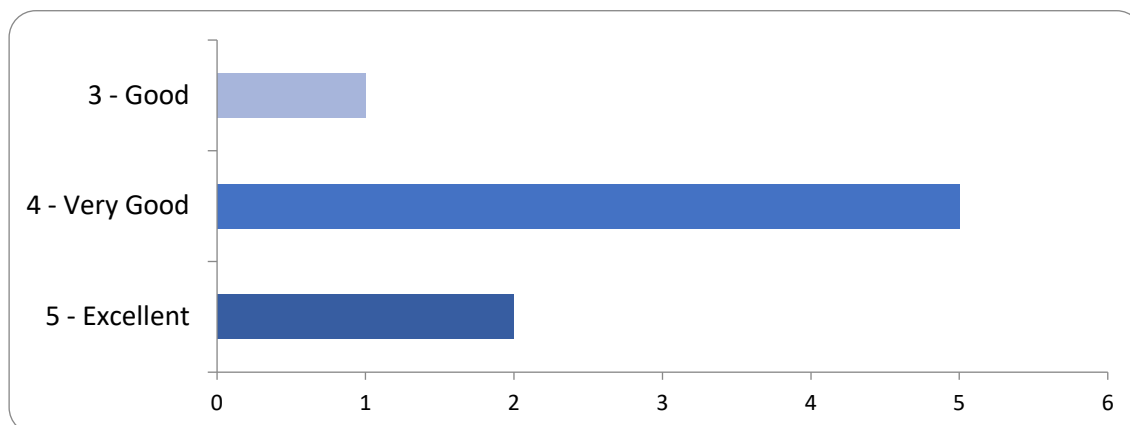
There were 5 responses to this part of the question.

1. Greater connection (via continual interactions) with stakeholders in the financial reporting system.
2. Sometimes I would like to focus more on why we can do things as opposed to why we can't do something.
3. Effective transition into the role - backgrounding on role of board, strategy and focus and landscape (key stakeholders globally and locally and how they relate to each other).
4. FRC members have been more engaged over the past year, but still room for more proactivity.
5. Solid technical skills but additional strategic orientation - possibly inherent but needs to be brought to bear.

FRC AND FRC COMMITTEE COMPOSITION

3: WHAT IS YOUR RATING OF THE DIVERSITY OF SKILLS, GENDER, TENURE OF MEMBERS AND THE ALIGNMENT WITH THE FRC'S NEEDS?

There were 8 responses to this part of the question.



Option	Total	Percent
1 - Poor	0	0.00%
2 - Fair	0	0.00%
3 - Good	1	12.50%
4 - Very Good	5	62.50%
5 - Excellent	2	25.00%
Not Answered	0	0.00%

4: IF YOUR RATING IS NOT A 5 WHAT DO YOU SUGGEST IN ORDER FOR YOUR RATING TO BE A 5?

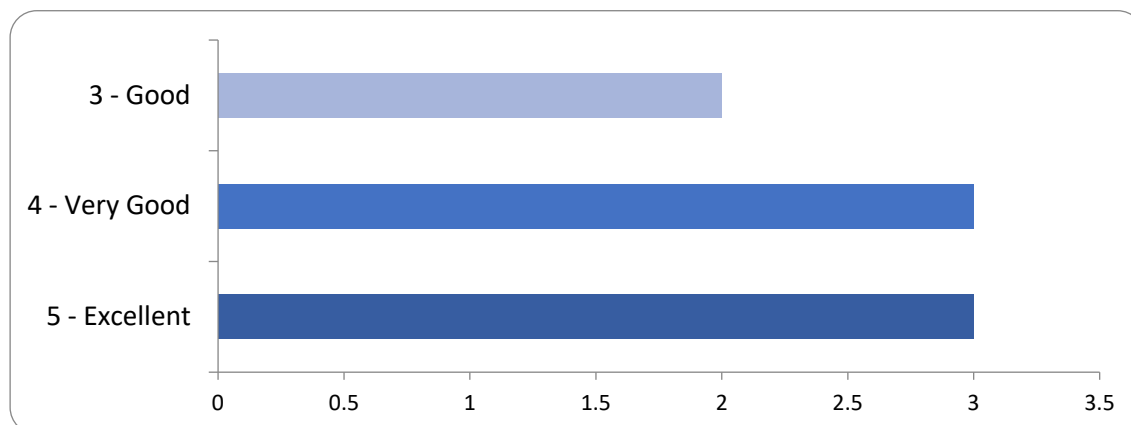
There were 6 responses to this part of the question.

