



AGENDA – 104TH FRC MEETING

Date: 23 November 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 22 November 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 – 8 September 2022 | Chair | |
| B. Minutes of out-of-session meetings – 27 October and 10 November 2022 | Chair Chair | |
| C. Matters arising | Chair | |
| 4. Oversight of Australian Standards (Accounting and Auditing) per s225(1) to (2A) | | 10.15am |
| A. Australian Accounting Standards Board | Keith Kendall | |
| B. Auditing and Assurance Standards Board | Bill Edge | |
| C. Oversight of AASB and AUASB | Keith Kendall/Bill Edge | |
| Morning Tea | | 11:15am |
| 5. Interviews of Audit Committee Chairs per s225(2B) and (2C) | Prof. Roger Simnett Prof. Ken Trotman | 11:30am |

| Item | Report by | Time |
|---|------------------------------------|---------|
| 6. Extended External Reporting per s225(1)(a) to (1)(e) and s225(1)(g) | | 12.00pm |
| A. Sustainability Reporting | Chair | |
| B. Australian and international sustainability developments update – <i>verbal</i> | Bill Edge and Keith Kendall | |
| 7. Digital reporting update – <i>verbal</i> per s225(2)(g) | Keith Kendall | 12.40pm |
| Lunch | | 1.00pm |
| 8. Public Sector Advisory Group – <i>verbal update</i> per s225(2)(g), (2)(h)(i) and s225(2A)(g) and (2A)(h)(i) | Tracey Carroll and Stewart Walters | 1.30pm |
| 9. Cyber Security and Financial Reporting | Chair | 2.00pm |
| 10. Public Beneficial Ownership – Treasury Consultation Paper | Chair | 2.30pm |
| 11. Emerging issues and FRC priorities per s225(1)(a) to (d), (1)(g), (2B) and (2C)(e) | Chair | 2.50pm |
| A. Talent attraction and retention | | |
| B. Royal Commissions and Inquiries | | |
| C. Auditor Disciplinary Processes | | |
| 12. Monitoring and influencing international developments per 225(2)(e) to (2)(f) and s225(2A)(f) to (2A)(g) | | 3.15pm |
| A. International developments | Chair | |
| B. XRB Update – <i>verbal</i> | Michele Embling | |
| 13. Monitoring and influencing Australian developments per s225(1)(f) | | 3.35pm |
| A. Stakeholder reports <ul style="list-style-type: none"> At the time of drafting the meeting papers, the FRC received 8 stakeholder reports and 1 response confirming nil update from its request to 19 stakeholders. | Chair | |
| 14. Other business | | 3.45pm |
| A. Nominations Committee [per s225(2)(a) and s225(2A)(a)] | Chair | |
| B. Correspondence received and sent | Chair/FRC Secretariat | |
| C. Key Action Items Summary | Chair/FRC Secretariat | |
| 15. Next meeting and close | | 4.00pm |
| A. Wednesday 8 March 2023 | 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 – FRC Members | Organisation |
|---------------------------|---|
| Andrew Mills | Chair |
| Keith Kendall | AASB Chair |
| Bill Edge | AUASB Chair |
| Tracey Carroll | Department of Finance |
| Michele Embling | External Reporting Board NZ (XRB) Chair |
| Cameron McDonald | Evans and Partners |

| Observers | Organisation |
|--------------|--------------|
| Tom Dickson | Treasury |
| Matthew Bowd | Treasury |
| Alex Mahdavi | Treasury |
| James Zhou | Treasury |
| Cooper Tym | Treasury |

| Guests | Organisation |
|-------------------------|-------------------------------|
| Thea Eszenyi | ASIC |
| Doug Niven | ASIC |
| Greg Yanco | ASIC |
| Stewart Walers | NSW Treasury |
| Justin Williams | Office of the AASB and AUASB |
| Nikole Gyles | Office of the AASB |
| Anne Waters | Office of the AUASB |
| Matthew Zappulla | Office of the AUASB |
| Kathleen John | Office of the AASB |
| April Mackenzie | XRB |
| Professor Roger Simnett | Deakin University |
| Professor Ken Trotman | University of New South Wales |

| Apologies | Organisation |
|--------------|------------------|
| Sean Hughes | ASIC |
| Suzanne Bell | KPMG/ FRC Member |



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 17 November 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 |
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| | 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 | |



MINUTES OF PREVIOUS MEETING

DESCRIPTION

Attached are the minutes from the FRC meeting held on Thursday 8 September 2022, which were approved out of session and have been published on the FRC website.

Action items are summarised in item 3C.

ACTION

- For noting.

MINUTES

DATE: Thursday 8 September 2022

TIME: 10:15 am – 4 pm

LOCATION: Treasury’s Sydney office / 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 | ATTENDEES AND APOLOGIES | |
| | Members in attendance: | Observers: |
| | Andrew Mills (Chair) | Matthew Bowd (Treasury) |
| | Dr Keith Kendall (AASB Chair) | Alex Mahdavi (Treasury) |
| | Bill Edge (AUASB Chair) | James Zhou (Treasury) |
| | Suzanne Bell | John Ngiam (CA ANZ) |
| | Tracey Carroll | |
| | Michele Embling (XRB Chair) | |
| | Cameron McDonald | |
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| | Guests: | Apologies: |
| | Greg Yanco (ASIC) | April Mackenzie (XRB) |
| | Lawrie Tremaine (former member) | |
| | Justin Williams (Office of the AASB and AUASB) | |
| | Anne Waters (Office of the AUASB) | |
| | Thea Eszenyi (ASIC) | |
| | Doug Niven (ASIC) | |

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| 2.B | <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 | MATTERS FOR NOTING/ACTION |
| 3.A | <p>MINUTES OF THE PREVIOUS MEETING –2 JUNE 2022</p> <p>Members noted the minutes from the FRC meeting on 2 June 2022 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 8 September 2022 meeting).</p> <ul style="list-style-type: none"> • The Chair provided an oral update on his meeting with the Australian Charities and Not-for-profits Commission about the ACNC’s review program of charity audits/review reports. • An update about the following action items was provided later during the meeting: <ul style="list-style-type: none"> – Anne Waters provided an update on the AUASB’s progress on its Audit Committee Chair survey under item 7A. – The Acting Nominations Committee (NC) Chair provided a brief update about the NC meeting on 7 September (including NC endorsement of the amended AASB and AUASB Charter) under item 10B. – Bill Edge provided a brief summary of the CA ANZ talent survey results and the FRC’s auditor disciplinary work to date, under items 7B and 7D respectively. – Keith Kendall provided an update about the AASB’s work on digital financial reporting under item 6A. – Tracey Carroll provided an update about the public sector work on talent shortage under item 7G. – Anne Waters provided a brief summary on various work about cyber-security (including research by academics), under item 7E. – The possibility of establishing an ISSB hub in Australia was further discussed under item 5C. – Bill Edge and Anne Waters summarised the UK Government’s response <i>Restoring trust in audit and corporate governance</i> under item 8B. – Bill Edge and Anne Waters summarised the international standard-setting landscape and the funding arrangements of the international standard-setting bodies under item 10D. |
| 4 | OVERSIGHT OF AUSTRALIAN STANDARDS |
| 4.A | <p>AUSTRALIAN ACCOUNTING STANDARDS BOARD</p> <p>Members noted the AASB Chair Report (document 4A).</p> |

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| | <p>The AASB Chair provided an update on:</p> <ul style="list-style-type: none"> • The AASB’s work on sustainability reporting, digital financial reporting, and that the AASB’s agenda consultation has been completed. • The AASB’s initiatives on not-for-profit and private sector reporting. <p>Members discussed how Australia’s approach towards not-for-profit reporting has deviated from New Zealand’s approach.</p> <p>It was noted that the remuneration reporting project was discontinued as a result of feedback received form the AASB’s agenda consultation.</p> <p>Members discussed the following sustainability matters:</p> <ul style="list-style-type: none"> • The impact of sustainability reporting on financial reporting (including the recognition of contingent liabilities). • The interaction of climate transition action plans with financial statements and reporting risks. It was suggested that this is potentially a matter to discuss further at a future FRC meeting. • Greenwashing, noting it is not simply confined to the issue of reporting itself. <p>Action</p> <p>The FRC to further discuss the following, and other, sustainability matters:</p> <ul style="list-style-type: none"> • impact of sustainability on financial reporting (including recognition of contingent liabilities) • the interaction of climate transition action plans with financial statements and reporting risks. • greenwashing. |
| <p>4.B</p> | <p>AUDITING AND ASSURANCE STANDARDS BOARD</p> <p>Members noted the AUASB Chair Report (document 4B).</p> <p>The AUASB Chair advised that AASB/AUASB Annual Report 2021-22 is in the process of being finalised and provided an update on AUASB’s consultation and enhancements made to the AUASB website portal.</p> |
| <p>4.C</p> | <p>AASB 1049 POST IMPLEMENTATION REVIEW</p> <p>Justin Williams provided an update on the Post Implementation Review (PIR) of AASB 1049.</p> <p>Members noted that:</p> <ul style="list-style-type: none"> • The AASB will conduct ongoing monitoring of matters including whether the standard remains suitable and fit-for-purpose and the related work of HoTARAC. • Given the level of PIR activity within the AASB and overlap with the recommendations from the PIR of AASB 1049, it is proposed the AASB progress the recommendations from the PIR rather than the FRC through its Public Sector Working Group. <p>The FRC agreed to hand the recommendations from the Independent PIR of AASB 1049 back to the AASB for actioning.</p> <p>It was proposed that the Public Sector Working Group continue to be consulted on this matter going forward and to invite Stewart Walters (HoTARAC) to FRC meetings to bring further public sector knowledge.</p> |

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| 4.D | <p>AASB AND AUASB STANDARDS PORTAL DEMO</p> <p>Justin Williams provided a demonstration of the AASB and AUASB’s Standards Portal. It was noted that:</p> <ul style="list-style-type: none"> Historically Standards/Pronouncements have been available in a variety of formats. Work has been underway to develop a new web portal to display Audit and Assurance Standards, which would allow the following: AASB functional specification, advanced search functionality, tool to automate content loading, and maximising alignment as far as possible between AASB and AUASB solutions. <p>Action</p> <p>The FRC Secretariat to circulate Justin Williams’ presentation to FRC members.</p> |
| 5 | <p>SUSTAINABILITY UPDATE</p> |
| 5.A | <p>INTERNATIONAL AND AUSTRALIAN DEVELOPMENTS</p> <p>Members noted that there is no Australian representation on the ISSB and discussed the possibility of the FRC endorsing Australian candidates for appointment to international standard-setting bodies.</p> <p>The AASB has nominated an Australian for membership on the ISSB’s Sustainability Standards Advisory Forum. The FRC endorsed this nomination.</p> |
| 5.B | <p>SUBMISSION TO THE ISSB</p> <p>The AASB Chair provided an update that the AASB and AUASB have made a submission to the ISSB about the Draft IFRS S1 <i>General Requirements for Disclosure of Sustainability-related Financial Information</i> and Draft IFRS S2 <i>Climate-related Disclosures</i>, after extensive stakeholder consultations conducted across various states and territories.</p> <ul style="list-style-type: none"> It was noted that stakeholders were broadly supportive of the ISSB’s and the AASB’s work, and the international comparability it may engender. <p>The AASB Chair noted that the Board has decided to adopt the same approach towards the ISSB standards as other IFRS standards – to adopt ISSB standards as default and modify them as required for an Australian context, subject to any directions from the FRC.</p> <ul style="list-style-type: none"> It was noted that this approach is consistent with feedback provided by stakeholders, with international consistency being the paramount issue raised. The AASB Chair further noted that qualifications to Draft IFRS S2 <i>Climate-related Disclosures</i> and Appendix B were most contentious amongst stakeholders, with strong representations indicating that the AASB will be required to consider these further. <p>It was flagged that if Australia departed from the ISSB, the previous FRC directive may need to be revised. However, members noted that it was still early in any potential standard-setting process.</p> |
| 5.C | <p>AASB AND AUASB SUSTAINABILITY REPORTING PROJECT ADVISORY PANEL – VERBAL</p> <p>The AASB and AUASB Chairs provided an update on the Sustainability Reporting Project Advisory Panel.</p> <ul style="list-style-type: none"> The AASB and AUASB have decided to change membership to increase involvement from users. The AASB and AUASB Chairs will co-chair the revised panel. |

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| | <p>Members discussed New Zealand’s approach towards adopting sustainability-related reporting and whether there were any lessons that could be learnt from this experience.</p> <ul style="list-style-type: none"> • It was noted that the path to implementation is resource intensive in terms of staffing and planning. In turn, members further noted that Australia should be cognisant of the fact that global alignment will require significant consideration of the appropriate pathway to do so. • Members also acknowledged that the talent shortage issue is accentuated in the sustainability space. <p>Members then discussed the experience of private sectors companies implementing sustainability reporting, recognising that significant resources are involved in setting up corporate strategies and processes to facilitate this work.</p> <p>The FRC noted that sustainability reporting is also re-invigorating accounting students in universities and employees in firms.</p> <p>It was proposed to ask stakeholders that have an influence on preparers whether they have or are undertaking activities to help preparers with sustainability reporting.</p> <p>Following discussion from the 2 June 2022 FRC meeting, members further discussed the possible establishment of an ISSB hub in Australia. It was noted that this would require substantial funding from the Government. It was also suggested that the FRC could use the BLRF as an advisor on this matter.</p> <p>Action</p> <p>The FRC to continue discussion and agree on an approach to reaching out to stakeholders with a preparer influence to enquire about activities undertaken to assist preparers with sustainability reporting.</p> |
| 6 | DIGITAL REPORTING UPDATE |
| 6.A | <p>REPORT OF INITIAL STAKEHOLDER VIEWS – VERBAL</p> <p>The AASB Chair provided a verbal update on initial stakeholder views on digital financial reporting.</p> <ul style="list-style-type: none"> • It was noted that most stakeholders were not well-informed about digital financial reporting. • Members discussed that, as the first step, there should be an education and awareness raising campaign. The AASB Chair noted that the AASB has already commenced engaging with universities and accounting bodies, and there are plans for further engagement. Other initiatives undertaken by AASB include: <ul style="list-style-type: none"> – Conducting a dialogue series with the stakeholders, noting the last online dialogue forum about digital financial reporting had around 90 attendees. – Developing education materials for the AASB website. – Engaging with other jurisdictions which are well-advanced in this area such as UK and adopting the lessons learnt from their experience. – Undertaking extensive research on developing its policy position, on matters such as custom tagging, the scope of any possible mandate and software development. <p>It was noted that:</p> <ul style="list-style-type: none"> • Australia and US use the original IFRS taxonomy. |

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| | <ul style="list-style-type: none"> In its submission to the ISSB’s agenda consultation, the AASB recommended that the IFRS Foundation make its taxonomy as comprehensive and flexible as possible to ensure it could be adopted in more jurisdictions including Australia. ASIC suggested that it may be worthwhile to discuss this matter further, including whether Australia should adopt the IFRS taxonomy. The initial cost of implementing digital reporting may be high, however once implemented, the benefits would outweigh the costs. Some stakeholders viewed digital financial reporting as within the AASB’s legislative mandate, whilst some proffered other views. <p>Members also discussed that the messaging around digital financial reporting could include the benefits it provides.</p> <p>Action</p> <p>The AASB to provide further updates at the FRC’s upcoming meetings about the progress of its digital financial reporting work, including education and awareness raising.</p> |
| 7 | EMERGING ISSUES AND FRC PRIORITIES |
| 7.A | <p>AUDIT COMMITTEE CHAIRS PROJECT UPDATE – VERBAL</p> <p>Members noted the verbal update provided regarding the Audit Committee Chairs project, including on the progress of the academics engaged to conduct the surveys.</p> <p>It was noted that a draft report of the surveys should be available before the next FRC meeting on 23 November 2022.</p> |
| 7.B | <p>TALENT ATTRACTION AND RETENTION UPDATE</p> <p>Members discussed the possible effect of migration issues on talent attraction in the profession.</p> <p>Members discussed the possibility of paring back accreditation requirements by introducing other required skillsets, such as sustainability, to make the accounting and auditing profession more attractive.</p> <p>Members further discussed the following:</p> <ul style="list-style-type: none"> In the absence of overseas secondment opportunities, many in the profession seem to be leaving the auditing and accounting profession much earlier than pre-COVID. It was also noted that since the borders have opened up many relatively young professionals have left to pursue career opportunities overseas. The current professional visa backlog is also contributing to the skill shortages in the accounting and auditing profession. The 2021-22 reporting period has been reported as one of the toughest in so far as skill shortages in accounting and auditing is concerned. However, it was further noted that this skills shortage was prevalent a few years ago, and the pandemic may have exacerbated the issue. Auditing is a longer-term profession, meaning that it takes many years for people to be trained up as professional auditors and it is not something which vacancies can be backfilled quickly and easily. It was suggested that firms may consider lateral movement and upskilling. |

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| | <ul style="list-style-type: none"> • The decline of morale may not be captured in firms’ stakeholder responses to the FRC. Furthermore, the responses indicate that the number of employees has grown, which may suggest that firms are growing along with the demand for auditing. • The FRC’s role regarding the talent shortage and the extent to which the issue may be broader than the FRC’s remit. <p>It was suggested that the finance profession could be promoted in schools to build its profile. Additionally, it was suggested that sustainability may further help attract people to the profession.</p> <p>The FRC agreed to write to the Minister, to inform him of the talent attraction and retention issue (copying in the appropriate Ministers).</p> <p>Action</p> <p>The FRC to:</p> <ul style="list-style-type: none"> • Continue monitoring the talent attraction and retention issue through periodic information requests to appropriate stakeholders. • The FRC to write to the Minister, copying in the appropriate Ministers , to advise him about this issue. |
| 7.C | <p>AUSTRALIAN CASINO ROYAL COMMISSION AND INQUIRIES</p> <p>Following discussions from the 2 June 2022 FRC meeting, Anne Waters provided an overview of the different inquiries into Australian casinos and their recommendations.</p> <p>Members noted:</p> <ul style="list-style-type: none"> • That the inquiries and Royal Commissions were about the suitability of the licensee and the robustness of regulations. • There is little, if any, mention of the role of the external auditor in the recommendations from the three-state based inquiries and royal commissions. <p>Members further discussed:</p> <ul style="list-style-type: none"> • Whether this was an audit issue and whether these matters could bring the culture of audits into question. • The role of audit committees and whether this matter is related to discipline. • Whether there is a mechanism for stakeholders (particularly the Professional bodies) to notify the FRC if there is indeed a gap in standards or education requirements. • Whether this matter may indicate issues with the regulations, rather than accounting and auditing standards. <ul style="list-style-type: none"> – Keith Kendall noted that he would be happy to look into the accounting side of this matter, noting that if there was an issue with the standards, it may be one of materiality. <p>Members also noted that there are many stages in the financial reporting process that may affect the quality of financial reporting, and further discussed what the scope of this reporting should be (which may include underlying controls).</p> <p>Action</p> <ul style="list-style-type: none"> • The FRC to continue to explore whether the casino inquiries are relevant to the FRC’s functions, including whether the inquiries highlight any issues with the accounting and/or auditing standards. |