1. An increase in the number of members would assist, say, two more.
2. Given turnover of board members and the fact that succession is not planned in the way most high performing boards would expect, we sometimes we miss the perspectives that institutional knowledge or history can bring. We need to think about how to bring that perspective or experience to our conversations. I appreciate that this is more challenging in a virtual meeting environment without the advantage of informal conversation before and after each meeting.
3. Tenure of the group remains short, but this will resolve over time.
4. There are a large number of new members, which has resulted in the FRC losing momentum. However, over time, this issue will resolve itself. The skill and experience mix of FRC members is appropriate and balanced.
5. Further diversity required - ethnicity, age.
6. Perhaps another preparer rep.

FRC AND FRC COMMITTEE MEETINGS

5: WHAT IS YOUR RATING OF THE MECHANICS OF MEETINGS, INCLUDING QUALITY OF PAPERS AND EFFECTIVENESS OF MEETING PROCEDURES?

There were 8 responses to this part of the question.



Option	Total	Percent
1 - Poor	0	0.00%
2 - Fair	0	0.00%
3 - Good	2	25.00%
4 - Very Good	3	37.50%
5 - Excellent	3	37.50%
Not Answered	0	0.00%

6: IF YOUR RATING IS NOT A 5 WHAT DO YOU SUGGEST IN ORDER FOR YOUR RATING TO BE A 5?

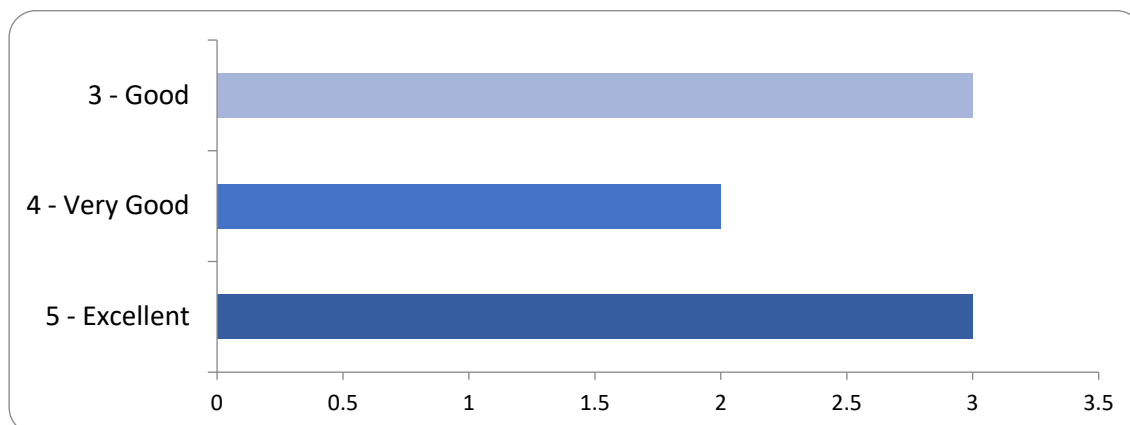
There were 5 responses to this part of the question.

1. Can sometimes be difficult to keep across of meeting papers when they come out via email and in batches. Suggest either the use of a board paper platform, or if that is too costly, then that a complete set of papers be sent out as a PDF the evening before.
2. The meetings run well, and the papers are of a high quality. Papers should be provided a week before the meeting to enable members to be appropriately prepared.
3. Significant recent improvement with papers being better focused and condensed. Stakeholder reports - we don't seem to be getting a lot from them - opportunity to reconsider / refresh the way we engage with stakeholders.
4. There has been more discussion of the emerging issues/topics over the past year, replacing some of the information download. This should increasingly be the focus of meetings going forward.
5. The move to further accept papers as read and discuss by exception is positive - continue and accentuate time spent discussing topical issues of strategic or key operational nature.

STRATEGY

7: WHAT IS YOUR RATING OF THE STRATEGIC PLAN AND THE EXTENT TO WHICH IT ALIGNS WITH ACHIEVEMENT OF THE FRC'S STATUTORY OBLIGATIONS?

There were 8 responses to this part of the question.



Option	Total	Percent
1 - Poor	0	0.00%
2 - Fair	0	0.00%
3 - Good	3	37.50%
4 - Very Good	2	25.00%
5 - Excellent	3	37.50%
Not Answered	0	0.00%

8: IF YOUR RATING IS NOT A 5 WHAT DO YOU SUGGEST IN ORDER FOR YOUR RATING TO BE A 5?

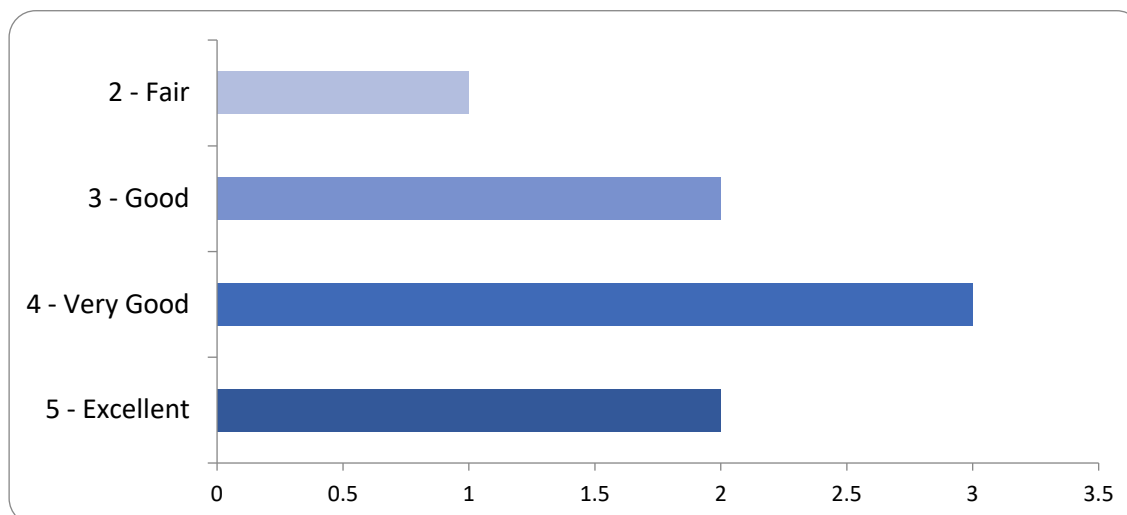
There were 5 responses to this part of the question.

1. I am not sure that the strategic plan is as forward looking as it should be. Perhaps a challenging question for the board would be "what would be in our strategic plan if we weren't constrained by our current legislative mandate or structure?".
2. Goes back to my earlier point about action. I also think it's very difficult to accurately measure the impact the FRC has on some of the objectives.
3. Fit for purpose and addresses the stat requirements. Opportunity to engage to consider if the scope remains appropriate.
4. The FRC should continue to identify the important few emerging issues and focus time and resource on these. The FRC needs to continue to find a way to resource the initiatives directly aligned with its ASIC Act objectives including Audit Quality.
5. Trending well but even more ambition and cut through.

STAKEHOLDER ENGAGEMENT

9: WHAT IS YOUR RATING OF THE FRC'S PERFORMANCE IN STAKEHOLDER ENGAGEMENT, INCLUDING KEY RELATIONSHIPS AND ENGAGEMENT PROCESSES?

There were 8 responses to this part of the question.



Option	Total	Percent
1 - Poor	0	0.00%
2 - Fair	1	12.50%
3 - Good	2	25.00%
4 - Very Good	3	37.50%
5 - Excellent	2	25.00%
Not Answered	0	0.00%

10: IF YOUR RATING IS NOT A 5 WHAT DO YOU SUGGEST IN ORDER FOR YOUR RATING TO BE A 5?

There were 6 responses to this part of the question.