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| | <ul style="list-style-type: none"> Keith Kendall to consider the extent to which accounting standards are relevant to the casino inquiries and the facts underlying those inquiries. |
| <p>7.D</p> | <p>FRC AUDITOR DISCIPLINARY PROCESS</p> <p>Bill Edge provided a summary of FRC’s ongoing work and initiatives on auditor disciplinary processes and noted issues and challenges in receiving satisfactory responses.</p> <ul style="list-style-type: none"> It was noted that it would be worthwhile following up on outstanding action items from the FRC’s 2019 <i>Auditor Disciplinary Process: Review</i> prior to undertaking the agreed ‘refresh’. <p>Members discussed what a “refresh” would involve, noting that it does not necessarily mean redoing all the work that was undertaken for the 2019 Review.</p> <ul style="list-style-type: none"> Members discussed the FRC’s role to understand what disciplinary actions are being taken, and in doing so, understanding the types of sanctions that are being imposed (i.e., what it means when a professional member is “admonished”). There was also discussion around the FRC’s visibility over the disciplinary processes, including how those processes work together / interact. <p>Members discussed whether the FRC should exercise its formal powers in obtaining the requested information. Members also discussed whether the FRC’s questions have been appropriately targeted; it was suggested that the FRC could enquire about monitoring programs and how the Professional bodies are managing the quality of their members.</p> <p>Action</p> <p>The FRC to further discuss and agree to:</p> <ul style="list-style-type: none"> Its approach to “refreshing” its 2019 <i>Auditor Disciplinary Processes: Review</i> The data that the FRC will request on an ongoing basis from the Professional bodies about their auditor disciplinary processes. |
| <p>7.E</p> | <p>CYBER SECURITY</p> <p>Anne Waters provided an update on AUASB’s initiatives on addressing cyber security risks.</p> <p>ASIC provided an update that it has been focusing on financial services licenses and market operator licensees, further noting that this year it is shifting its focus to the corporate sector and is beginning to design self-assessments.</p> <p>Members also noted that many businesses are increasingly taking cyber risks into account in their overall risk assessment, and that the level of risk involved is dependent on the company.</p> <p>Members discussed:</p> <ul style="list-style-type: none"> Ransomware issues and implications for businesses and customers, noting the cost of insurance for businesses to safeguard against cyber-attack is increasing. Whether current reporting is adequate from a financial reporting perspective. It was noted cyber security risk is increasingly rapidly and there are vulnerable entities, and the government has introduced obligations on critical infrastructure. |

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| <p>7.F</p> | <p>IMPACT OF GLOBAL ECONOMIC ENVIRONMENT ON REPORTING UPDATE – VERBAL</p> <p>The Chair summarised the various matters raised by stakeholders, including challenges emanating from inflationary pressures, supply chain issues, rising interest rates and geopolitical issues.</p> <p>Members also noted more bankruptcies and insolvencies are being observed.</p> <p>Members discussed whether the standards are adequate to respond to these changing circumstances and heightened environment of uncertainty.</p> <p>It was agreed that the FRC would continue to monitor domestic and global demands and respond to any emerging issues which may impact financial reporting or standards, as necessary.</p> <p>It was noted that the current global volatility is very high and has been elevated in some respects. There may be challenges in determining in such an environment when metrics are elevated beyond normal boundaries. It was further noted that there is more reliance on auditors to ensure they are testing ‘going concern’ in this unpredictable environment, which also poses challenges for preparers.</p> <p>Members also noted that increased regulatory / creditor action may indicate that the system is working to prevent businesses trading while insolvent. However, members acknowledged that this environment has increased the risk for many companies.</p> <p>Action</p> <p>The FRC to continue monitoring the global economic environment (including global and domestic demand) and respond to any emerging issues which may impact financial reporting or standards, as necessary.</p> |
| <p>7.G</p> | <p>INITIATIVES IN ADDRESSING TALENT SHORTAGE ISSUES IN PUBLIC SECTOR</p> <p>Tracey Carroll provided an overview of the current talent shortage issues in the public sector and outlined some of the initiatives underway in addressing the identified issues, noting that:</p> <ul style="list-style-type: none"> • Shortage of skills and talents in APS was prevalent before the pandemic and since then has remained an issue. • 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, and attractiveness of public sector accounting and finance roles to candidates. • Key initiatives included collaboration with the APSC, CAANZ and CPA Australia, particularly in relation to learning and development. <p>Members discussed whether more work is required in terms of raising awareness amongst accounting graduates that there are also accounting career opportunities within the APS, noting that the Australian National University has recently commenced a new program with the aim of encouraging more students to consider studying accounting and career pathway into the APS.</p> |
| <p>8</p> | <p>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</p> |
| <p>8.A</p> | <p>INTERNATIONAL DEVELOPMENTS</p> <p>Members noted the international developments attached to document 8A, further noting that some developments were discussed earlier in agenda item 7F.</p> |

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| <p>8.B</p> | <p>UK GOVERNMENT RESPONSE TO KINGMAN, BRYDON AND CMA REPORTS ON FINANCIAL REPORTING MATTERS</p> <p>Anne Waters provided an overview of the UK Government’s response <i>Restoring trust in audit and corporate governance</i>, published in May 2022. It was noted that:</p> <ul style="list-style-type: none"> • The response is focused on accountability, oversight and reporting by audit committees and directors, with plans to increase the powers of the regulator in the UK. <ul style="list-style-type: none"> – Members also discussed whether Australia could possibly consider increasing the reporting of internal controls, fraud and going concern. – Joint audits were also discussed, noting that Australia generally does not have joint audits, with a few exceptions. • Some of the proposed changes in the UK need to be legislated or incorporated into the corporate governance of the UK FRC (i.e., the Audit, Reporting and Governance Authority) and thus may take some time before they are fully implemented. |
| <p>8.C</p> | <p>XRB UPDATE – VERBAL</p> <p>The XRB Chair provided an update on some of the recent work undertaken by XRB in New Zealand.</p> <ul style="list-style-type: none"> • The XRB has released its exposure draft climate disclosure standards and two draft guidance statements, with a view to issuing its first climate standard in December 2022. • The proposed climate-related disclosure framework is being informed through engagement with a broad range of stakeholders—in particular, entities that will be subject to the regime and the investors who will benefit from it. • It was noted the XRB held a strategy planning day in August 2022, which was also attended by the FRC Chair. It was further noted that this was an opportunity for the Board to discuss particular strategic areas, including: <ul style="list-style-type: none"> – shifting focus on to assurance of non-financial reporting – the future of public sector reporting – Just transition - moving to a low emissions economy in a fair and equitable way. <p>Action</p> <p>Michele Embling to share Marje Russ’ presentation slides with the FRC members, containing a map of players in the standard-setting environment.</p> |
| <p>9</p> | <p>MONITORING AND INFLUENCING AUSTRALIAN DEVELOPMENTS</p> |
| <p>9.A</p> | <p>STAKEHOLDER REPORTS</p> <p>Members reviewed reports from 12 stakeholders.</p> <ul style="list-style-type: none"> • The Chair noted BLRF’s stakeholder report, which posits a view that Integrated Reporting should be used as the framework for sustainability reporting. The FRC noted that it is currently open to all options and perspectives on this matter. • Members also noted CA ANZ’s stakeholder report, in particular the recommendation that the FRC make a submission to its <i>Professional Conduct Framework Review</i>. <p>Members further discussed:</p> <ul style="list-style-type: none"> • The tracking of stakeholder responses and agreed that this could be done internally. |

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| | <ul style="list-style-type: none"> • Whether there is scope for further improving the quality and depth of responses provided by some of the stakeholders. • Whether the FRC is reaching out to all appropriate stakeholders. • Implementing a possible mechanism to enable the FRC to respond to stakeholder reports. • When, and whether, to utilise the FRC’s information gathering powers under the ASIC Act. <p>Action</p> <ul style="list-style-type: none"> • FRC Secretariat to obtain further information about FRC’s formal information gathering powers. • Tracey Carroll to provide an update at FRC meetings for the Department of Finance, in lieu of a stakeholder report. • The FRC to further discuss and agree on whether to: <ul style="list-style-type: none"> – implement a mechanism through which it can respond to stakeholder reports – modify its stakeholder list used for the purpose of requesting stakeholder reports. |
| 10 | OTHER BUSINESS |
| 10.A | <p>FRC ANNUAL REPORT 2021-22 – UPDATE</p> <p>The FRC Secretariat provided an update on the current status of the Annual Report and timelines for tabling the annual report.</p> |
| 10.B | <p>NOMINATIONS COMMITTEE</p> <p>The Acting NC Chair provided an update on the 7 September NC meeting:</p> <ul style="list-style-type: none"> • The NC endorsed the changes to the AASB and AUASB Charter discussed at the previous FRC meeting. • The NC is currently undergoing a recruitment process for AASB and AUASB positions. |
| 10.C | <p>PEER REVIEW SURVEY 2021</p> <p>It was noted that the FRC had not convened to discuss the feedback from the 2021 Peer Review Surveys and reflect on an approach to address the comments.</p> <p>It was proposed that this occur rather than conducting another Peer Review Survey in 2022.</p> <p>FRC members agreed to reconvene to discuss the 2021 results and agree on an approach going forward.</p> <p>Action</p> <p>The FRC Secretariat to set up an out of session meeting for the FRC to discuss the 2021 Peer Review Survey results and an approach to address the feedback received as appropriate.</p> |
| 10.D | <p>INTERNATIONAL STANDARDS SETTING</p> <p>Bill Edge and Anne Waters provided a brief overview of the structure of international standard-setting bodies, including the funding arrangements to the IFRS Foundation.</p> <p>Members discussed:</p> |

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| | <ul style="list-style-type: none"> • Australia’s ability to impact the development of international standards, by having a representative on these international organisations. • Australia’s contributions to the IFRS Foundation, including whether Australia should engage in a broader holistic funding model, which may include contributions to bodies such as the IAASB. As part of this discussion, members considered whether the FRC should make a recommendation to the Minister for changing Australia’s approach to funding international standard setting organisations. It was noted that this would require further consideration by the FRC and that any recommendation would need to be considered in the context of government budget processes. • How the ISSB is funded. Bill Edge and Anne Waters offered to provide additional information about ISSB funding at the next FRC meeting. <p>Action</p> <ul style="list-style-type: none"> • Bill Edge and Anne Waters to provide additional information about ISSB funding at the FRC’s next meeting. • The FRC to further discuss the funding arrangements of international standard-setting bodies and whether to recommend modifying Australia’s approach to contributing to the funding of these bodies. |
| 11 | NEXT MEETING AND CLOSE |
| 11.A | Next meeting will be held in Melbourne on 23 November 2022. |



MINUTES OF PREVIOUS MEETING – OUT OF SESSION MEETINGS

DESCRIPTION

On 27 October and 10 November 2022, the FRC held two out-of-session meetings to discuss, respectively:

- its functions and responsibilities under the ASIC Act, in addition to its strategic work going forward
- the approach to refreshing its 2019 *Auditor Disciplinary Processes: Review* (the FRC Chair will provide a verbal report under item 11C about the decisions made during this meeting).

At the time of drafting this meeting paper, the minutes for these 2 meetings have not yet been finalised. The FRC Secretariat will publish an updated version of this meeting pack on the FRC website, once these minutes have been finalised.

ACTION

- For noting.

MINUTES

Finalised minutes for the 27 October and 10 November 2022 out-of-session meetings will be included in an updated meeting pack, which will be published on the FRC website.



MINUTES

DATE: Thursday 27 October 2022
TIME: 2.00pm – 3.00pm
LOCATION: Virtual Teams Meeting

| ITEM | AGENDA ITEM | | | | | | | | | | | | | | | | | | |
|-------------------------------|--|-------------------------------|-------------------|----------------------|-------------------------|-------------------------|-------------------------|----------------|------------------------|-----------------------------|-----------------------|--------------|--|------------------|--|----------------------------|--|------------------|--|
| | ATTENDEES AND APOLOGIES | | | | | | | | | | | | | | | | | | |
| | <table border="1"> <tr> <td>Members in attendance:</td> <td>Observers:</td> </tr> <tr> <td>Andrew Mills (Chair)</td> <td>Matthew Bowd (Treasury)</td> </tr> <tr> <td>Bill Edge (AUASB Chair)</td> <td>Alex Mahdavi (Treasury)</td> </tr> <tr> <td>Tracey Carroll</td> <td>James Zhou (Treasury)</td> </tr> <tr> <td>Michele Embling (XRB Chair)</td> <td>Cooper Tym (Treasury)</td> </tr> <tr> <td>Suzanne Bell</td> <td></td> </tr> <tr> <td>Apologies</td> <td></td> </tr> <tr> <td>Keith Kendall (AASB Chair)</td> <td></td> </tr> <tr> <td>Cameron McDonald</td> <td></td> </tr> </table> | Members in attendance: | Observers: | Andrew Mills (Chair) | Matthew Bowd (Treasury) | Bill Edge (AUASB Chair) | Alex Mahdavi (Treasury) | Tracey Carroll | James Zhou (Treasury) | Michele Embling (XRB Chair) | Cooper Tym (Treasury) | Suzanne Bell | | Apologies | | Keith Kendall (AASB Chair) | | Cameron McDonald | |
| Members in attendance: | Observers: | | | | | | | | | | | | | | | | | | |
| Andrew Mills (Chair) | Matthew Bowd (Treasury) | | | | | | | | | | | | | | | | | | |
| Bill Edge (AUASB Chair) | Alex Mahdavi (Treasury) | | | | | | | | | | | | | | | | | | |
| Tracey Carroll | James Zhou (Treasury) | | | | | | | | | | | | | | | | | | |
| Michele Embling (XRB Chair) | Cooper Tym (Treasury) | | | | | | | | | | | | | | | | | | |
| Suzanne Bell | | | | | | | | | | | | | | | | | | | |
| Apologies | | | | | | | | | | | | | | | | | | | |
| Keith Kendall (AASB Chair) | | | | | | | | | | | | | | | | | | | |
| Cameron McDonald | | | | | | | | | | | | | | | | | | | |
| | NON-PUBLIC SESSION | | | | | | | | | | | | | | | | | | |
| | MATTERS FOR NON-PUBLIC SESSION | | | | | | | | | | | | | | | | | | |
| 1 | <p>The Chair welcomed members to the out of session meeting and noted the discussion from the 8 September 2022 meeting about the FRC’s functions and whether the FRC is fulfilling all of its obligations under the Act or if there are things that can be done differently.</p> <p><u>FRC Functions and resources - Matrix</u></p> <ul style="list-style-type: none"> It was agreed that the FRC would be responsible for reporting and advising the Minister, as prescribed under the ASIC Act (Line 6 of the Matrix). <p><u>Establishing Appropriate Consultative Mechanism</u></p> <ul style="list-style-type: none"> The FRC discussed its function to establish an appropriate consultative mechanism. Members discussed whether this function was satisfactorily discharged through periodic one on one meetings with stakeholders on specific topics. The FRC agreed that the AASB and the AUASB consultation forums were sufficient for stakeholders involved in the technical aspects of standards. | | | | | | | | | | | | | | | | | | |

- The FRC agreed that the current list of stakeholders would be reviewed to confirm whether any further stakeholders should be added.
- FRC members endorsed the Chair having one on one meetings with stakeholders at the CEO level which would reinforce the strategic issues highlighted in the FRC Stakeholder Reports.
- The FRC agreed to maintain its current stakeholder engagement strategy through Stakeholder Reports, in conjunction with the FRC Chair meeting with individual stakeholders. The FRC will request information about specific matters that are referred to in the ASIC Act (e.g., professional ethics education) on a periodic basis.

Promote the Objects of the Financial Reporting System

- Members discussed the difficulty in measuring the objectives of the financial reporting system (e.g. investor confidence and cost of capital).
 - Members noted that the Reserve Bank does keep track of the cost of capital. It was proposed that the FRC could track such data (and other relevant data) as a periodic item on its meeting agenda.
 - Members agreed that the data should indicate the international competitiveness of Australian markets, which may be shown through the the weighted average cost of capital, measured over the inflation rate (further noting that different countries experience different levels of inflation). The AUASB Chair noted that Cameron McDonald could assist with obtaining this, and any other relevant, data.
 - It was suggested that Treasury may talk (at a future session) about the type of information and data it has access to.
- The XRB Chair noted that the XRB reports non-financial measures against the achievement of similar objectives, which was quite difficult. However, it was further suggested that the FRC could lead by example.
- The FRC agreed to further discuss utilising indicators or measures of confidence in the market relative to other markets.

Accounting Standard Board Functions

Providing advice or feedback on staffing and budget

- The AUASB Chair noted that he and the AASB Chair could provide budget and staffing updates at meetings.
- It was further suggested that this discussion about budget and staffing would take place once the Annual Report is produced to facilitate planning for the next year. In turn , this would provide the FRC an opportunity to also provide advice on the Boards’ priorities and business procedures.
- The FRC agreed to create an FRC program that details what is to be done at meetings, so its functions can be checked-off each time. A program could further facilitate the allocation of certain items.

Matrix Lines 15, 16 and 17 (Functions related to international accounting standards)

- It was noted that the FRC is involved in international work through the AASB, AUASB and XRB.
- Members also noted that there is no Australian on the IFRS Foundation Trustees and that an Australian candidate was put forward this year. However an update on this has not yet been received.

- It was also suggested that the FRC invite Joanna Perry to its meetings for international updates, or to invite other appropriate individuals to provide updates from the IFRS Foundation and other international forums.

Monitoring the operation of accounting standards and effectiveness of the AASB's consultative mechanisms

- It was agreed that the FRC should ask the AASB how they measure the relevance and effectiveness of accounting standards, and for the FRC to undertake its assessment via this feedback.
- It was also noted Annual Reports for both Boards should talk about due processes or there is confirmation that they have followed due processes, which members proposed could be included in the FRC's review of the 2 standard-setting boards' annual reports.
- It was suggested that this could be an educative process and for the Boards to bring any changes to their consultation procedures before the FRC.

Specific Auditing Functions

- The AUASB Chair noted that many of these functions are recorded in the Audit Quality Action Plan and further suggested that the FRC could consider updating or improving this Plan at its first meeting next year. It was also suggested that the Plan could be revisited once the FRC completes its planned audit quality work (i.e., the refresh of the *2019 Auditor Disciplinary Processes: Review*).
- Members noted that it would be helpful to come up with audit quality indicators (e.g., corporate collapses or number of people in the profession etc.) It was further noted that firms put out transparency reports each year that include firm-specific indicators.

Talent Shortage

- Members discussed the talent shortage data.
- The Chair of the AUASB discussed the attractiveness of the profession and that sustainability and quality assurance may lift the attractiveness however it will amplify the talent shortage.
- FRC members discussed matters that might appeal to the newer generation of accountants and auditors.

Actions

- The FRC to review its current list of stakeholders to confirm whether there are any other stakeholders that should be added to the list.
- The FRC to continue seeking targeted feedback on strategic issues through its Stakeholder Reports and one-on-one high level stakeholder engagement to monitor the matters referred to in the ASIC Act (such as professional ethics) on a periodic basis.
- The FRC to further discuss what indicators on the objects of the financial reporting framework to utilise, to then be included as a standing agenda item once decided.
 - The AUASB Chair and FRC Secretariat to look into any relevant data that could be used.
- The FRC to further discuss the content of a watching brief on the industry to assess the health and international competitiveness of Australian markets.

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| | <ul style="list-style-type: none"> • The FRC to discuss the AASB and AUASB Annual Report each year to discuss any feedback on budget, staffing, business plans and priorities, and to assess the effectiveness of the Boards' consultation processes. • The AASB and AUASB to bring any changes to their due processes, in relation to the development accounting and auditing standards, before the FRC. • The FRC to invite Joanna Perry to its meetings for international updates, or to invite other appropriate individuals to provide updates from the IFRS Foundation and other international forums. • The FRC to re-assess its Audit Quality Action Plan to determine whether it can be updated next year. • The FRC Secretariat to create an FRC program or calendar to document or list agenda items for the quarterly meetings and when to contact stakeholders and what to ask. |
| | <p>Meeting concluded at 3.00pm.</p> |



MINUTES

DATE: Thursday 10 November 2022
TIME: 2.00pm – 3.00pm
LOCATION: Virtual Teams Meeting

| ITEM | AGENDA ITEM | | | | | | | | | | | | |
|-------------------------------|---|-------------------------------|-------------------|----------------------|-------------------------|-------------------------|-----------------------|----------------|------------------------|--------------|--|------------------|--|
| | ATTENDEES AND APOLOGIES | | | | | | | | | | | | |
| | <table border="1"> <tr> <td>Members in attendance:</td> <td>Observers:</td> </tr> <tr> <td>Andrew Mills (Chair)</td> <td>Matthew Bowd (Treasury)</td> </tr> <tr> <td>Bill Edge (AUASB Chair)</td> <td>Cooper Tym (Treasury)</td> </tr> <tr> <td>Tracey Carroll</td> <td>James Zhou (Treasury)</td> </tr> <tr> <td>Suzanne Bell</td> <td></td> </tr> <tr> <td>Cameron McDonald</td> <td></td> </tr> </table> | Members in attendance: | Observers: | Andrew Mills (Chair) | Matthew Bowd (Treasury) | Bill Edge (AUASB Chair) | Cooper Tym (Treasury) | Tracey Carroll | James Zhou (Treasury) | Suzanne Bell | | Cameron McDonald | |
| Members in attendance: | Observers: | | | | | | | | | | | | |
| Andrew Mills (Chair) | Matthew Bowd (Treasury) | | | | | | | | | | | | |
| Bill Edge (AUASB Chair) | Cooper Tym (Treasury) | | | | | | | | | | | | |
| Tracey Carroll | James Zhou (Treasury) | | | | | | | | | | | | |
| Suzanne Bell | | | | | | | | | | | | | |
| Cameron McDonald | | | | | | | | | | | | | |
| | Apologies | | | | | | | | | | | | |
| | Keith Kendall (AASB Chair) | | | | | | | | | | | | |
| | Michele Embling (XRB Chair) | | | | | | | | | | | | |
| | NON-PUBLIC SESSION | | | | | | | | | | | | |
| | MATTERS FOR NON-PUBLIC SESSION | | | | | | | | | | | | |
| 1 | <p>The Chair welcomed members to the out of session meeting.</p> <p><u>ASIC Audit Inspections</u></p> <ul style="list-style-type: none"> The AUASB Chair noted the ASIC inspection reports and the media surrounding the findings. <ul style="list-style-type: none"> It was further noted that ASIC’s Inspection Program (and the subsequent reports) facilitate a continuous dialogue between the AUASB and ASIC including auditing standards coverage and auditor judgment. <p><u>Refresh of the 2019 Auditor Disciplinary Processes: Review</u></p> <ul style="list-style-type: none"> The FRC Chair noted that it was important to be realistic about the timing of this project, acknowledging that it may not be possible to complete it in a short period of time. Members further noted that it is important to consider the audience of the refresh. Members discussed the internal review mechanisms available for regulators, recognising that: <ul style="list-style-type: none"> ASIC has an oversight panel through which findings are reviewed (although not an arbitrator of alternative judgements or views). | | | | | | | | | | | | |

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| | <ul style="list-style-type: none"> – The minimal number of disciplinary matters going through CADB or the professional bodies, might indicate that audit quality is high; alternatively, such statistics may be an indicator that quality control mechanisms are not adequate. • Each of the firms have their own internal monitoring process. However, there does not appear to be a continuum between operation of the professional bodies’ and ASIC’s disciplinary processes; it appears the professional bodies currently conduct separate programs to achieve separate objectives (rather than an overarching objective). The professional bodies have previously raised privacy concerns about referring matters to regulators and between themselves. Prior to the meeting, the FRC created a table that contains the Government’s response and a summary of the response from each of the professional bodies in relation to each recommendation from the 2019 Review. The FRC agreed to add an additional column to the table to indicate whether the FRC considers: <ul style="list-style-type: none"> – that the recommendation has been implemented; or – there is still something further that needs to be done to implement the recommendation, that the FRC could follow-up on. • Members also noted that CA ANZ’s benchmarking exercise may show how the professional bodies in Australia compare to other jurisdictions (in regard to their disciplinary processes). • The FRC discussed its requests for relevant data from stakeholders, noting that: <ul style="list-style-type: none"> – It would be worth clarifying with stakeholders why information is being sought and to reflect on the objectives of obtaining this data. – It may be worth amending stakeholder questions about auditor disciplinary processes, so it is clear what data the FRC is requesting (i.e., determining whether certain terms need to be defined in these data requests). – Based on the data provided by the professional bodies, members noted the number of complaints about more significant matters (e.g. fraud) and the corresponding number of such matters that were resolved by administrative action. • The FRC agreed that the fundamental scope of the review will be to: <ul style="list-style-type: none"> – examine both inspection/review and disciplinary processes (of ASIC and the professional bodies) – consider the effectiveness of the current processes and how these could be coordinated between the professional bodies and regulator. <p><u>Submissions</u></p> <ul style="list-style-type: none"> • The FRC agreed not to participate in CA ANZ’s benchmarking exercise, as the nature of this activity is inconsistent with the FRC as an oversight body. • The FRC also agreed that, in lieu of a submission, the Chair would reach out to the CEO of CA ANZ to inform her of: <ul style="list-style-type: none"> – the decision not to participate in the benchmarking exercise – that the FRC will likely seek missing data about CA ANZ’s auditor disciplinary processes and/or organise a meeting to further discuss its data collection – the refresh of the 2019 Review will be conducted with a view to recommend the professional bodies to coordinate their auditor disciplinary processes with each other and with ASIC. • The FRC agreed that it would not make a submission to the Senate Economic References Committee’s inquiry into ASIC investigation and enforcement. |
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| | <ul style="list-style-type: none"> • The FRC Secretariat Team to liaise with the Treasury Parliamentary Team to clarify whether there is a process for the FRC to inform the Senate Economics References Committee that it will not make a submission. <p><u>Appointment of FRC Deputy Chair</u></p> <ul style="list-style-type: none"> • The FRC agreed to appoint Tracey Carroll as the FRC Deputy Chair. <p><u>Action Items</u></p> <ul style="list-style-type: none"> • As part of the refresh, it is to be determined whether: <ul style="list-style-type: none"> – the recommendations in the 2019 Review have been implemented by the relevant stakeholder; and – there is still something further that needs to be done to implement the recommendations (this includes investigating the potential privacy barriers raised by the professional bodies). • The FRC Chair to meet with Anne Waters to determine next steps, based on the following approach to the refresh, as agreed by the FRC: <ul style="list-style-type: none"> – examine both inspection/review and disciplinary processes (ASIC and the Professional bodies); and – consider the effectiveness of the current processes and how these could be coordinated between the Professional bodies and regulator. • The FRC Chair to call the CA ANZ CEO to inform her of: <ul style="list-style-type: none"> – the decision not to participate in the benchmarking exercise – that the FRC will likely seek missing data about CA ANZ’s auditor disciplinary processes and/or organise a meeting to further discuss its data collection – the refresh of the 2019 Review will be conducted with a view to recommend the Professional bodies to coordinate their auditor disciplinary processes with each other, and with ASIC. • The FRC Secretariat to liaise with the Treasury Parliamentary Team to clarify whether there is a process to inform the Senate Economics References Committee that the FRC will not make a submission to the inquiry into ASIC investigation and enforcement. |
| | <p>Meeting concluded at 3.00pm.</p> |



ITEM 3C

23 NOVEMBER 2022

MATTERS ARISING

DESCRIPTION

Attached are the matters arising from the FRC meeting held on Thursday 8 September 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. | PEER REVIEW SURVEY | The FRC Secretariat to set up an out of session meeting for the FRC to discuss the 2021 Peer Review Survey results and an approach to address the feedback received as appropriate. | FRC Secretariat | In progress – the FRC Secretariat to organise a time for the FRC to discuss the 2021 Peer Review results, with the 2022 AASB and AUASB Peer Review results. |
| 2. | ACCOUNTING AND AUDITING STANDARDS | The FRC Secretariat to circulate Justin Williams’ presentation to FRC members. | FRC Secretariat | Completed – FRC Secretariat circulated presentation to FRC members 9 September 2022. |
| | | FRC to invite Stewart Walters (HoTARAC) to FRC meetings, as appropriate, to bring public sector knowledge to the discussion. | | The FRC Secretariat has invited Mr Walters to the 23 November 2022 meeting to provide an update on HoTARAC’s work. Ongoing – FRC Secretariat to invite Mr Walters when appropriate/requested. |
| 3. | EXTENDED EXTERNAL REPORTING | The FRC to further discuss the following, and other, sustainability matters: <ul style="list-style-type: none"> • impact of sustainability on financial reporting (including recognition of contingent liabilities) • the interaction of climate transition action plans with financial statements and reporting risks • greenwashing. | FRC | In progress/Ongoing – discussion continued under item 6A of the 23 November 2022 meeting. |
| | | The AASB to nominate one of its members to the Sustainability Standards Advisory Forum. | AASB | Keith Kendall and Bill Edge to provide a brief verbal update at the 23 November 2022 meeting. |

Financial Reporting Council
MATTERS ARISING – 23 November 2022

| 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 | Keith Kendall and Bill Edge to provide a brief verbal update at the 23 November 2022 meeting. |
| 4. | STAKEHOLDER ENGAGEMENT | The FRC to continue discussion and agree on an approach to reaching out to stakeholders with a preparer influence to enquire about activities undertaken to assist preparers with sustainability reporting. | FRC | In progress – discussion continued under item 6A of the 23 November 2023 meeting. |
| | | FRC Secretariat to obtain further information about FRC’s formal information gathering powers. | FRC Secretariat | In progress – FRC Secretariat to advise FRC Chair. |
| | | Tracey Carroll to provide an update at FRC meetings for the Department of Finance, in lieu of a stakeholder report. | Tracey Carroll | Ongoing – Tracey Carroll to provide any relevant updates under the PSAG agenda item, going forward. |
| | | The FRC to further discuss and agree on whether to implement a mechanism through which it can respond to stakeholder reports. | FRC | In progress – discussion continued under item 13A of the 23 November 2022 meeting. |
| | | The FRC to further discuss and agree on whether to modify its stakeholder list used for the purpose of requesting stakeholder reports. | FRC | In progress – discussion continued under item 13A of the 23 November 2022 meeting. |
| 5. | DIGITAL FINANCIAL REPORTING | The AASB to provide further updates at the FRC’s upcoming meetings about the progress of its digital financial reporting work, including education and awareness raising. | Keith Kendall | Complete – a verbal update to be provided under item 7 of the 23 November 2022 meeting. Ongoing – relevant updates to be provided when necessary. |

Financial Reporting Council
MATTERS ARISING – 23 November 2022

| Number | Issue | Action required | Owners | Status |
|--------|---|--|-----------------|--|
| 6. | TALENT ATTRACTION AND RETENTION | The FRC to continue monitoring the talent attraction and retention issue through periodic information requests to appropriate stakeholders. | FRC Secretariat | Ongoing – FRC Secretariat to periodically request relevant information for consideration at FRC meetings. |
| | | The FRC to write to the Minister, copying in the appropriate Ministers, to advise him about this issue. | Chair | Complete - letter sent to the Minister in November 2022 |
| | | FRC members with access to relevant data sources on resourcing, capability and attractiveness of the profession to share it with other members. | FRC | Ongoing – FRC members to circulate any relevant material as they become available. |
| 7. | AUSTRALIAN CASINO ROYAL COMMISSION AND INQUIRIES | The FRC to continue to explore whether the casino inquiries are relevant to the FRC's functions, including whether the inquiries highlight any issues with the accounting and/or auditing standards. | FRC | In progress – discussions continued under item 11B of the 23 November 2022 meeting. |
| | | Keith Kendall to consider the extent to which accounting standards are relevant to the casino inquiries and the facts underlying those inquiries. | Keith Kendall | Complete – a verbal update to be provided under item 11B of the 23 November 2022 meeting. |
| 8. | AUDITOR DISCIPLINARY PROCESSES | The FRC to discuss and agree to its approach to “refreshing” its 2019 Auditor Disciplinary Processes: Review. | FRC | Complete – an update to be provided by the FRC Chair about decisions made during 10 November 2022 out-of-session FRC meeting. |
| | | The FRC to discuss and agree to the data that the FRC will request on an ongoing basis from the Professional bodies about their auditor disciplinary processes. | | Ongoing – the FRC to consider any gaps in its oversight of auditor disciplinary processes and agree to any ongoing data requests as part of the refresh of the review. |

Financial Reporting Council
MATTERS ARISING – 23 November 2022

| Number | Issue | Action required | Owners | Status |
|---------------|--|---|---------------------------------|---|
| 9. | GLOBAL ECONOMIC ENVIRONMENT | The FRC to continue monitoring the global economic environment (including global and domestic demand) and respond to any emerging issues which may impact financial reporting or standards, as necessary. | FRC Secretariat | Ongoing – the FRC to continue monitoring this matter and respond to emerging issues as necessary. |
| 10. | XRB UPDATES | Michele Embling to share Marje Russ’ presentation slides with the FRC members, containing a map of players in the standard-setting environment. | Michele Embling/FRC Secretariat | Completed – presentation slides circulated to FRC members 9 September 2022. |
| 11. | INTERNATIONAL STANDARDS SETTING | Bill Edge and Anne Waters to provide additional information about ISSB funding at the FRC’s next meeting. | Bill Edge/Anne Waters | In progress – Bill Edge has reached out to the relevant international parties to seek further information. An update will be provided once responses have been received. |
| | | The FRC to further discuss the funding arrangements of international standard-setting bodies and whether to recommend modifying Australia’s approach to contributing to the funding of these bodies. | FRC | In progress – discussions to continue once Bill Edge receives responses from the relevant international parties (see action item above). |

At the 10 December 2021 meeting, it was agreed that the FRC Secretariat would maintain a record of items recorded under ‘Public Sector Issues’ and will raise these matters with the FRC Chair on a periodic basis.

| Issues | Action required | Owners | Recommended status - Nov 2022 |
|-----------------------------|--|------------|--|
| PUBLIC SECTOR ISSUES | The AASB should keep the FRC informed of the status of the reporting entity concept as part of the Australian Financial Reporting Framework Project. | AASB Chair | Recommend to close. The AASB Chair advises FRC on the AASB priorities at each FRC meeting. |
| | AASB to engage with HoTARAC to determine how to set up the Australian Financial Reporting Framework for the public sector. [refers to the format and content of reporting, not the Conceptual Framework] | AASB Chair | Recommend to close. FRC PSAG has developed principles to support Tier 3 reporting for the public sector, for AASB consideration. The AASB Chair advises FRC on the AASB priorities at each FRC meeting. |
| | The AASB should inform the FRC when a reassessment of International Public Sector Accounting Standards (IPSAS) adoption is made. | AASB Chair | Recommend to close. The AASB Chair advises FRC on the AASB priorities at each FRC meeting. |
| | The FRC would at a future meeting reconsider the direction on harmonisation of Government Financial Statistics (GFS) and Generally Accepted Accounting Principles (GAAP). | FRC Chair | Recommend to close. FRC has adopted the PIR report. AASB has agreed to undertake a project for minor improvements in AASB 1049. |
| | The FRC should add public sector issues explicitly into its oversight of audit quality. | FRC Chair | Recommend to close. |

Financial Reporting Council
MATTERS ARISING – 23 November 2022

| Issues | Action required | Owners | Recommended status - Nov 2022 |
|--------|--|-------------|---|
| | | | The FRC Public Sector Advisory Group (PSAG) will monitor Public Sector Audit Quality and the PSAG Chair will advise the FRC accordingly. |
| | The AUASB should reconsider whether there is, and the extent of, divergence in interpretations of auditing standards in the public sector. | AUASB Chair | <p>Recommend to close.</p> <p>The FRC PSAG will monitor divergence in interpretations of auditing standards in the public sector and the PSAG Chair will advise the FRC accordingly.</p> |



AASB CHAIR REPORT

DESCRIPTION

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

ACTION

For noting.

| Immediate technical priorities | |
|---|--|
| <p>Sustainability Reporting (Strategic objectives 1,3 & 4)</p> | <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 feedback received will be considered by the Board at the November Meeting.</p> <p>The AASB, the FRC, and the AUASB submitted 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> |
| <p>Not-for-Profit Private Sector Financial Reporting Framework (Strategic objectives 1 & 4)</p> | <p>The AASB has published its Discussion Paper – <i>Development of Simplified Accounting Requirements (Tier 3 Not-for-Profit Private Sector Entities)</i>.</p> <p>The AASB also published:</p> <p>(a) a 12-page Snapshot document; and (b) a pre-recorded AASB staff education session</p> <p>to provide an overview of these proposals. The discussion paper is open for comment until 31 March 2023.</p> <p>To support consultation on the Discussion Paper, AASB staff have updated Research Report 10 – <i>Legislative and Regulatory Financial Reporting Requirements</i>.</p> <p><u>Strategic impact</u></p> |

| | |
|---|--|
| | <i>Develop a reporting framework that is simple, proportionate, consistent, transparent, and cost-effective for all NFP private sector entities in Australia.</i> |
| <p>Agenda Consultation</p> <p>(Strategic objectives 1, 5 and 6)</p> | <p>The AASB published its 2022-2026 Agenda Consultation Feedback Statement, which summarises the feedback received and the Board's decisions on its 2022–2026 work program.</p> <p><u><i>Strategic impact</i></u></p> <p><i>Develop domestic standard-setting and research priorities.</i></p> |
| Medium / longer-term technical priorities | |
| <p>Insurance Activities in the Public Sector</p> <p>(Strategic objectives 1 & 4)</p> | <p>The AASB has issued a Fatal-Flaw Review Draft version of a proposed Standard that would amend AASB 17 <i>Insurance Contracts</i> for application by public sector entities. The Fatal-Flaw Review Draft Standard is open for comment until 11 November 2022.</p> <p><u><i>Strategic impact</i></u></p> <p><i>The proposals in the Fatal-Flaw Review Draft 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 AASB has issued a Fatal-Flaw Review Draft version of a proposed Standard that would amend AASB 13 <i>Fair Value Measurement</i> for application by not-for-profit public sector entities. Comments are due by 11 November 2022.</p> <p><u><i>Strategic impact</i></u></p> <p><i>The proposals in Fatal-Flaw Review Draft 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> <ul style="list-style-type: none"> (a) Income of NFP entities; (b) Control/consolidation; (c) Definition of a structured entity; (d) Related party disclosures by NFP public sector entities; (e) Basis of preparation of special purpose financial statements: disclosure about compliance with Australian Accounting Standards. <p>An ITC is expected to be published in November 2022.</p> <p>The AASB is undertaking a PIR of AASB 1059 <i>Service Concession Arrangements: Grantors</i> and has issued an Invitation to Comment ITC 49 Post-implementation Review of AASB 1059 Service Concession Arrangements: Grantors, to seek feedback from stakeholders on whether there are:</p> <ul style="list-style-type: none"> (a) application issues causing divergence in how service concession arrangements are being recognised by public sector entities; and (b) emerging issues that were not contemplated when the Standard was developed. <p>ITC 49 is open for comment until 28 February 2023.</p> <p><u><i>Strategic impact</i></u></p> <p><i>A PIR considers if the pronouncement is fit for purpose, including if it is effective and efficient. A PIR also offers AASB the opportunity to ensure that a</i></p> |

| | | |
|--|---|-------------------------|
| | <i>pronouncement is operating as intended and remains appropriate and proportionate.</i> | |
| <p>Joint AASB-MASB Research Project on Transition Relief and Ongoing Practical Expedients in IFRS 16 <i>Leases</i></p> <p>(Strategic Objectives 3,4,6)</p> | <p>The AASB and the Malaysian Accounting Standards Board have published their first research paper together titled 'AASB Research Report 17 Transition Relief and Ongoing Practical Expedients in IFRS 16 <i>Leases</i>' marking an important new stage of their partnership. The report was the result of a two-year joint effort between the Boards which is intended to help inform the work of the International Accounting Standards Board at both the policy and technical levels.</p> <p><u>Strategic impact</u> <i>Maintain international influence and monitor and respond to emerging issues impacting the development of accounting and external reporting standards.</i></p> | |
| <p>Key events, meetings or forums led by or attended by AASB in the last period. (Strategic objectives 4 & 6)</p> | | |
| Type of Event | Subject Matter | No. of Attendees |
| Webinar | AASB Dialogue Series on Digital Financial Reporting | 91 Attendees |
| | AASB Dialogue Series on External Reporting for Not-for-profit Private Sector Entities | 62 Attendees |
| | AASB NFP DP virtual outreach | 18 Attendees |
| International Conferences | AASB staff presented at the IASB ASAF in July 2022 on the AOSSG feedback on Dynamic Risk Management, Financial Instruments with Characteristics of Equity, and IFRS 9 PIR – Classification and Measurement | - |
| | AASB staff presented at the AOSSG Interim meeting on the summary of initial outreach on IFRS 9 PIR - Impairment | - |
| | AASB staff presented at IFASS in September 2022 on IFRS 9 PIR Classification & Measurement and Impairment AASB Chair provided Australian perspective on sustainability reporting: climate-related risks at IFASS in September 2022 | - |
| | AASB staff presented at the IASB ASAF in September 2022 on the AOSSG feedback on IFRS9 PIR - Impairment | - |
| Presentations | AASB Chair presented at QUT on Digital Financial Reporting | - |
| | AASB Staff Presented at the ACNC Regulators Day on NFP FRF project | - |
| | AASB Chair and Staff presented at the Future of Accounting session at the University of Western Australia | - |
| | AASB Chair Presented at the RMIT Research Seminar on Digital Financial Reporting | - |
| | AASB Staff presented at the CAANZ (Panel event) on ESG | - |
| | AASB Chair Presented at Phillip Brown Annual Research Lecture on Digital Financial Reporting | - |
| | AASB Chair Presented at CPA Indonesia on Sustainability Reporting | - |



ITEM 4B

23 NOVEMBER 2022

AUASB CHAIR REPORT

DESCRIPTION

Attached is the AUASB Chair's Report covering the key activities undertaken during September - November 2022.