1. All members to increase their interaction with stakeholders, outside their normal employment.
2. My sense is that this has improved over the last 12 months and the Chair and others have been more proactive at engaging with stakeholders. However, we have been constrained by the impact of COVID. May be time to think of an engagement strategy as the COVID restrictions are relaxed.
3. Stakeholder engagement could always be better.
4. Needs a rethink in terms of what both parties are getting out of the relationship.
5. Many interactions with stakeholders appear to be perfunctory with little impact on the objectives of the FRC.
6. More frequent ministerial reach out.

GENERAL QUESTIONS

11: WHAT DO YOU SEE AS THE EMERGING ISSUES FOR THE FRC OVER THE NEXT 12 MONTHS?

There were 8 responses to this part of the question.

1. Appropriate approach to sustainability reporting matters.
2. Key issues currently being addressed will continue to be high priority i.e., Particularly Extended External Reporting and Audit Quality .
3. ESG and the sense that Australia (and NZ) is falling behind the rest of the world. This will become more significant as sustainability concerns impact global capital flows.
4. Extended External Reporting frameworks is going to be a key activity over the next year. I also think the FRC should as the Regulator ask more questions of the bodies it oversees about improvements/disciplinary processes.
5. Audit quality, digital reporting, extended external reporting and the role of FRC to support this in Australia.
6. ESG, capability to deliver on reporting demands and digital reporting.
7. EER and audit quality.
8. Audit quality and sustainability reporting.

12: WHAT SHOULD THE FRC START, STOP OR CONTINUE DOING?

There were 8 responses to this part of the question.

1. Continue current approach to oversight of AASB and AUASB, providing direction only when needed.
2. Increase resources at staff level with expertise in the financial reporting system. Increase number of FRC members by say, two.
3. Meet in person as soon as possible and continue to push on ESG as a priority.
4. I think we also examine more critically the issue of audit quality - continuing to report that it remains an issue ultimately doesn't address the problem.
5. FRC should continue on the path it is on to support EER in Australia. FRC should seek more targeted feedback/updates from relevant stakeholders on commitments they have made or areas where they play a key role aligned to FRC. Stakeholder reports can read as marketing and a source of good news, rather than e.g. updates on activities to support audit quality, including where planned activities might have changed or timing has slipped.
6. Nil response.
7. Ensure adequate resourcing and time allocated to focus areas of EER and Audit Quality.

8. Continue to utilize the experience and insights of the diverse members. Seek more input from govt to ensure we tackle issues of the day.



ITEM 10D

8 SEPTEMBER 2022

INTERNATIONAL STANDARD SETTING

At the 2 June 2022 meeting, in the context of considering the Commonwealth's yearly contributions to the International Financial Reporting Standards (IFRS) Foundation, the FRC noted other international standard setting bodies. Funding arrangements, including funding disparities, between the various international standard setting boards was also discussed.

FRC members agreed to review the IFRS Foundation contribution in light of the other international standard setting bodies which do not receive a Commonwealth contribution.

Further detail on the structures and funding is at Attachment A.

Documents setting out the structures of international standard setting organisations and Australian representation on international bodies are at Attachments B and C.

ACTION

- For FRC members to gain understanding of international structures, including funding to ensure:
 - Appropriate Australian membership and / or involvement.
 - Appropriate Australian contribution.

IFRS STANDARD SETTERS

- The IFRS Foundation:
 - Is funded by contributions from jurisdictions who use standards, international accounting firms ([Link to funding providers](#)) and fees for Subscriptions.
- Australian Federal government pays approx. \$1m p.a. to the IFRS Foundation which has not changed since 1995.
- IASB receives approx. A\$35m from the IFRS Foundation which pays their full-time board members and staff. Board members are remunerated £500,000 per annum.
- Funding arrangements for the ISSB will be separate from those already in place for the IASB, and the Trustees are in the final stages of raising the required capital to fund the creation of the ISSB and its work programme for the first five years.

International auditing and ethical standards

- The Monitoring Group members (regulators¹) funds its operations and 40% of the PIOB.
- Members of the Public Interest Oversight Board are appointed by members of the Monitoring Group.
- IFAC fund the remaining 60% of the PIOB.
- IFAC is funded by Membership fees by parties such as Professional accounting bodies and the Forum of Firms (Accounting firms).
- IFAC Fund:
 - IAASB A\$12m
 - IESBA A\$8m
 - IPSASB A\$6m
- The PIOB approve Members of the IAASB including the Chair and Deputy Chair.
- The Chair of the IAASB is a paid position and other members are voluntary.
- The Consultative Advisory Group comprises regulators, business and international organisations, and users and preparers of financial statements, and provide public interest input to the IAASB.