ACTION

- Chair to report.

| Immediate technical priorities | |
|--------------------------------|--|
| Sustainability Assurance | <p>The following initiatives were completed or are underway:</p> <ul style="list-style-type: none"> - 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 have submitted a joint comment letter to the IPSASB on its Consultation Paper <i>Advancing Public Sector Sustainability Reporting</i>. - At its September 2022 meeting the International Auditing and Assurance Standards Board (IAASB) approved a proposal to develop an overarching standard for assurance engagements on sustainability, which will provide a baseline for all professional assurance providers providing assurance on any sustainability information being reported. The IAASB exposure draft is planned for the second half of 2023. However, acknowledging that many assurance practitioners are already using existing AUASB standards to perform a wide array of sustainability assurance work in Australia, the AUASB are engaging with various stakeholders, including assurance providers and other local standard setting bodies and regulators, to review what additional guidance can be developed to support audit and assurance practitioners immediately. - The AUASB issued a communication welcoming the recent announcement from the International Organization of Securities Commissions (IOSCO) of its support and encouragement for the IAASB's work on developing standards relating to assurance of |

| | |
|--|--|
| | <p>sustainability-related information. IOSCO’s statement endorses the need for a globally consistent approach to this issue being led by the IAASB, which then the AUASB are likely to review and adopt (subject to any local conforming amendments) as is the case with other IAASB standards.</p> <ul style="list-style-type: none"> - The AUASB issued <i>AUSAB Sustainability Assurance Update – October 2022</i> to inform stakeholders as to guidance available for sustainability assurance and recent activities being considered internationally as part of the development of an overarching standard for assurance on sustainability reporting for use by all assurance practitioners. The AUASB will continue to update stakeholders on an ongoing basis as developments occur. - The AUASB has engaged with local ISO standard experts to ensure stakeholders beyond the accounting profession who may not currently apply AUASB standards, but instead apply other frameworks, are being considered as part of any development of AUASB Sustainability Assurance standards and guidance, <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> |
| <p>Audit Quality</p> | <p>The following initiatives were completed or are underway:</p> <ul style="list-style-type: none"> - The AUASB chair issued a <i>response to ASIC’s Audit Inspection Report: 1 July 2021 to 30 June 2022</i>, which included that we are confident of the robustness of the AUASB’s standards. The AUASB is continuing to engage with ASIC and representatives of the big 6 firms on the root cause of the findings and whether guidance or other initiatives may assist. - To assist audit committees in fulfilling their responsibilities, the Australian Institute of Company Directors (AICD) and the AUASB have issued a new publication, <i>Periodic Comprehensive Review of External Auditor</i>, which provides guidance on a process and matters to consider when assessing their auditor. One of the objectives of this guidance is to encourage audit committee chairs to engage with their auditor in supporting audit quality. - A key component of the <i>FRC Audit Quality Action Plan</i> includes obtaining views of users of audit services on audit quality. To achieve this the FRC and AUASB have engaged academics to interview some Audit Committee Chairs. The results will be presented to the FRC in agenda item 5. <p><i>Strategic impact</i></p> <p>Supporting audit practitioners in the performance of high-quality audit engagements.</p> |
| <p>Use of Technology in an Audit of a Financial Report</p> | <p>The AUASB have prioritised the importance of providing guidance to auditors on technology matters in advance of the 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. AUASB Bulletin <i>Evaluating the Reliability of Data obtained for Use in Audit Technology Tools</i> has recently been issued. The PAG is meeting in late November 2022 to agree future topics where guidance would be beneficial for audit practitioners.</p> <p><i>Strategic impact</i></p> |

| | |
|--|---|
| | Supporting audit practitioners in understanding and responding to the impact of technology. |
|--|---|

| Medium / longer term technical priorities | |
|---|--|
| <p>ANCAAR and AUASB Audit and Assurance Research and Regulation Workshop</p> | <p>The Australian National Centre for Audit and Assurance Research (ANCAAR) and AUASB hosted a joint Research and Regulation workshop on 15 and 16 September in Canberra. The objective of the workshop was to explore research that is relevant to the AUASB's standard setting agenda as part of our Evidence Informed Standard Setting Strategy. The AUASB Research Report 8 ANCAAR-AASB Research and Regulation Workshop is a summary of the presentations and the implications for the AUASB.</p> <p><i>Strategic impact</i></p> <p>To ensure the AUASB's standard-setting activities are informed by relevant and reliable evidence.</p> |
| <p>GS 003 Assurance Relating to Australian Financial Services Licenses issued under the Corporations Act 2001</p> | <p>The AUASB has issued an updated version of GS 003 which has been revised primarily to reflect the changes to the reporting framework under ASIC Form FS 70 <i>Australian financial services licensees: profit and loss statement and balance sheet</i> and AASB 1053 Application of Tiers of Australian Accounting Standards.</p> <p><i>Strategic impact</i></p> <p>To respond to changes to the reporting framework.</p> |



OVERSIGHT OF THE AASB AND AUASB

ACTION

For the FRC:

- to note the elements of the AASB and AUASB's Annual Report and Corporate Plans relevant to the performance of its statutory functions, and
- to consider if there is advice for the AASB and AUASB in relation to these.

The FRC's general statutory functions include providing broad oversight of the processes for setting accounting and auditing standards. As detailed in the [Performance of FRC's statutory functions](#) the specific functions include (among others):

- Determining the broad strategic directions of the AASB and AUASB (s225(2)(c), s225(2A)(c)).
- Giving the AASB and AUASB advice or feedback on their priorities, business plans and procedures (s225(2)(b), s225(2A)(b)).
- Giving the Offices of the AASB and AUASB advice or feedback on their budgets and staffing arrangements (s225(2)(ba), s225(2A)(ba)).

The following includes information relevant to these statutory functions:

- AASB and AUASB [Corporate Plan 2022 – 23](#) outlines the vision and strategic objectives (AASB page 7 and AUASB page 10). See **Attachment A**.
- The [AASB and AUASB Annual Report](#) includes revenue and expenses (page 86) and staffing arrangements (pages 70 – 76). See **Attachment B**.

Australian Accounting Standards Board
Auditing and Assurance Standards Board

Corporate Plan

2022-2023



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Preface

The following Corporate Plan for the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) outlines our strategy for continuing our work in the dynamic environment we find ourselves in; one that is fast-moving, susceptible to outside forces and requires an agile approach.

For the has continued to operate with flexible working arrangements with employees attending the office for some of their work hours and completing the remainder remotely. The office has benefited from the relocation to a newly fitted out office located in the Melbourne CBD. Board meetings have become hybrid meetings with the members of the public being invited to join remotely, which has been a favorable advantage reflected in increased observation of the meetings. Face-to-face attendance of international meetings has resumed in the latter half of 2022. Whilst Stakeholder engagements of roundtables has been a mix of face-to-face and hybrid meetings, including our first Research Forum as a virtual format, that allowed us to cater to large audience's from around the globe.

Together, we (AASB and AUASB) have continued to work together to communicate standards and guidance. Our plan for 2023 is to continue providing also continuing our work on economic drivers that impact the domestic and global economy.

Our ability to produce excellent outcomes in response to external forces allows us to influence key global stakeholders such as the International Accounting Standards Board, and the International Auditing and Assurance Standards Board, whose mission it is to create one set of globally-applicable standards that stakeholders world-wide can use with confidence, pursuant to the chief goals of transparency, accountability, reliability and comparability in financial statement reporting.

The following Corporate Plan outlines our strategy for continuing our work in the dynamic environment we operate in.



Figure 1: Dr Keith Kendall, AASB Chair



Figure 2: Mr William (Bill) Edge, AUASB Chair



Introduction

As agreed with the Department of Finance, the 2022-23 Corporate Plans for the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) have been prepared as a single document, with the specific purpose and significant activities of each Board separately presented where required by Subsection 35(1) of the *Public Governance, Performance and Accountability Act 2013*.

Accountable authority approval Australian Accounting Standards Board

I, Dr Keith Kendall, as the accountable authority of the Australian Accounting Standards Board, present the 2022-23 AASB Corporate Plan, which is prepared for the 2022-23 period and covers the periods 2022-23 to 2025, as required under paragraph 35(1) (b) of the Public Governance, Performance and Accountability Act 2013.

29 August 2022

Auditing and Assurance Standards Board

I, William Edge, as the accountable authority of the Auditing and Assurance Standards Board, present the 2022-23 AUASB Corporate Plan, which is prepared for the 2022-23 period and covers the periods 2022-23 to 2025, as required under section 35(1)(b) of the Public Governance, Performance and Accountability.

29 August 2022



The AASB and AUASB Corporate Plan

About Australian Accounting Standards Board

AASB

The Australian Accounting Standards Board (AASB) is an Australian non-corporate Government Entity responsible for developing, issuing and maintaining accounting standards under section 334 of the Corporations Act 2001 for the purposes of the corporations' legislation.

The AASB also formulates accounting standards and or guidance for other purposes and participates in, and contributes to, the development of a single set of international accounting standards for worldwide use. The AASB's vision and strategies are set out on page 7.

Office of the AASB

The Office of the AASB provides technical and administrative services, information and advice to the AASB. The Chair of the AASB is also the Chief Executive Officer of the Office of the AASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the Managing Director.

AASB's 22-strong workforce is based across Australia with the majority based in the Melbourne office.

The Minister

The Minister appoints the Chair of the AASB. The Chair of the AASB is accountable to the Minister regarding the operations of the AASB and the Office of the AASB.

Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AASB and has oversight of the process for setting accounting standards in Australia. The FRC appoints Board members to the AASB.

Membership

Chair

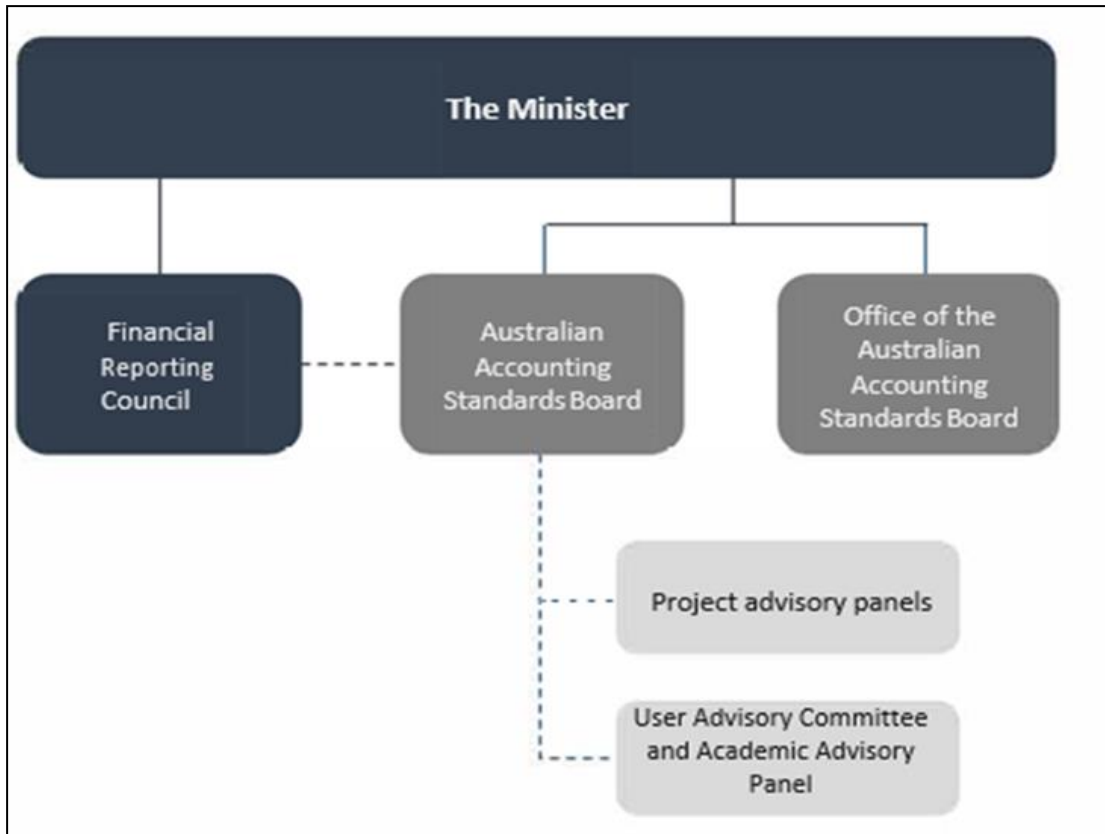
Keith Kendall was appointed as Chair of the AASB and CEO of the Office of the AASB for a five-year term from 3 May 2020 to 2 May 2025. The duties of the Chair and CEO of the AASB are outlined in sections 235D to 235J of the Australian Securities and Investments Commission Act 2001.

As Chair of the AASB, Keith Kendall is also a member of the FRC and a member of the NZASB.



Board Members

To be eligible for appointment as a member of the AASB, a person must have knowledge of, or experience in, business, accounting, law or government. Initial appointment is for a maximum of 3 years with possible extensions for a further 2 terms.





The corporate plan of the AASB and AUASB sets out why we exist, what we need to do to achieve our purpose, the factors that influence how we achieve our purpose, the activities we intend to undertake and the ways in which we measure whether we have achieved our purpose, as set out in the diagrams below.

The elements of the AASB’s operations are:





About Auditing and Assurance Standards Board

AUASB

The AUASB an Australian non-corporate Government Entity responsible for making auditing standards under section 336 of the Corporations Act 2001 for the purposes of the corporation's legislation. The AUASB also formulates auditing and assurance standards for other purposes and participates in and contributes to the development of a single set of international auditing standards for worldwide use. The AUASB's vision and strategies are set out on page 10.

Office of the AUASB

The Office of the AUASB provides technical and administrative services, information and advice to the AUASB. The Chair of the AUASB is also the Chief Executive Officer of the Office of the AUASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the Managing Director.

AUASB has eight employees in its workforce with the majority in the Melbourne office.

The Minister

The Minister appoints the Chair of the AUASB. The Chair of the AUASB is accountable to the Minister regarding the operations of the AUASB and the Office of the AUASB.

Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AUASB and has oversight of the process for setting auditing and assurance standards in Australia. The FRC appoints Board members to the AUASB.

Membership

Chair

William Edge (Bill) was appointed as Chair of the AUASB and CEO of the Office of the AUASB for a 12-month term from 1 July 2021 following on from a short-term appointment. Effective from the 1st July 2022, Bill has been appointed as the Chair of the AUASB for a further 12mth term.

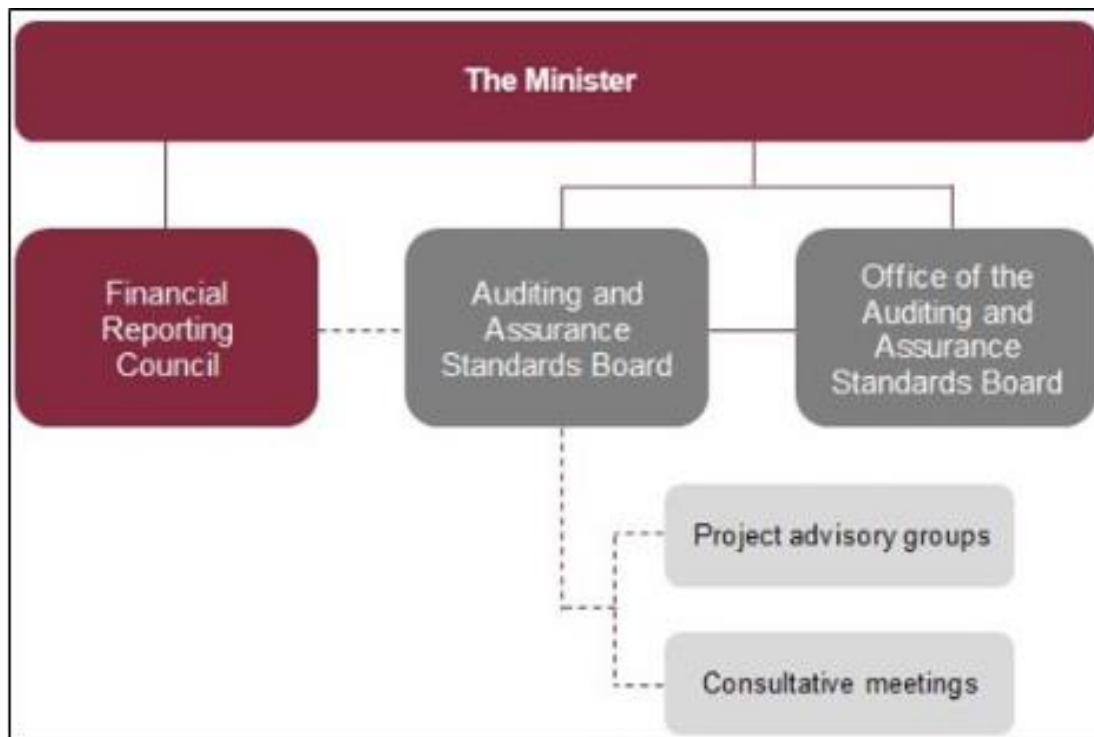
The duties of the Chair and CEO of the AUASB are outlined in sections 235D to 235J of the Australian Securities and Investments Commission Act 2001.