Australian Standard Setting

- AASB and AUASB funded by the Federal Government. Plus, AASB receive \$500,000 contributions from states and territories.
- APESB funded by Professional Bodies (CAANZ, CPA and IPA)

	AASB	AUASB	APESB
External funding	\$4.1m	\$2.4m	\$1.3m

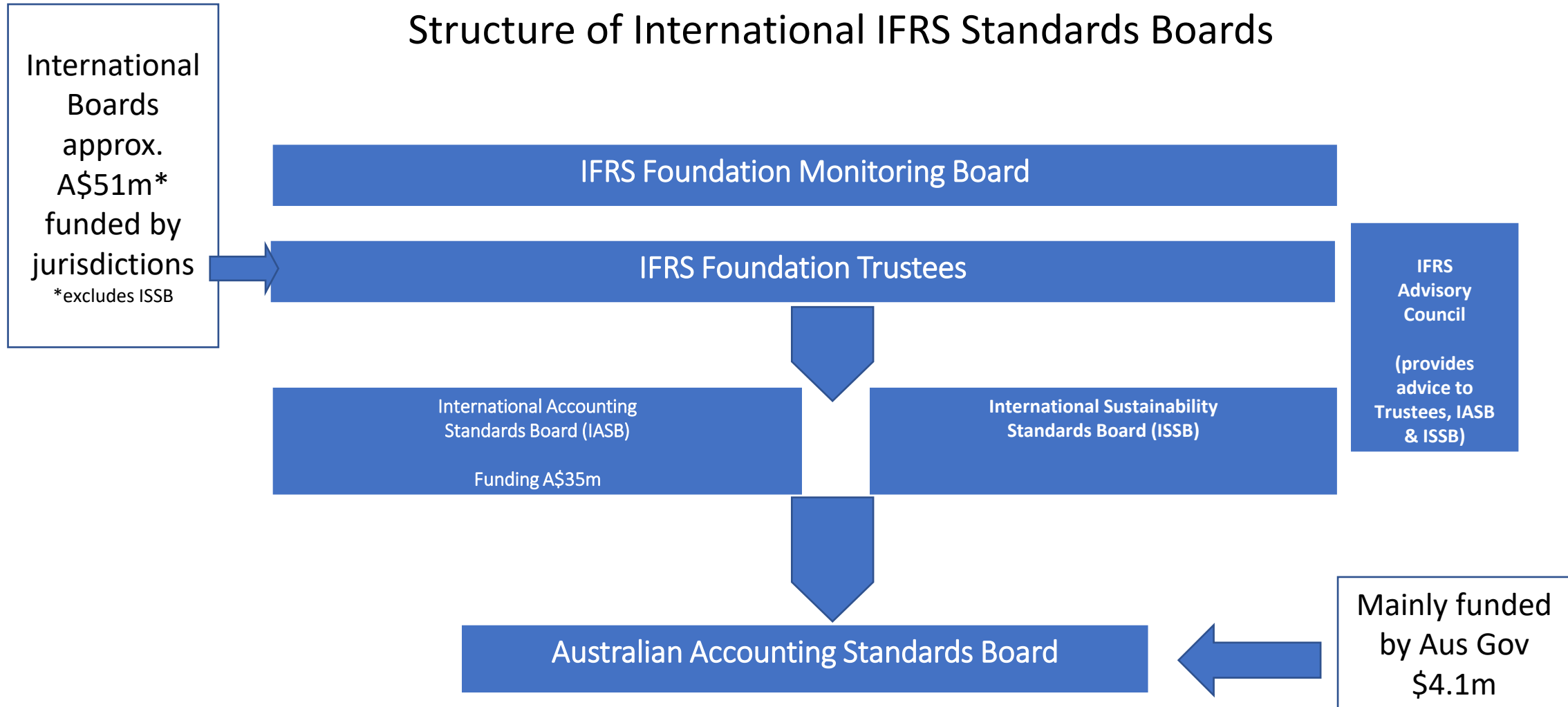
New Zealand Standard Setting

- XRB Board funded by government.
- NZASB and NZAUASB are sub-committees i.e., Not independent boards.