As Chair of the AUASB, he is also a member of the FRC and a member of New Zealand Auditing and Assurance Standards Board (NZAuSB).



Board Members

To be eligible for appointment as a member of the AUASB, a person must have knowledge of, or experience in, auditing, business, accounting, law or government. The initial appointment is for a maximum of 3 years with possible extensions for a further 2 terms.





The elements of the AUASB's operations are:

Purpose, Vision and Mission

Why we exist - Contribute to stakeholder confidence in the Australian economy, including its capital markets, and enhanced credibility in external reporting through independent auditing and assurance.



Financial Reporting Council Directives

- Develop standards that have a clear public interest focus and are of the highest quality using, as appropriate, the IAASB standards as a base
 - Develop auditing and assurance standards and guidance other than for historical financial information as well
 - Participate in audit research that is conducive to, and benefits, the standard-setting activities of the AUASB



AUASB Strategic Objectives

Our areas of focus, using an evidence informed approach, Collaboration, Communication, and Education to achieve our purpose



Strategy Objective 1
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).

Strategy Objective 2
Develop and maintain Australian specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.

Strategy Objective 3
Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards.

Strategy Objective 4
In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.

Strategy Objective 5
Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance

Strategy Objective 6
Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.

Strategy Objective 7
Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.

Strategic Priorities

Our priorities to achieve our strategies

Brand and Reputation

Strategies 1-7

Stakeholder Engagement

Strategies 1-7

People and Culture

Strategies 1-7

Technology

Strategies 1-7

Operational and Business Excellence

Strategies 1-7

Program and Project Management

Strategies 1-7



The Purpose of the AASB and AUASB

The AASB and AUASB's (the entities) purpose, vision and mission are.

Contribute to stakeholder confidence in:

- the Australian economy, including its capital markets,
- external reporting
- enhanced credibility of external reporting through independent auditing and assurance by:

AASB

Developing, issuing and maintaining principles-based Australian accounting and external reporting standards and guidance that meet user needs and enhance external reporting consistency and quality.

AASB

Contributing to the development of a single set of accounting and external reporting standards for world-wide use.

AUASB

Developing, issuing and maintaining in the public interest, Australian auditing and assurance standards and guidance that aid in reducing the cost of capital and enable Australian entities to compete effectively, both domestically and internationally, by enhancing audit and assurance consistency and quality.

AUASB

Contributing to the development of a single set of auditing and assurance standards and guidance for world-wide use



Strategic Objectives (Key Activities)

The strategic objectives of the Boards to achieve their purpose under the Australian Securities and Investment Commission (ASIC) Act and the Financial Reporting Council (FRC) directives are set out below:

| AASB | AUASB |
|--|--|
| <p>1. Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For ‘publicly accountable’¹ entities maintain IFRS² compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.</p> | <p>1. 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).</p> |
| <p>2. With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with the regulators to develop objective criteria on:</p> <ul style="list-style-type: none"> • who prepares external reports (including financial reports) • the nature and extent of assurance required on these external reports. | <p>2. Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.</p> |
| <p>3. Actively influence IASB,⁴ IPSASB⁵ standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.</p> | <p>3. Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards.</p> |
| <p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnerships and outreach.</p> | <p>4. In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.</p> |
| <p>5. Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.</p> | <p>5. Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.</p> |
| <p>6. Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards, including changing technologies.</p> | <p>6. Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.</p> |
| <p>7. Develop guidance and education initiatives, or promote development by others, to enhance the consistent application of accounting and external reporting standards and guidance.</p> | <p>7. Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB’s Standards.</p> |

1. Publicly accountable entities include those: a) with debt or equity instruments traded in a public market b) holding assets in a fiduciary capacity. (AASB 1053 *Application of Tiers of Australian Accounting Standards*)

2. International Financial Reporting Standards

3. International Auditing and Assurance Standards Board

4. International Accounting Standards Board

5. International Public Sector Accounting Standards Board



Environment

Accounting standards set out how entities must report externally on key transactions and events, and on their performance and financial health, in a way that is consistent and comparable with other entities in Australia and internationally. This enables people outside the entity to make informed decisions about their dealings with that entity and making decisions such as whether to:

- invest in a listed company's shares
- trade with/extend credit to an entity
- donate to a particular charity
- hold the government accountable for the use of taxpayer funds.

The AASB has a Conceptual framework that sets out the purpose of preparing financial statements, the key elements of financial statements (assets, liabilities, revenue, expenses and equity) and provides guidance on how to set standards. Accounting standards generally set recognition, measurement, classification, presentation and disclosure requirements for the elements of financial statements.

The transparency, comparability and accountability required by accounting standards underpin public and investor confidence in the Australian economy. Accounting standards reduce information gaps and enable more efficient resource/capital allocations. To be effective, they must be capable of being audited and enforceable by other regulators

Auditing and Assurance standards include requirements and application guidance that set out how auditors and assurance practitioners conduct an audit or assurance engagement. The AUASB is an independent standard-setting body that serves the public interest by setting high quality auditing and assurance standards which are based on International Standards issued by the International Auditing and Assurance Standards Board (IAASB) that are generally accepted worldwide. The use of a single set of robust auditing and assurance standards contributes to enhanced engagement quality and consistency of practice throughout the world and strengthens public confidence in the global auditing and assurance profession.

The AUASB has a well-established Assurance Framework that includes different types of assurance standards depending on the nature and extent of assurance required. They are sector and framework neutral and principles-based to encourage the auditor or assurance practitioner to apply their professional judgement and exercise professional skepticism at all times.

The AASB and AUASB are responsible for setting standards in three sectors, being for-profit companies, not-for-profit private sector entities (e.g. charities and incorporated associations) and the public sector. The complexities of setting standards appropriate for all three sectors increases the challenges of achieving appropriate stakeholder understanding of the AASB's and AUASB's roles and engagement with their standard-setting activities.





How we operate

The Boards and their Offices

Each entity has two arms:

- the Board itself
- the technical staff of each entity who are employed by the relevant Office of the AASB or Office of the AUASB (the non-corporate government entity). The office of the AASB employs the administrative staff who support both the AASB and the AUASB.

The Boards of the AASB and AUASB are technical boards contributing to the strategic direction of the entities. The Boards do not have supervisory powers in respect of the functions and administration of the Offices of the AASB and the AUASB, which are the responsibility of the respective Chairs.

Our Board members have a diverse range of skills, experiences, professional affiliations, geographies and industry and sector experience to enhance the quality of our standards. Board members serve on Project Advisory Panels and Groups and participate in a range of public forums. In addition:

- the Australian-based representatives (if any) on the IPSASB and the IASB's IFRS Interpretations Committee, are observers at the AASB meetings.
- the Australian-based member of the IAASB is an observer at the AUASB meetings.
- the AASB Chair and the AUASB Chair are both members of the respective New Zealand Boards.

Each year, the FRC advertises for new Board members across both entities.



Photo of the AUASB Board and Staff June 2022



Financial Reporting Council and Minister Oversight

The FRC provides broad strategic direction and advice to the Boards and has oversight of the process for setting accounting and assurance standards in Australia. The FRC appoints Board members (other than the Chairs).

The FRC has directed the **AASB** to:

- adopt accounting standards that are the same as those issued by the International Accounting Standards Board (IASB) (Direction approved on 5 September 2002).
- pursue the harmonisation of Government Financial Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting for the public sector (Direction approved on 12 December 2002).

The FRC has directed the AUASB on 6 April 2005 to:

- Develop Australian Auditing Standards that have a clear public interest focus and are of the highest quality;
- Use, as appropriate, International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop Australian Auditing Standards;
- Make such amendments to ISAs as necessary to accommodate and ensure that Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements, including amendments as necessary for Australian Auditing Standards to be legally enforceable under the requirements of the Corporations Act 2001;
- Monitor and review auditing and assurance standards issued by other standard-setting bodies in other national jurisdictions; and
- Continue to develop auditing and assurance standards for other than historical financial information as well as develop and issue other guidance on auditing and assurance matters, and participate in audit research that is conducive to, and which significantly benefits, the standard-setting activities of the AUASB.

The relevant Minister appoints the Chairs of the AASB and AUASB. The Chairs are accountable to the Minister regarding the operations of the Board and the supporting Offices.

Although our funding is provided by government, we are independent as the ASIC Act expressly limits the FRC's and Minister's ability to direct the AASB or AUASB in relation to the development, or making, of a particular standard. The FRC and Minister do not have the power to veto a standard made, formulated or recommended by the AASB or the AUASB in that neither the FRC nor the Minister can direct a particular technical outcome.





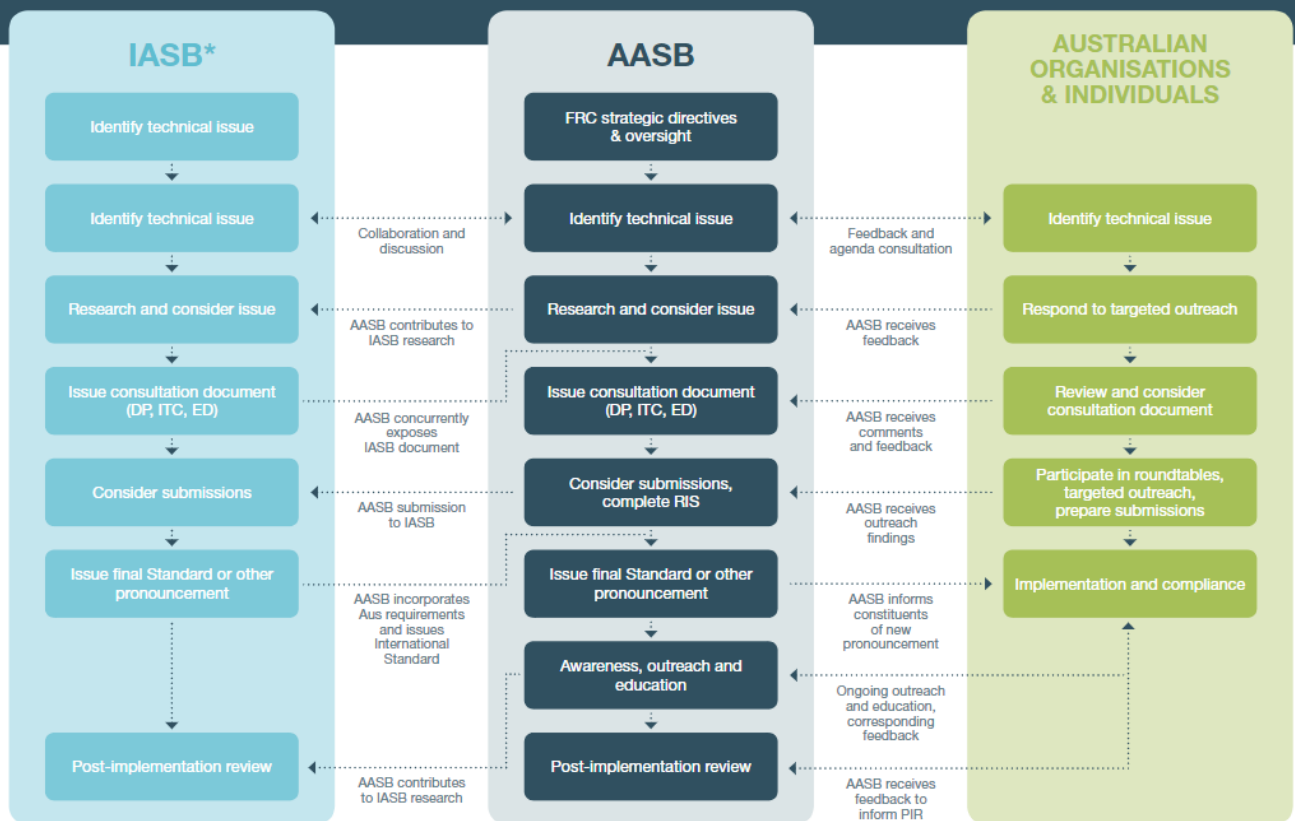
The Standards as Legislative Instruments

The standards issued by the AASB and the AUASB are legislative instruments and in accordance with regulatory best practice, are principle-based rather than rules-based. Accordingly, professional judgement is a critical element when implementing accounting and auditing standards.

The Boards comply with The Australian Government Guide to Regulation when assessing the regulatory effects of significant changes.

The AASB uses its Due Process Framework and Evidence Informed Frameworks to ensure the quality of its standards and that the benefits of its standards outweigh the costs to its constituents. This includes use of empirical research from Australian and international academics to support the identification of issues, analysis of possible solutions and evidence of effectiveness once a standard has been finalised, as well as a means of influencing internationally. The AASB's Due Process Framework is set out below:

AASB Standard-Setting Process



* To a limited extent, applicable for IPSASB, ISSB.





Evidence-informed

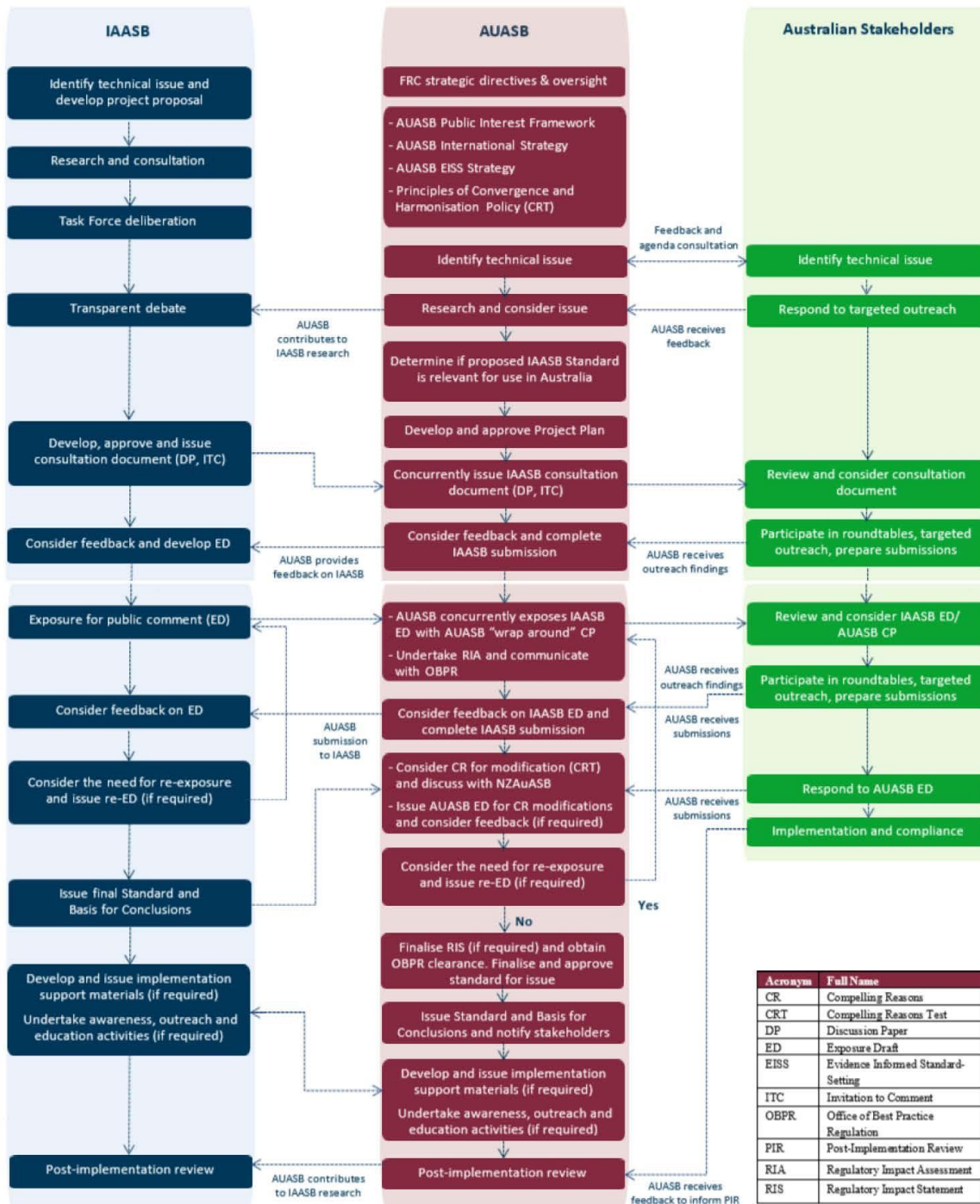
The AUASB uses its Due Process and Evidence-Informed Standards-Setting Strategy to ensure the quality of its standards and that the benefits of its standards outweigh the costs. This includes use of empirical research from Australian and international academics to support the identification of issues, analysis of possible solutions and evidence of effectiveness once a standard has been finalised, as well as a means of influencing internationally. The AASB and AUASB process for issuing IAASB Exposure Drafts (EDs) in Australia, is that the EDs are issued concurrently with their release internationally.



The AUASB's Standard-Setting process is set out below.



AUASB Due Process Framework for Setting Standards

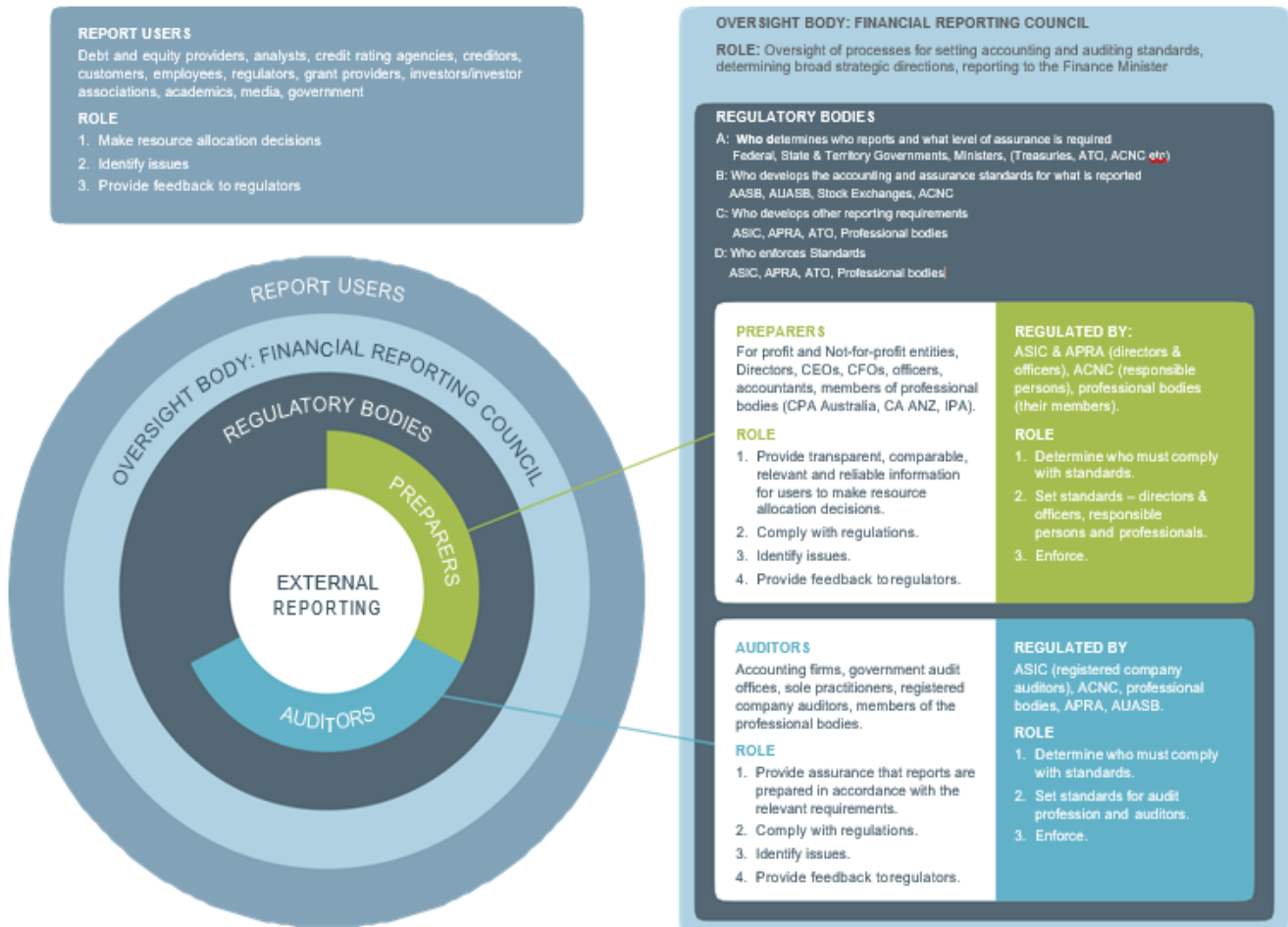




Stakeholders (Cooperation)

AASB and AUASB is actively developing new strategic partners while strengthening its existing strong, open and collaborative relationships with key customers and stakeholders

Both Boards consult extensively with Australian entities and other key stakeholders, so that they can properly reflect the interests of the Australian community at both domestic and international levels. The AASB's and AUASB's key stakeholders and their roles and responsibilities are set out below:



The AASB and the AUASB have a wide network of contacts among Australian stakeholders who volunteer their time and expertise to help us fulfil our strategies by providing technical input, thoughts and ideas on our work. The AASB and AUASB also have a strong network of contacts throughout the international standard setting community, which is a valuable source of collaboration and alliances.



External and internal factors

People

The AASB and the AUASB are committed to the development of a high-performing team culture. This commitment leverages off work that the AASB conducted in the prior year's. Both organisations are utilising internal and external expertise including training needs analysis, coaching and mentoring, and team sessions to enhance individual and team culture and performance.

AASB

Over the past 12 months, the focus has continued to be on the staffing of the AASB technical group to ensure the AASB has staff from a broad range of professional backgrounds, including accounting and auditing practice, industry, the public sector and academia. Collectively, the AASB technical group possess technical and practical accounting experience, which they bring to standard setting, together with a paramount understanding of standard setting in public interest.

The AASB continues to invest into our staff professional development program, which includes coaching and mentoring, secondment opportunities, as well as opportunities for staff to engage with the Boards, Regulators, other international standard setters, professional accounting firms and corporates.

A key focus for 2022-2023 will be to successfully integrate new recruits to develop a strong core group of standard setters, supported by secondments for specialist skills needed for particular projects where we lack expertise in-house.

AUASB

Collectively, the AUASB staff possess technical and practical auditing experience, which they bring to standard-setting, together with a paramount understanding of standard-setting in the public interest.

Our technical staff are supported, from time-to-time, by AUASB Academic Scholars. The AUASB Academic Scholar Role provides an opportunity for highly respected auditing and assurance academics to work with the Chair and the Technical Group on research topics that are mutually agreed and relevant to the outcomes of the AUASB.





Technology

The AASB and the AUASB continue to use online platforms (i.e. websites, social media, event management tools, broadcasting, webinars) to engage with and educate their constituents. The introduction of hybrid meetings has substantially increased stakeholder engagement.

Technology is also critical to improving knowledge management and reducing compliance risk. The entities have assessed the business needs with a view to achieving the following technology objectives:

- Mobility and flexibility of working arrangements;
- Collaboration on standards delivery internally and externally;
- Productivity efficiency of standards delivery;
- Effective internal and external communications; and
- Connectivity and engagement with external stakeholders.

This financial year, the entities will remain focused on implementing an Information and Communications Technology (ICT) strategy involving further pronouncement digitalization (via the AASB and AUASB Standards Portal's), enhanced document access via cloud storage and backup to allow the teams to operate anywhere, any time and on any device. This will ensure that the entities' core operations can be completed efficiently and securely in a flexible and adaptable work environment. The ICT strategy is designed to address compliance risks such as access, security, document control and record retention.

The AASB and AUASB standards portal continue to be enhanced and have been positively received by stakeholders.

Other Regulators

Although responsible only for setting accounting and auditing and assurance standards, the entities play a key role in assisting regulators at both the State and the Commonwealth levels to clarify criteria and thresholds for different types of Australian entities, in order to determine who should report and the appropriate associated level of assurance. The current Australian Reporting Framework is complex, with numerous duplicated requirements, which results in financial reporting that is often not objective, transparent and comparable. A more robust framework that balances the needs of users with the costs to preparers of reporting and independent assurance and results in 'fit for purpose' public information for different types of entities, is a key objective that involves obtaining the commitment of numerous relevant regulators and overcoming a history of reluctance to change.

Other key regulators who enforce the AASB and the AUASB standards include the Australian Securities and Investment Commission (ASIC), Australian Prudential Regulatory Authority (APRA) and other Australian regulatory agencies such as the Australian Charities and Not for Profit Commissions (ACNC), Australian Taxation Office (ATO) and the Clean Energy Regulator (CER). The perception of the AASB and the AUASB's performance is affected not only by the AASB and AUASB's actions, but also how well its standards and guidance are implemented and enforced.



Global Standards

In accordance with the ASIC Act, when setting standards, the entities are required to consider the interests of Australian corporations aiming to raise capital in major international financial centres and/or who operate internationally.

The International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB) and the International Auditing and Assurance Standards Board (IAASB) are major international accounting, auditing and assurance standard setters, with International Financial Reporting Standards (IFRS Standards) and International Standards on Auditing (ISAs) being applied in more than 100 countries.

In accordance with its FRC directive, the AASB uses IFRS Standards as the basis for Australian Accounting Standards, implemented as follows:

- For-profit private sector “publicly accountable” entities (e.g. listed entities or those with significant fiduciary responsibilities like banks and insurance companies) benefit most from global comparability. The AASB ensures they can claim IFRS and New Zealand compliance in their financial statements.
- Other for-profit private and public sector entities. The AASB applies its For-Profit Standard Setting Framework to tailor IFRS standards appropriately, and provide a second tier of reporting that has the same recognition and measurement requirements, but simplified disclosures.
- Other not-for-profit private and public sector entities. The AASB applies its Not-for-profit Standard Setting Framework to use transaction neutrality (like transactions should be accounted for in the same way), and modifies IFRS as needed to cater for the unique characteristics of the sector. This includes developing appropriate Australian standards and guidance and providing a second tier of reporting that has the same recognition and measurement requirements, but with simplified disclosures.

The AUASB is required, under its directive from the FRC,¹ to use the International Standards on Auditing of the International Auditing and Assurance Standards Board, as appropriate, as a base from which to develop Australian Auditing Standards (ASAs) and then make such amendments to the ISAs² that are necessary to accommodate and ensure that the ASAs both exhibit and conform to the Australian regulatory environment and statutory requirements. Both the ASA’s and the ISA’s are principles based, rely on the application of professional judgment and professional skepticism and are sector and framework neutral

The use of IFRS Standards and ISAs enables Australian entities to raise capital and operate efficiently internationally. This has beneficial flow-on effects in the domestic capital market for entities and individuals.

However, where IFRS Standards and ISAs do not cover a topic of importance or are not appropriate for the Australian community, the AASB and the AUASB set local standards or add to the international standards to fill that gap. The AASB uses its Approach to International Public Sector Accounting Standards to regularly assess whether IFRS remains the

¹ www.aasb.gov.au/admin/file/content102/c3/FRC_Broad_Strategic_Direction.pdf
www.auasb.gov.au/admin/file/content2/c7/AUASB_Strategic_Direction_1242266219416.pdf

² As well as International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs)



appropriate base for public sector accounting.

To help ensure international standards remain appropriate for use in Australia, the AASB aims to ensure

International Environment

Australia remains at the forefront of international accounting practices. The key international and domestic bodies the AASB seek to engage are set out below:

| | Standard Setters | Advisory/Consultative Groups | Standard Setter Forums | Interpretation Committees | Oversight |
|---------------|------------------|------------------------------|------------------------|---------------------------|---------------|
| International | IASB | ASAF | IFASS | IFRS-IC | IFRS Trustees |
| | ISSB | SSAF | WSS | | |
| | IPSASB | | AOSSG | | |
| Australia | AASB | | | | FRC |

Glossary

Standard setters

AASB – Australian Accounting Standards Board

IASB – International Accounting Standards Board

ISSB – International Sustainability Standards Board

IPSASB – International Public Sector Accounting Standards Board

Advisory /Consultative Groups

ASAF – Accounting Standards Advisory Forum

SSAF – Sustainability Standards Advisory Forum

Standard setter Forums

IFASS – International Forum of Accounting Standard Setters

WWS – World Standard Setters

AOSSG – Asian-Oceanian Standard-Setters Group

Interpretive Committees

IFRS – IC – IFRS Interpretations Committee

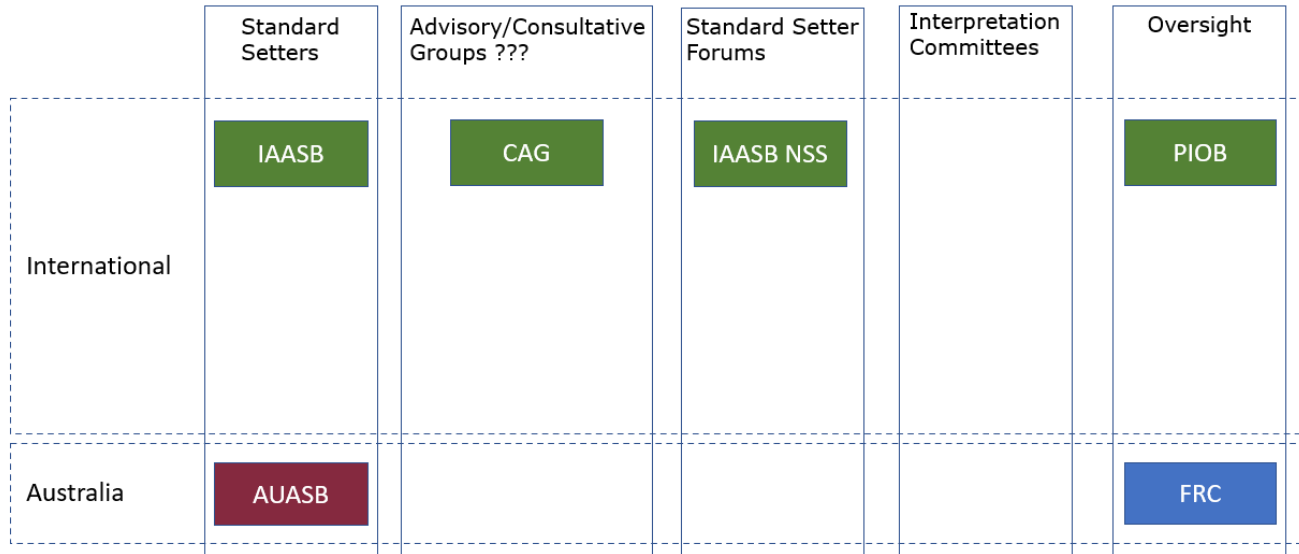
Oversight

IFRS Trustees – IFRS Foundation Trustees

FRC – Financial Reporting Council



To help ensure international auditing and assurance standards remain appropriate for use in Australia, the AUASB aims to ensure Australia remains at the forefront of international auditing practice. The key international bodies the AUASB seek to engage for this purpose are:



Glossary

Standard setters

AUASB – Auditing and Assurance Standards Board
IAASB – International Auditing and Assurance Standards Board

Advisory /Consultative Groups

CAG – Consultative Advisory Group

Standard setter Forums

IAASB NSS – IAASB National Standards Setters Group

Oversight

PIOB – Public Interest Oversight Board
FRC – Financial Reporting Council

In 2022-23 the AUASB will continue to implement initiatives to drive increased sharing and collaboration across the global National Standards Setting (NSS) network, including attending and presenting relevant topics at regional and global IAASB NSS meetings.

The Australian and Global Economy

Although it is expected that some will cease to operate as a natural part of their life cycle, in difficult economic conditions, accounting and auditing standards come under extra scrutiny. As well as economic uncertainty, there are also documented changing expectations and declining trust in the services accountants and auditors provide, partially due to high profile corporate failures in some overseas jurisdictions. Stakeholders' expectations are also changing about what the standards should require. This has resulted in there being numerous parliamentary or regulatory inquiries undertaken in Australia and around the globe, triggered by corporate collapses or poor audit inspection outcomes.



In Australia, the report of the Parliamentary Joint Committee on Corporations and Financial Services (the PJC report) was released in November 2020. The AASB and AUASB, in connection with the FRC and other relevant standard setters and regulators, have been working extensively with other regulators and standard setters to evaluate potential responses arising from the recommendations in advance of the formal reply by the Australian Government. Once the Australian Government has made its determination on the PJC report recommendations, the AASB and AUASB will undertake all actions as necessary to implement all recommendations as relevant to AASB and AUASB.

Risk Management

AASB and AUASB are committed to risk management as fundamental to achieving its strategic objectives and is demonstrated through the company's comprehensive Risk Management Framework and risk governance structure.



The Executive encourage a strong risk culture and promotes a hands-on approach to managing. The Audit and Risk Committee and the Executive oversee the implementation of the Risk Management Framework and are responsible for monitoring risk performance to ensure threats and opportunities are appropriately identified, assessed, communicated and managed.

The framework includes an overarching policy direction for risk management across the organisation's and outlines ASC's Risk Appetite Statement. It's design and operation aligns with AS/NZS ISO 31000:2018 Risk Management – Principles and Guidelines (ISO 31000) and describe the AASB and AUASB's approach to the risk management process including risk identification, evaluation, treatment, monitoring, reporting and continuous improvement.



The approach to risk management is reflected by the 2001 Comcover Risk Management Benchmark Report reported our entities' overall risk maturity as Embedded.



The AASB's and AUASB's key strategic risks and how they are managed are set out in the table on the following page.



The following table outlines the strategic risks and the approaches we use to manage them.

| Strategic risks | Impact | How we will manage these risks |
|--|---|--|
| <p>Quality of international standards on which AASB and AUASB rely is not adequate.</p> <p>International standard-setting bodies unduly influenced by national or regional stakeholders.</p> | <ul style="list-style-type: none"> • Australian user needs are not met • Inability to influence internationally • Brand and reputation issues • Loss of funding | <ul style="list-style-type: none"> • Influence IASB, IPSASB, IAASB board members and staff by nominating/providing board/advisory committee/Task Force members, participating in working groups, by providing input into all significant exposure drafts and other consultation documents, being seen as thought leaders and problem solvers • Apply established standard-setting frameworks that outline when quality is not acceptable to be adopted in Australia • Establish close working relationships and alliances with other national standard setters, particularly New Zealand |
| <p>Quality of Australian standards not seen as appropriate or contributing to confidence in the Australian economy.</p> <p>Value of financial reporting and auditing perceived as diminishing.</p> | <ul style="list-style-type: none"> • Standards not capable of being consistently implemented • Australian user needs are not met, loss of confidence in capital markets • Costs of standards outweigh benefits • Brand and reputation issues • Loss of funding • Not-for-profit sector no longer supports IFRS as a base, tailoring not seen as sufficient • Perceived or actual loss of independence of the Board and ability to act in the public interest | <ul style="list-style-type: none"> • For-profit, Not-for-profit Standard-Setting, Due process and Evidence-informed frameworks followed, including obtaining appropriate evidence, consulting extensively, assessing costs and benefits of change • Public and transparent process, basis for conclusions in all standards • Post-implementation reviews of standards • Diverse board membership, use of technical advisory panels and Project Advisory Groups to enhance quality of standards Submissions and presentations to public enquiries when requested (e.g. Joint Parliamentary Inquiry into the Regulation of auditing in Australia.) |
| <p>Multiple other regulators requiring and/or enforcing accounting and auditing standards.</p> | <ul style="list-style-type: none"> • Accounting and auditing standards: <ul style="list-style-type: none"> ○ required inappropriately ○ not enforced appropriately • Stakeholders not understanding AASB and AUASB responsibilities • Brand and reputation issues as standards not seen as fit for purpose | <ul style="list-style-type: none"> • Regular liaison with other key regulators • Collaboration with other regulators when developing standards • Working with regulators and practitioners to develop guidance in response to inspection review findings |



| Strategic risks | Impact | How we will manage these risks |
|--|--|--|
| Economic conditions contribute to entities' financial collapse. | <ul style="list-style-type: none"> • Difficult economic conditions result in more corporate collapse and more pressure on whether standards are fit for purpose • Changing expectations of standard setters to respond quickly | As above |
| Not regarded as a competitive employer in the marketplace. | <ul style="list-style-type: none"> • Difficult to recruit and retain quality staff | <ul style="list-style-type: none"> • Use of HR consultants to identify People and Culture gaps • Appropriate systems of reward and recognition established • Monitoring of employee engagement • Performance development process implemented to provide timely constructive feedback, career paths, development opportunities |
| Increasing complexity of businesses, technological advances, the rise in the importance of non-financial reporting and assurance, stakeholder demands for clearer, better communication and more frequent information, new business practices. | <ul style="list-style-type: none"> • Not responding on a timely basis • No response to key changing issues • Lack of credibility or subject matter experts for external reporting integral to financial statements • Exceeding mandated scope of accounting standards • Brand and reputation issues | <ul style="list-style-type: none"> • Regular monitoring of domestic and international environments • Use of advisory panels and secondees to provide adequate skills and credibility • Engagement with stakeholders on major accounting and auditing issues impacting our standards • Influencing reporting and audit thresholds to reduce red tape for small and medium entities • Adapting standards for different sectors so fit for purpose |
| Financial risk of inadequate funding to perform mandate. | <ul style="list-style-type: none"> • Limited finances, headcount flexibility and IT spend impact on the quality of standards | <ul style="list-style-type: none"> • Maximise use of existing resources, collaborate with other government agencies • MOU for shared services between AASB and AUASB regularly reviewed • Regular benchmarking of Australian standard-setting process against international counterparts • Identify joint projects and opportunities to leverage resources with other like-minded standard setters |



| Strategic risks | Impact | How we will manage these risks |
|---|---|--|
| <p>Operational legislative requirements and government policies are numerous, complex and subject to frequent change. Inadequate technology to deliver on objectives.</p> | <ul style="list-style-type: none"> • Non-compliance • Critical business systems failure (data security, business continuity) • Brand and reputation issues • Financial impact • Combined Chair and CEO role not recommended best practice corporate governance | <ul style="list-style-type: none"> • Oversight by the Audit and Risk Committee with independent members, compliance with Commonwealth Risk Management Policy • Software to assist in meeting compliance requirements • Risk Register and Fraud Control Plan reviewed quarterly by the Chairs and the ARC • Regular training of AASB and AUASB staff on PGPA and APS Code of Conduct requirements • Regular review of IT strategy and capability |
| <p>Cyber Security Risk</p> | <ul style="list-style-type: none"> • Risk that the entity faces denial of service attack, loses access to key organisational files (finance/HR/standards), has personal information breached by an external party | <p>Appropriate safeguards over critical business systems including:</p> <ul style="list-style-type: none"> • System access controls • System documentation • Business continuity/disaster recovery plans • Legal contracts • Outsourced IT team • Agreed DRP/BCP solution involves Productivity Commission support • Incident management process • Management and compliance with Government Information Security requirements |
| <p>Individual Person Risk</p> | <ul style="list-style-type: none"> • Individual key person risk (legal, either private or professional) resulting in perceived issues relating to delivery of business requirements, reputation of business and/or confidence in organisation | <ul style="list-style-type: none"> • Oversight of risk by Audit and Risk Committee • Separation and segregation of duties • Disclosure by staff of any legal issues that may have brand/reputation issues within a centrally maintained register |



Performance: Delivering Our Strategy

Activities mapped to strategy and KPIs for measuring success

The following tables set out the planned activities and Key Performance Indicators (KPIs) that are intended to achieve our purpose, vision and mission for each entity for the next four years. We report quarterly against these plans to the Boards, the FRC and the Minister and in our Annual Performance Statements in our Annual Reports.