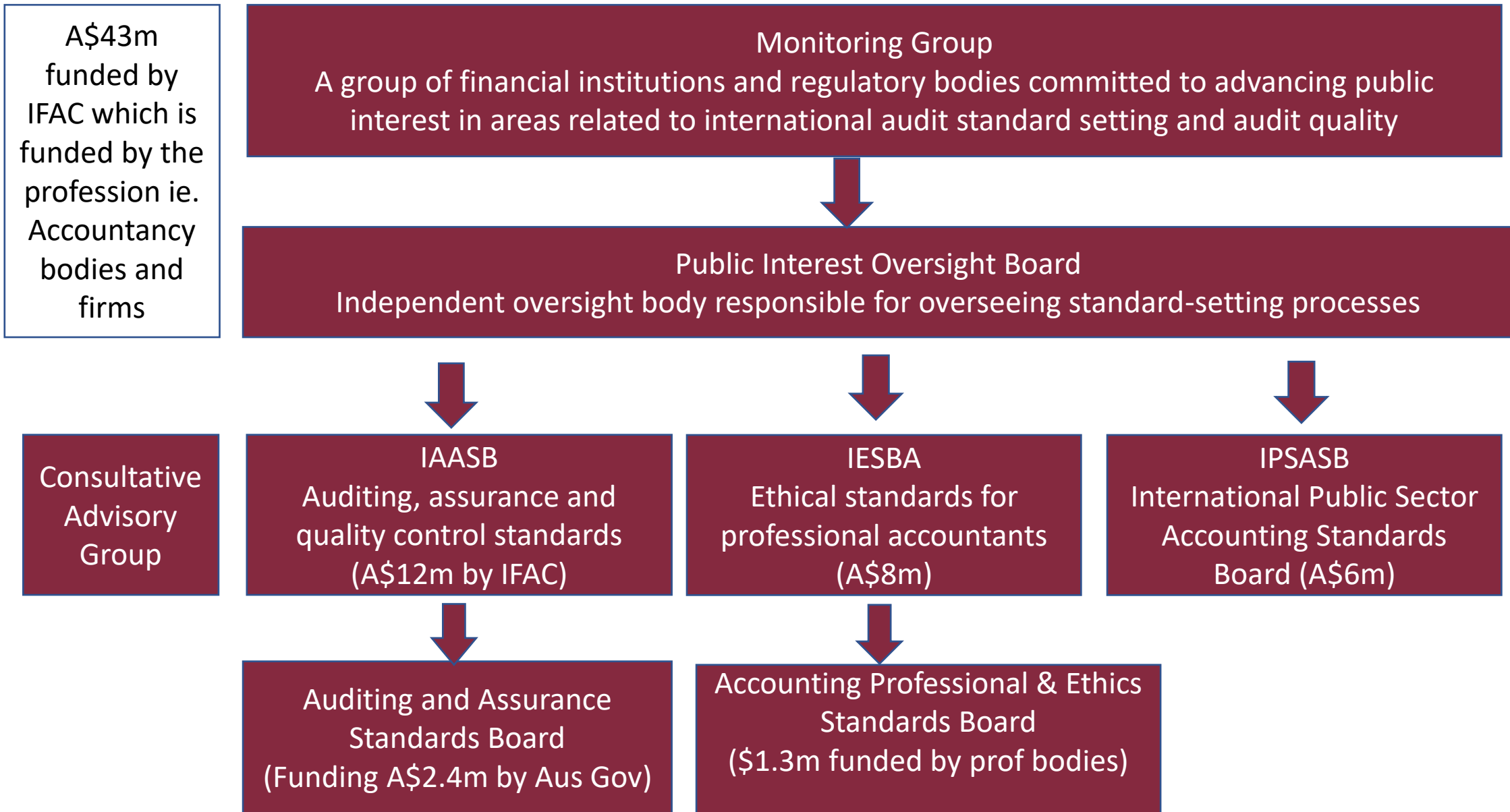
Refer to attached *International Representation – Australia and New Zealand*.