The strategies, deliverables and performance criteria are aligned to the AASB's and the AUASB's Portfolio Budget Statements ('PBS') for 2022-2023.



Many of the entities' priorities and KPIs are affected by events not wholly within their control. For example, much of the AASB's work is based on the work of the IASB and IPSASB and the work of the AUASB is based on the work of the IAASB, so delays can affect the AASB and the AUASB's achieving key priorities.

Unlike projects influenced by international standards setters and their project timetables, domestic projects are generally within the AASB and the AUASB's control. However, key factors that can influence the success of projects are the actions or published policy documents of other regulatory agencies (for example, ACNC, ASIC, APRA and the ATO) and feedback from stakeholders.

AASB activities mapped to strategies and KPIs for measuring success

Strategic Priority 1 - Performance Activity Focus: Brand/Reputation

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | (Measures of success outputs & outcomes) |
|---|--|------|----|----|----|--|
| | | 22 | 23 | 24 | 25 | |
| Strategy 2 <i>PBS Outcome 1³</i> <i>Program 1</i> <i>Deliverables 3</i> | Develop 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 | X | X | X | X | <ul style="list-style-type: none"> Develop appropriate frameworks for not-for-profit private and public sector |
| Strategy 1,5,6 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 1,2,4,7,8</i> <i>KPIs 1, 2,</i> | 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 | X | X | X | X | <ul style="list-style-type: none"> Annual program of standards issued, delivered to plan agreed with the Board IASB equivalent Standards issued within two months of the release of the IFRS for for-profit entities IFRS and NZ compliance maintained for the for-profit private sector “publicly accountable” entities Feedback from NFP sector positive regarding the appropriateness of the IFRS tailoring |
| Strategy 3 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 5,6</i> <i>KPIs</i> | <ul style="list-style-type: none"> Enhance profile domestically and internationally Maintain and enhance key international relationships with IASB, IPSASB, NZASB, AOSSG, ISSB, International Financial Reporting for NPOs | X | X | X | X | <ul style="list-style-type: none"> Be viewed as experts as measured by stakeholder, IASB and IPSASB feedback Two thought leadership pieces completed per annum and presented internationally |
| Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 1,2</i> <i>KPIs 5,6,7,13,14</i> | <ul style="list-style-type: none"> Due process followed to ensure the quality of standard-setting: Evidence-informed approach to standard setting activities supports need for regulation and proposed solution | X | X | X | X | <ul style="list-style-type: none"> Due process followed for all significant projects Positive feedback from the FRC and the stakeholders |

³ Link to AASB PBS https://treasury.gov.au/sites/default/files/2021-05/pbs_2021_AuASB.pdf



| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | (Measures of success outputs & outcomes) |
|--|--|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| | <ul style="list-style-type: none"> appropriate consultation in accordance with the due process framework preparation of regulatory impact statement assessing costs and benefits | | | | | |
| Strategy 1,3,4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 1,2</i> | Post-implementation reviews conducted (PIR) for all significant projects to assess quality of standard-setting | X | X | X | X | <ul style="list-style-type: none"> No significant changes needed PIR feedback is acted upon No evidence not contributing to the confidence in the economy. Feedback from ASIC, APRA, ACNC surveillance reviews does not indicate loss of confidence due to accounting standard issues No significant decline in relevance of financial statements in the capital market |
| Strategy 7 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 10,11</i> | Improve consistency of implementation: <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 institutions | X | X | X | X | <ul style="list-style-type: none"> Education initiatives, such as webinars, providing appropriate educational materials to key stakeholders for all significant projects FAQs, illustrative examples, staff publications developed on significant interpretive issues Feedback from ASIC, APRA, ACNC surveillance reviews indicates no significant interpretive issues impacting the consistency of implementation Positive stakeholder feedback on education initiatives |



Strategic Priority 2 - Performance Activity Focus: Stakeholder Engagement

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | (Measures of success outputs & outcomes) |
|---|---|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 12,13</i> <i>KPIs 3,5</i> | Enhance stakeholder engagement | X | X | X | X | <ul style="list-style-type: none"> Maintain relationships with key stakeholders and planned program of engagement executed as planned Positive stakeholder feedback on the consultation process Increase in engagement results (newsletter, website, LinkedIn, Twitter, webinar, outreach numbers) |
| Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 15</i> <i>KPIs 5,</i> | Conduct Agenda consultations to determine projects and priorities | | | | X | <ul style="list-style-type: none"> Agenda consultation conducted at least every 5 years |

Strategic Priority 3 - Performance Activity Focus: People & Culture

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | (Measures of success outputs & outcomes) |
|---|--|------|----|----|----|--|
| | | 22 | 23 | 24 | 25 | |
| Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i> | Develop and implement People and Culture strategy | X | X | X | X | <ul style="list-style-type: none"> Employee survey, employee engagement Building towards high-performance team as measured by Board and stakeholder feedback on delivery of program and all other measures of success |
| | New starter processes improved to support flexible subject matter expert involvement | X | X | X | X | <ul style="list-style-type: none"> New team members embedded successfully within six months of starting as measured by internal and external stakeholders' feedback (as appropriate) |
| | Understand current capability (talent mapping) | X | X | X | X | <ul style="list-style-type: none"> Continuous review of external talent pool to timely identify when/where to buy or borrow capability |
| | Resource planning to develop skills and allocate them appropriately | X | X | X | X | <ul style="list-style-type: none"> KPIs for all employees Leveraging diversity of skills and people as measured by employee and Board feedback and delivering an agreed program of work Retain core group of technical experts and leaders Fair allocation of workload measured by employee and Board feedback |

Strategic Priority 4 - Performance Activity Focus: Technology

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | (Measures of success outputs & outcomes) |
|--|---|------|----|----|----|--|
| | | 22 | 23 | 24 | 25 | |
| Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i> | Develop and implement an IT strategy that enables flexible, seamless working via cloud | X | X | X | X | <ul style="list-style-type: none"> Independent of on Premises hardware by 30 June 2023 IT supports flexible work including remote locations |
| Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 12,</i> <i>KPIs 5,</i> | Continuous digital communications improvements to enhance stakeholder experience and engagement | X | X | X | X | <ul style="list-style-type: none"> Plan to be monitored for additional improvement over coming financial years. Development of new standards portal to improve user access by 30 June 2023 |

Strategic Priority 5 - Performance Activity Focus: Operational & Business Excellence

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|---|--|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i> | Refresh strategy supporting operational excellence and regulatory compliance | X | X | X | X | <ul style="list-style-type: none"> Regularly revisit current strategy to determine impact of implementation. Comply with regulatory obligations |
| | Knowledge and information sharing support flexible subject matter expert involvement | X | X | X | X | <ul style="list-style-type: none"> Key knowledge imparted across teams within six months of joining |
| | Continuous improvement of operational processes to achieve planned outcomes | X | X | X | X | <ul style="list-style-type: none"> Review of operational processes on an ongoing basis |



Strategic Priority 6 - Performance Activity Focus: Program & Project Management

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|---|---|------|----|----|----|--|
| | | 22 | 23 | 24 | 25 | |
| Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i> | Develop, implement and improve program and project management | X | X | X | X | <ul style="list-style-type: none"> Continuous review and improvement of program and project management approach |
| | Identify and establish frameworks and processes to allocate resources appropriately, establish and monitor accountabilities | X | X | X | X | <ul style="list-style-type: none"> Review processes and frameworks so team members are clear and deliver on expectations Further enhancements implemented based on regular program and project management meetings |
| | Allocate resources efficiently and effectively | X | X | X | X | <ul style="list-style-type: none"> Deliver agreed program of work as planned |



AUASB activities mapped to strategy and KPIs for measuring success.

Strategic Priority Area One: Standards and Guidance

Strategic Objective 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).

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|--|---|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| PBS Outcome 1 PBS Program 1 PBS Deliverable 1 PBS Performance Criteria 1, 3, 4, 6 & 7 | Issue all IAASB-based AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders | X | X | X | X | <ul style="list-style-type: none"> Issue all Australian IAASB equivalent Standards and Exposure Drafts within 3 months of PIOB clearance or 1 month of AUASB approval Release Exposure Drafts/Discussion Papers via the AUASB Website within two weeks of approval by AUASB AUASB implementation support materials and activities for all new IAASB/AUASB standards in place before effective date |
| | Seek feedback on relevance, effectiveness and public interest of these standards through stakeholder feedback, outreach programs and post-implementation reviews | X | X | X | X | <ul style="list-style-type: none"> Communications plan developed and implemented for each new IAASB pronouncement Responses to each IAASB Exposure Draft or Discussion Paper developed with appropriate AUASB input and sent to the IAASB by the closing date Obtain evidence appropriately evaluating implementation of IAASB equivalent issued AUASB Standards in Australia |

Strategic Objective Two: Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|---|---|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| PBS Outcome 1 PBS Program 1 PBS Deliverable 1 PBS Performance Criteria 2, 3, 5 & 6 | Issue Australian-specific AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders | X | X | X | X | <ul style="list-style-type: none"> Issue all Australian-specific Pronouncements and Exposure Drafts within one month of AUASB approval Complete and publish conforming amendments and compilation standards arising from changes to AUASB standards in accordance with legislative timeframes and in advance of effective dates |
| | Seek feedback on relevance, effectiveness and public interest of Australian-specific standards and guidance through stakeholder feedback, outreach programs and post-implementation reviews | X | X | X | X | <ul style="list-style-type: none"> Communications plan developed and implemented for each new AUASB pronouncement Conduct post-implementation reviews of Australian specific AUASB Standards, within 2-3 years of their operative date. |



| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|---------------------------|---|------|----|----|----|--|
| | | 22 | 23 | 24 | 25 | |
| | Identify gaps in the AUASB Framework where guidance is required and issue Guidance Statements or Bulletins to address these | X | X | X | X | <ul style="list-style-type: none"> Review and update other AUASB Framework Pronouncements, as required. |

Strategic Priority Area Two: International Influence

Strategic Objective 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.

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|---|--|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| PBS Outcome 1 PBS Program 1 PBS Deliverable 3 PBS Performance Criteria 1, 3, 4 & 7 | Build and maintain strong international relationships with the IAASB and like-minded Global and National Auditing Standard Setters, particularly New Zealand and Canada. | X | X | X | X | <ul style="list-style-type: none"> Collaborate with the IAASB and likeminded National Auditing Standards Setters (“NSS”, particularly New Zealand and Canada) on common global and other projects relevant to the AUASB work program Identify and implement initiatives to collaborate on international auditing and assurance focus areas with other key national standard-setters |
| | Demonstrate the AUASB’s influence on major international auditing and assurance developments by implementing the AUASB’s International Strategy | X | X | X | X | <ul style="list-style-type: none"> AUASB Chair and Technical Team member to attend all IAASB meetings and participate in relevant IAASB Task Forces/Working Groups IAASB papers reviewed and responded to by AUASB staff ahead of each AUASB and IAASB meeting Summary of main IAASB outcomes shared with the AUASB after each IAASB meeting |
| | Provide input to the international standard setting process through responding to international pronouncements using input from Australian stakeholders | X | X | X | X | <ul style="list-style-type: none"> Responses to each IAASB Exposure Draft or Discussion Paper developed with appropriate AUASB input and sent to the IAASB by the closing date Engagement with Australian Stakeholders on all IAASB Projects |
| | Maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols | X | X | X | X | <ul style="list-style-type: none"> Attend and contribute to NZAuASB meetings as required Identification and prioritisation of joint AUASB/NZAuASB projects, with AUASB and NZAuASB staff to ensure appropriate levels of collaboration in accordance with the AUASB Policy on Harmonisation of Standards |

Strategic Priority Area Three: Audit Quality

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

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|--|--|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| PBS Outcome 1 PBS Program 1 PBS Deliverable 7 PBS Performance Criteria 3, 5 & 6 | 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 | X | X | X | X | <ul style="list-style-type: none"> Contribute to the development of the FRC Audit Quality Plan and deliver all AUASB Audit Quality activities as required AUASB staff to develop auditing and assurance related papers for FRC meetings |
| | Work with ASIC, the AASB, practitioners and other stakeholders to identify and address significant inspection findings associated with accounting and auditing standards | X | X | X | X | <ul style="list-style-type: none"> Undertake consultation with ASIC and practitioners to identify improvements needed to auditing standards and develop relevant guidance materials addressing common inspection findings in key audit areas Monitor and respond to recommendations arising from Parliamentary Inquiries or other external reviews that are relevant to the AUASB |

Strategic Priority Area Four: Thought Leadership

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

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|--|---|------|----|----|----|--|
| | | 22 | 23 | 24 | 25 | |
| PBS Outcome 1 PBS Program 1 PBS Deliverable 5 PBS Performance Criteria 3, 4, 5, 6 & 7 | 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 | X | X | X | X | <ul style="list-style-type: none"> Project plans are developed with key outputs identified for each AUASB strategic priority area (including outreach plans with subject matter experts and key stakeholders) AUASB board members or staff to publish or contribute to articles or publications on selected strategic thought leadership project areas |



| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|---------------------------|--|------|----|----|----|--|
| | | 22 | 23 | 24 | 25 | |
| | 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 | X | X | X | X | <ul style="list-style-type: none"> Promote research opportunities in strategic priority areas through academic networks and conferences in accordance with the EISS strategy Work with AUASB Research Scholars and other researchers to develop relevant and timely research reports on AUASB strategic priority areas Communicate benefits of EISS Strategy to, and encourage broader participation from, academic community at conferences and technical forums |

Strategic Priority Area Five: Frameworks

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

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|--|---|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| PBS Outcome 1 PBS Programs 1 PBS Deliverable 2 PBS Performance Criteria 2, 3, 5 & 6 | 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 | X | X | X | X | <ul style="list-style-type: none"> Engage with AASB and relevant stakeholders to determine assurance issues related to changes to the external reporting framework Work with the AASB to conduct outreach and develop appropriate guidance materials on any changes to assurance requirements relating to changes to the external reporting framework |
| | Support initiatives that promote consistency and understanding of the nature and extent of assurance required for external reporting requirements in Australia | X | X | X | X | <ul style="list-style-type: none"> Share and collaborate with the AASB on common areas of focus for Reporting and Assurance Frameworks, including relevant research reports and discussion papers Issue AUASB publications and guidance that support and promote consistency and understanding of the AUASB's Assurance Framework |



Strategic Priority Area Six: Stakeholder Engagement

Strategic Objective 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.

| Link to strategy (Impact) | What do we need to do? (Objectives) | Year | | | | Measures of success outputs & outcomes |
|---|---|------|----|----|----|---|
| | | 22 | 23 | 24 | 25 | |
| PBS Outcome 1 PBS Program 1 PBS Deliverable 4 All PBS Performance Criteria | Increase engagement with stakeholders through new and existing AUASB communications activities and events | X | X | X | X | <ul style="list-style-type: none"> Maintain and update the AUASB Digital Standards Portal Develop various AUASB publications and guidance for stakeholders based on evidence and existing AUASB requirements, incl. quarterly AUASB Update Newsletters Promote availability of AUASB guidance through various communication channels, including greater use of online tools to communicate AUASB outputs and activities Develop and maintain technical content for the AUASB Website For all AUASB Meetings ensure board papers are available on the AUASB website a week in advance, Highlights are available within two working days after each AUASB meeting, and draft Board Minutes are sent to AUASB members within two weeks of each AUASB meeting. |



Appendix 1

AASB's strategies to achieve its ASIC Act S227 statutory functions and relationship to priorities for each of the next four years.

| <p>Function</p> <p>Strategic Objective</p> | <p>Develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards</p> | <p>Make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions)</p> | <p>Formulate accounting standards for other purposes</p> | <p>Participate in and contribute to the development of a single set of accounting standards for world-wide use</p> | <p>To advance and promote the main objectives of Part 12 of the ASIC Act: 'facilitate the Australian economy by reducing the cost of capital; enable Australian entities to compete effectively; and maintain investor confidence in the Australian economy, including capital markets'.</p> |
|--|--|--|--|--|--|
| <p>1. Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For 'publicly accountable' entities maintain IFRS² compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.</p> | √ | √ | √ | √ | √ |
| <p>2. With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with regulators to develop objective criteria on:</p> <ul style="list-style-type: none"> a. who prepares external reports (including financial reports) b. the nature and extent of assurance required on these external reports. | | √ | √ | | √ |



| <p>Function</p> <p>Strategic Objective</p> | <p>Develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards</p> | <p>Make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions)</p> | <p>Formulate accounting standards for other purposes</p> | <p>Participate in and contribute to the development of a single set of accounting standards for world-wide use</p> | <p>To advance and promote the main objectives of Part 12 of the ASIC Act: 'facilitate the Australian economy by reducing the cost of capital; enable Australian entities to compete effectively; and maintain investor confidence in the Australian economy, including capital markets'.</p> |
|--|--|--|--|--|--|
| <p>3. Actively influence IASB, IPSASB standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.</p> | <p>√</p> | <p>√</p> | <p>√</p> | <p>√</p> | <p>√</p> |
| <p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p> | <p>√</p> | <p>√</p> | <p>√</p> | <p>√</p> | <p>√</p> |
| <p>5. Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.</p> | | | <p>√</p> | <p>√</p> | <p>√</p> |
| <p>6. Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards and guidance, including changing technologies.</p> | <p>√</p> | <p>√</p> | <p>√</p> | <p>√</p> | <p>√</p> |
| <p>7. Develop guidance and education initiatives, or promote development by others, to enhance consistent application of accounting and external reporting standards and guidance.</p> | | | | | <p>√</p> |



AUASB activities mapped to strategy and KPIs for measuring success.

| <p>Strategic Objective</p> <p>Function</p> | <p>Make auditing standards under section 336 of the <i>Corporations Act</i> for the purposes of the corporations legislation.</p> | <p>Formulate auditing and assurance standards for other purposes.</p> | <p>Formulate guidance on auditing and assurance matters.</p> | <p>Participate in and contribute to the development of a single set of auditing standards for world-wide use.</p> | <p>Advance and promote the core objectives of auditing and assurance standard-setting as required by Part 12 of the ASIC Act.</p> |
|--|---|---|--|---|---|
| <p>1. 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).</p> | <p>√</p> | <p>√</p> | <p></p> | <p>√</p> | <p>√</p> |
| <p>2. Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.</p> | <p></p> | <p>√</p> | <p>√</p> | <p></p> | <p>√</p> |
| <p>3. Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards</p> | <p>√</p> | <p>√</p> | <p></p> | <p>√</p> | <p>√</p> |



Strategic Objective

Function

Make auditing standards under section 336 of the *Corporations Act* for the purposes of the corporations legislation.