¹ Members are Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organization of Securities Commissions, and the World Bank

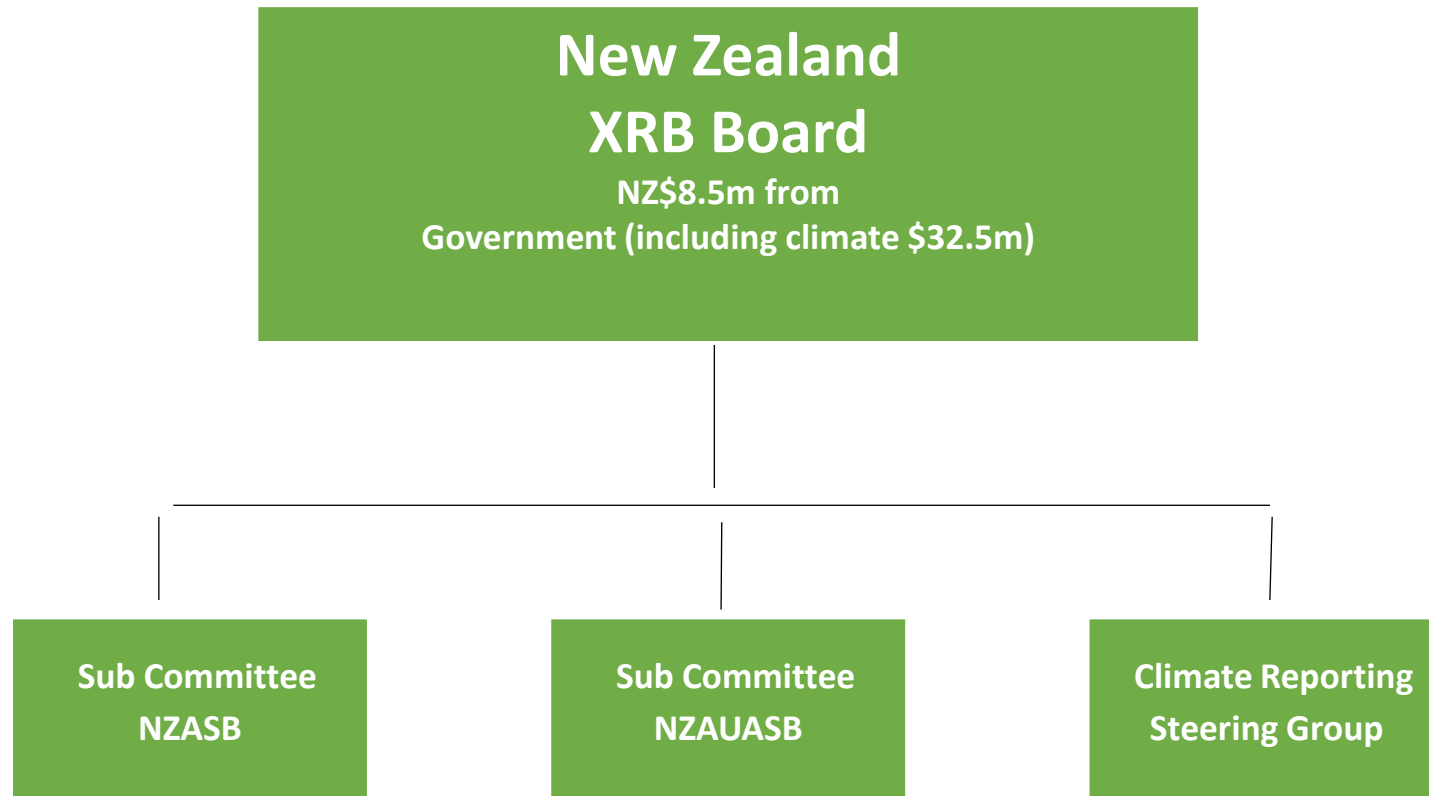
Structure of International IFRS Standards Boards



Structure of international auditing and ethical standards setting boards



Structure of New Zealand standards setting board



Body	Criticality	Representation	Position	Country	Term expiry	Funding	Other
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IFAC (International Federation of Accountants)

IFAC Board	Critical	Taryn Rulton	Member	Australia	31/12/2023 (1st term)	CA ANZ/CPA	Joined November 2020; 3-yr renewable (max 6 years)
		Simon Grant	Technical Adviser to Taryn Rulton	Australia			
		Andrew Hunter	Technical Adviser to Taryn Rulton	Australia			
		Ainslie van Onselen	Technical Adviser to Taryn Rulton	Australia			
		Peter Wilson (CPA Australia)	Observer	Australia			
Public Interest Oversight Board (PIOB)	Critical	Robert Buchanan	Member	New Zealand	Unclear		Joined March 2020

Legend (term expiry)

Within 6 months

Within 18 months

Beyond 18 months

Public Interest Oversight Board (PIOB) Committee

PIOB Standard-Setting Boards Nominations Committee	Critical	Kris Peach	Member	Australia	31/12/2024 (1st term)		Joined 1 January 2022; 3-yr renewable (max 2 terms)
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IFAC Standard-Setting Boards

International Auditing and Assurance Standards Board (IAASB)	Critical	Lyn Provost	Member, Public Member	New Zealand	31/12/2022 (2nd term)		Joined January 2017; 3-yr renewable (max 2 terms); re-appointed November 2019
		Sylvia Van Dyk (NZASB staff)	Technical Adviser to Lyn Provost	New Zealand	31/12/2022		Joined January 2017
	Critical	William Edge (AUASB Chair)	Member	Australia	31/12/2024		January 2022; 3-yr renewable (max 2 terms)
		Rene Herman (AUASB)	Technical Adviser to William Edge	Australia	31/12/24		as above
International Ethics Standards Board for Accountants (IESBA)	Critical	Channa Wijesinghe (APESB)	Member	Australia	31/12/2024		Joined January 2022 3-yr renewable term
		Kristen Wardell (CAANZ)	Technical Advisor to Channa Wijesinghe	Australia	31/12/2024		as above
International Public Sector Accounting Standards Board (IPSASB)	Critical	Todd Beardsworth (NZASB member)	Member	New Zealand	31/12/2023	XRB NZ	Filled a casual vacancy during 2018. Term renewable.
		Anthony Heffernan (NZASB staff)	Technical Advisor to NZ member	New Zealand	31/12/2023		March 2016 – present
IPSASB Consultative Advisory Group (CAG)	Critical	Anthony Close (Parliamentary Budget Office, Victoria)	Member	Australia	31/12/2024		Joined January 2022 3-yr renewable term

NZ may have a
candidate

Body	Criticality	Representation	Position	Country	Term expiry	Funding	Other
IFAC Committees							
International Panel on Accountancy Education	High	Simon Hann	Member	Australia	unclear		
	High	Kim Watty	Member	Australia	unclear		
	High	Keryn Chalmers	Observer	Australia	unclear		
Nominating Committee	Critical	Merran Kelsall	Member	Australia	unclear	CPA	Joined January 2022
Professional Accountants in Business Advisory Group	High	Sharon Ditchburn	Member	Australia	unclear	CA ANZ/CPA	Joined January 2022
PAO Development Committee (Professional Accountancy Organization Development Committee)	High	Andrew Conway	Member	Australia	unclear	IPA	Joined Jan 2019
Small and Medium Practices (SMP) Committee	High	Baubre Murray	Member	New Zealand	unclear	CA ANZ	unclear

Other

International Integrated Reporting Council (IIRC) Board	High	Pru Bennett	Member	Australia	Unclear		joined August 2010, Term Unclear
IIRC – Governance and Nominations Committee (GAN)	High	Jane Diplock AO	Director	New Zealand	Unclear		Joined IIRC April 2012; Chair of GAN October 2017; 3-yr renewable
International Association for Accounting Education and Research (IAAER)	Medium	Keryn Chalmers	President	Australia	Unclear		2-yr renewable (max 2 terms)
		Ann Tarca	Vice President	Australia	Unclear		



ITEM 11A

8 SEPTEMBER 2022

NEXT MEETING AND CLOSE

DESCRIPTION

Next meeting date is 23 November 2022 in Melbourne, followed by 3 March 2023.

ACTION

- FRC Secretariat to identify suitable future meeting dates.