Formulate auditing and assurance standards for other purposes.

Formulate guidance on auditing and assurance matters.

Participate in and contribute to the development of a single set of auditing standards for world-wide use.

Advance and promote the core objectives of auditing and assurance standard-setting as required by Part 12 of the ASIC Act.

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

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

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6. Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.

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

√

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Table 7: S224 of the ASIC Act sets out core objectives for accounting and auditing and assurance standard-setting in Australia:

| AASB | AUASB |
|--|--|
| <p>Accounting standards should require the provision of financial information that:</p> <ul style="list-style-type: none">i. allows users to make and evaluate decisions about allocating scarce resourcesii. assists directors to discharge their obligations in relation to financial reportingiii. is relevant to assessing performance, financial position, financing and investmentiv. is relevant and reliablev. facilitates comparability is readily understandable | <p>Auditing and assurance standards should require the provision of information that:</p> <ul style="list-style-type: none">i. provides Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the Corporations Act 2001 (Corporations Act)ii. requires the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate |
| <p>The Australian financial reporting system should:</p> <ul style="list-style-type: none">i. facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively domestically and internationallyii. facilitate the Australian economy by developing accounting and auditing and assurance standards that are clearly stated and easy to understand to maintain investor confidence in the Australian economy, including its capital markets | |



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LETTER OF TRANSMITTAL

26 September 2022

The Hon Stephen Jones MP
Minister for Financial Services and Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister,

We have pleasure in presenting the annual reports for the year ended 30 June 2022 of the:

- Australian Accounting Standards Board (AASB) and the Office of the Australian Accounting Standards Board, and
- Auditing and Assurance Standards Board (AUASB) and the Office of the Auditing and Assurance Standards Board.

The reports have been prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and have been combined into one publication.

Section 46 of the PGPA Act requires the Chair of the AASB and the Chair of the AUASB to respectively prepare a report of the operations of the AASB and its Office, and the AUASB and its Office, during the year. The respective reports must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely



Dr Keith Kendall
Chair
Australian Accounting Standards Board



William Edge
Chair
Auditing and Assurance Standards Board

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ABBREVIATIONS

The following abbreviations are used by the AASB and AUASB in this report:

| | |
|----------|--|
| AASB | Australian Accounting Standards Board |
| ACNC | Australian Charities and Not-for-profits Commission |
| ANAO | Australian National Audit Office |
| AOSSG | Asian-Oceanian Standard-Setters Group |
| APRA | Australian Prudential Regulation Authority |
| ASA | Australian Auditing Standard |
| ASAE | Australian Standard on Assurance Engagements |
| ASAF | Accounting Standards Advisory Forum |
| ASIC | Australian Securities and Investments Commission |
| ASIC Act | <i>Australian Securities and Investments Commission Act 2001</i> |
| ASRE | Australian Standard on Review Engagements |
| AUASB | Auditing and Assurance Standards Board |
| BRLF | Business Reporting Leaders Forum |
| CA ANZ | Chartered Accountants Australia and New Zealand |
| CER | Clean Energy Regulator |
| CPA | CPA Australia |
| EER | Extended External Reporting |
| FRC | Financial Reporting Council |
| GPFS | General Purpose Financial Statements |
| GST | Goods and Services Tax |
| IAASB | International Auditing and Assurance Standards Board |
| IAS | International Accounting Standards |
| IASB | International Accounting Standards Board |
| IFASS | International Forum of Accounting Standard Setters (formerly NSS) |
| IFRS | International Financial Reporting Standards |
| IFRS-IC | International Financial Reporting Standards Interpretation Committee |
| IIA | Institute of Internal Auditors |
| IIRC | International Integrated Reporting Council |
| IPSASB | International Public Sector Accounting Standards Board |
| ISA | International Standard on Auditing |
| ISSB | International Sustainability Standards Board |
| NFP | Not-for-Profit |
| NSS | National Standards Setters |
| NZASB | New Zealand Accounting Standards Board |
| NZAuASB | New Zealand Auditing and Assurance Standards Board |
| NZ XRB | New Zealand External Reporting Board |
| OHSC | Occupational Health and Safety Committee |
| PGPA Act | <i>Public Governance, Performance and Accountability Act 2013</i> |
| PSA | <i>Public Service Act 1999</i> |
| RDR | Reduced disclosure requirements |
| SME | Small and Medium Enterprises |

| | |
|------|---|
| SMSF | Self-Managed Superannuation Fund |
| SSAF | Sustainability Standards Advisory Forum |
| WSS | World Standard Setters |

CONTACT DETAILS

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AASB AND AUASB PURPOSE, VISION AND MISSION

| AASB Purpose & Vision | AUASB Purpose & Vision |
|--|--|
| Contribute to stakeholder confidence in the Australian economy, including its capital markets, and trust in external reporting. | Contribute to stakeholder confidence in the Australian economy, including its capital markets, and trust in auditing and assurance. |
| AASB Mission | AUASB Mission |
| Develop, issue and maintain principles-based Australian accounting and external reporting standards that meet user needs and enhance external reporting consistency and quality. | Develop, issue and maintain in the public interest, best practice Australian auditing and assurance standards and guidance that meet user needs and enhance audit and assurance consistency and quality. |
| Contribute to the development of a single set of accounting and external reporting standards for world-wide use. | Contribute to the development of a single set of auditing and assurance standards for world-wide use. |

STRATEGY

| AASB | AUASB |
|---|--|
| Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For publicly accountable' entities maintain IFRS compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance. | 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). |
| With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with the regulators to develop objective criteria on: who prepares external reports (including financial reports), and the nature and extent of assurance required on these external reports. | Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required. |
| Actively influence IASB, IPSASB standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships. | Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards. |

AASB and AUASB Purpose, Vision and Mission

| AASB | AUASB |
|---|--|
| <p>Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p> | <p>In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.</p> |
| <p>Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.</p> | <p>Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.</p> |
| <p>Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards, including changing technologies.</p> | <p>Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.</p> |
| <p>Develop guidance and education initiatives, or promote development by others, to enhance the consistent application of accounting and external reporting standards and guidance.</p> | <p>Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.</p> |

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2021-22

| AASB | AUASB |
|---|--|
| <p>Accounting standards should facilitate the provision of financial information that:</p> <ul style="list-style-type: none"> allows users to make and evaluate decisions about allocating scarce resources assists directors to discharge their obligations in relation to financial reporting is relevant to assessing performance, financial position, financing and investment is relevant and reliable facilitates comparability and is readily understandable | <p>Auditing and assurance standards should facilitate the provision of information that:</p> <ul style="list-style-type: none"> provides Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the <i>Corporations Act 2001</i> (Corporations Act) requires the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate |
| <p>The Australian financial reporting system should:</p> <ol style="list-style-type: none"> i. facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively domestically and internationally ii. facilitate the Australian economy by developing accounting and auditing and assurance standards that are clearly stated and easy to understand to maintain investor confidence in the Australian economy, including its capital markets | |

AASB CHAIR'S REVIEW



OUR PERFORMANCE IN 2021-22

The Australian Accounting Standards Board (AASB) continued to deliver on its strategic vision while adapting to hybrid working conditions from the ongoing impacts of the COVID-19 pandemic altering the way we live, work and interact with one another. We continued to provide our stakeholders with support and guidance in response to the economic impact of COVID-19, while also continuing our work on timely and faithful representation of economic reality to support effective functioning of the markets and broader economy with the help of engaging with key industry stakeholders.

KEY MILESTONES

During the 2021-22 financial year, amongst a large variety of achievements mentioned throughout this annual report, the AASB issued six Amending Standards, compiled 99 Standards / Interpretations and issued 10 Exposure Drafts.

We also undertook the AASB Agenda Consultation process to obtain feedback on the workplan for 2022 – 2026.

STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

The AASB continued to make use of technology in order to continue to maintain and grow its engagement with stakeholders across the country and globally via virtual meetings, webinars, roundtables and speaking engagements during 2021-22.

We published three Staff Papers, updated Staff Frequently Asked Questions, issued 10 Exposure Drafts, held 16 roundtable sessions, hosted four webinars and the Annual Research Forum. Our stakeholder outreach activities have made use of available communication channels to maximise the reach of our messages and audience. Our newsletter continues to be published on a weekly basis and our LinkedIn page has more than 22,500 followers (and rising).

AASB staff held two educational webinars relating to issues identified on the Accounting Standards relating to Income of Not-for-Profits. These sessions were presented to over 620 attendees.

The User Advisory Committee which is comprised of 16 analysts, ratings agencies, fund managers and investor relations professionals from the for-profit sector met four times during the year and continues to provide input, recommendations and feedback to the AASB staff.

Our positive rapport with industry stakeholders has also allowed us to broaden our brand reach through timely and topical news placements in CA ANZ and CPA Australia's newsletter databases, as well as their social media channels and members-only platforms.

The AASB also maintained and enhanced its international engagement this year through various presentations and participating in international events. This included co-hosting a webinar and roundtable on Management Commentary with the IASB as well as AASB/AFAANZ Academic Roundtable on EFRAG's Discussion Paper on Intangible Assets.

NOT-FOR-PROFIT SECTOR

The AASB continued to work on a number of projects affecting the not-for-profit (NFP) private and public sectors during the year.

From the NFP private sector perspective, significant progress has been made on the Tier 3 standard which is intended for application by certain NFP private sector entities that are currently preparing special purpose financial statements (SPFS) on the basis that the entity is not a reporting entity as defined in Statement of Accounting Concept (SAC) 1 *Definition of a Reporting Entity*. It is designed to be a proportionate response to the cessation of such entities being able to prepare SPFS. A Discussion Paper is expected to be issued by November 2022 to obtain the views of the public.

The AASB continued its projects to address public-sector-specific issues regarding the application of AASB 13 *Fair Value Measurement* and AASB 17 *Insurance Contracts*. In March 2022, the AASB issued two Exposure Drafts to propose modifications to those Standards. ED 320 *Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities* proposed adding authoritative implementation guidance to AASB 13 in respect of fair value measurement of non-financial assets not held primarily for their ability to generate net cash inflows. ED 319 *Insurance Contracts in the Public Sector* proposed indicators for identifying public sector arrangements within the scope of AASB 17 and a number of public-sector-specific exemptions to AASB 17 requirements. The AASB is in the process of considering the submission letters received on those Exposure Drafts.

The AASB has commenced the post-implementation review of AASB 1059 *Service Concession Arrangements: Grantors* and plans to issue an Invitation to Comment for public consultation in September 2022.

The AASB has continued to monitor the IPSASB's work closely. The AASB is in the process of developing a joint comment letter with the FRC and the AUASB in response to the IPSASB Consultation Paper *Advancing Public Sector Sustainability Reporting*.

Additionally, the AASB continues to engage actively with both the NFP private and public sectors on a number of other developments. These include providing guidance on emerging issues by updating numerous staff FAQs, holding educational webinars with stakeholders on income accounting and proceeding with the NFP Conceptual Framework project, which looks to enable application of the *Conceptual Framework for Financial Reporting* for NFP entities.

FOR-PROFIT SECTOR

In the previous year, the AASB completed its Agenda Consultation and received feedback from more than 120 stakeholders on the potential domestic projects that should be included in its work program in the period 2022 – 26. As a result, the AASB added service performance

reporting and imputation franking credit disclosure projects to its standard-setting work program and intangible assets and going concern disclosures projects to its research work program. The AASB will also monitor and influence the development of digital financial reporting as appropriate.

We continued to uphold our Evidence-Informed Standard-Setting approach by obtaining evidence for key projects that are currently underway. We published a Staff Paper *Intangible Assets: Reducing the Financial Statements Information Gap through Improved Disclosures*. The paper considers a spectrum of possible disclosures about internally generated intangible assets, that could be made in the financial statements.

SUSTAINABILITY

Reflecting the increased global and domestic focus on globalising and standardising sustainability-related financial reporting, the AASB has been proactive in taking preparatory steps to support future implementation of Australian sustainability-related financial reporting. The following strategic initiatives have been completed during the year or are currently underway.

The AASB and the AUASB established the Sustainability Reporting Project Advisory Panel consisting of practitioners, professional bodies and academics who specialise in sustainability-related financial reporting and assurance. Additionally, the AASB Chair and staff, together with the AUASB Chair and staff, are participating in on-going discussions with representatives from the accounting professional bodies, ASIC and the APESB, on the broader implications for the accounting and auditing profession.

In November 2021, the FRC, AASB and AUASB published the *Position Statement on Extended External Reporting and Assurance* outlining that, at this time, the AASB intends to be the body responsible for developing sustainability-related financial reporting requirements simultaneously with the relevant assurance requirements developed by the AUASB.

In March 2022, the AASB published the *Position Statement on Extended External Reporting Framework* in which the AASB expressed its support for the voluntary application of the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD Recommendations).

In April 2022, the AASB published Exposure Draft 321 (ED 321) *Request for Comment on ISSB [Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*. In addition to asking for feedback on the ISSB's Exposure Drafts, ED 321 also provided an overview of the AASB's proposed approach to developing sustainability-related financial reporting requirements and asked about specific aspects of that proposed approach and the ISSB's Exposure Drafts within the Australian context.

To support the international standardising of sustainability-related reporting, the AASB strongly encouraged the Asian-Oceanian Standard-Setters Group (AOSSG) to engage in sustainability-related financial reporting and establish a Working Group to support the work of the ISSB. In April 2022, Australia took the lead of the Sub-Working Group established to collect AOSSG members' feedback and prepare AOSSG's response to ISSB [Draft] IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*. As part of this role,

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2021-22

The AASB also circulated its views and comments on the draft ED to the AOSSG members. The AASB will continue supporting the sustainability-related discussion at the international level.

In June 2022, the AASB published a staff paper *Project Insights: Developing sustainability-related financial reporting standards in Australia*. This paper provides a snapshot of the AASB's proposed approach to developing sustainability-related financial reporting standards and highlights some of the key elements of that proposed approach.

RESEARCH

The 2021 AASB Research Forum, held in conjunction with the University of New South Wales, virtually brought together over 174 academics and financial reporting stakeholders from the public sector, for-profit and not-for-profit sectors to discuss three research projects: *An evaluation of the impacts of the adoption of AASB 15 Revenue from Contracts with Customers*, *Presentation Prominence: Does it matter to non-professional investors?* and *The case of 'Other Comprehensive Income' and Decision Usefulness: A re-examination of the information needs of non-profit GPFRR users*.

During the year, the AASB launched the working paper series, hosted on the Social Sciences Research Network, which is designed to bring cutting edge research in the field of accounting standards in a timely manner to a wide audience. Three papers have been released being *Earnings Management in Australian not-for-profit disability services*, *Presentation prominence: Does it matter to non-professional investments?* and *The case of 'Other Comprehensive Income' and How important are semi-annual earnings announcements? An information event perspective*.

The AASB also commenced a new initiative, *AASB Dialogue Series*, that provides stakeholders opportunities to learn more about the latest accounting and reporting developments through presentations from leading experts in the field as well as panel discussions. The dialogue series is held virtually. During the year, two sessions (TCFD Implementation and Intangible Assets) were held, with more than 80 domestic and international stakeholders attending each session.

The AASB presented an update of AASB work at the 2021 Accounting and Finance Association of Australia and New Zealand (AFAANZ) virtual annual conference to inform academics and researchers on research topics most relevant to the Australian economy.

PEOPLE

We are pleased to announce that during 2021-22 we continued to operate effectively and efficiently through the challenging environment that the pandemic provided, both remote working and from the office when possible.

During this year, we have successfully recruited new team members including one staff member from the IASB who relocated back to Australia. A key aspect of this year was the move to new offices with better staff amenities. The staff are at the core of our business, their continued efforts have again ensured that we have been able to deliver to our stakeholders domestically and internationally. I would like to thank the staff for their commitment to standard setting.

LOOKING TOWARD 2022-23

We will continue to further enhance our already prominent stakeholder engagement activities, both domestically and internationally.

The release of the discussion paper for Tier 3 NFP reporting will result in a significant amount of stakeholder engagement through both virtual and face-to-face roundtables, webinars and surveys to ensure that a wide range of interested parties provide their feedback.

The AASB has commenced the post-implementation review (PIR) of several domestic Australian Accounting Standards and will progress its PIR work in tranches over the 2022-25 period. A PIR is not intended to be a reconsideration of an entire underlying pronouncement. Instead, it acknowledges that consultation and due process during the development of a pronouncement are not a substitute for the practical application of new requirements, and is intended to conclude on the overall effectiveness and efficiency of a pronouncement in meeting its original objectives, including whether a pronouncement remains appropriate.

The PIRs will cover topics affecting the not-for-profit private sector and the public sector and include income of not-for-profit entities, control and consolidation in the not-for-profit sector, and service concession arrangements for grantors.

We will continue our involvement internationally through our strong relationship with the International Accounting Standards Board, the International Public Sector Accounting Standards Board (IPSASB) and other national standard setters and representative bodies. This will ensure that Australia's position continues to be incorporated into international standards. The AASB will work on establishing strong relationships with the newly established International Sustainability Standards Board.

The AASB will continue to work closely with the Auditing and Assurance Standards Board (AUASB) for issues common to the two organisations, particularly when considering whether any auditing or assurance challenges may arise from Australian Accounting Standards.

In particular, during 2022-2023 we will continue to work closely with the AUASB and engage with all members of the financial reporting eco-system as we consider the reporting, assurance and regulatory implications of sustainability information in the Australian market.

FINANCIAL RESULTS

The AASB has recognised a Total Comprehensive loss of \$108,930 (2021: Surplus of \$257,211) as a result of increased employee costs and reduced management fee revenue. Travel costs have also been incurred due to the recommencement of travel in 2022.

Management fees received from the AUASB were \$571,443 (2021: \$633,735) as set out in our Memorandum of Understanding (MoU) (refer to Note 2A and 2B to the Financial Statements). The revenue is low due to reduced corporate services expenses, partly contributed to working remotely for a portion of the year.

Note 8 to the Financial Statements provides further details of variances from the reported budget numbers.

ACKNOWLEDGEMENTS

I would like to thank the staff for their continued support and commitment during these unique times, the team have embraced the flexible working arrangements and have held a number of face-to-face and virtual stakeholder sessions during the year resulting in a significant quantity of high-level output.

Sincerely

A handwritten signature in black ink, appearing to read 'Kendall', written in a cursive style.

Dr Keith Kendall
Chair and CEO
26 September 2022

AASB ANNUAL PERFORMANCE STATEMENT 2021-22

I, Keith Kendall, as the accountable authority of the Australian Accounting Standards Board, present the 2021-22 annual performance statement of the Australian Accounting Standards Board, as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act Entity Purpose.



ENTITY PURPOSE

As set out in the Treasury Portfolio Budget Statements for 2021-22, the AASB's single outcome is to formulate and make accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions. The AASB's vision is to contribute to stakeholder confidence in the Australian economy, (including its capital markets) and in external reporting integral to financial reporting. Its mission and single program are:

- developing, issuing and maintaining accounting standards and guidance that meet user needs and enhance external reporting consistency and quality.
- contributing to the development of a single set of accounting and external reporting standards for world-wide use.

Our purpose is to:

- make accounting standards under the Corporations Act 2001 for the purposes of the corporations legislation and for other purposes.
- participate in and contribute to the development of a single set of accounting standards for world-wide use.
- in a financial reporting context, enabling Australian entities to compete effectively.
- maintain investor confidence in the Australian economy, including its capital markets.
- having regard to the interests of Australian corporations raising capital in major international financial centres.

The Chair's report sets out the contextual basis for progress made on achieving our strategies and purpose.

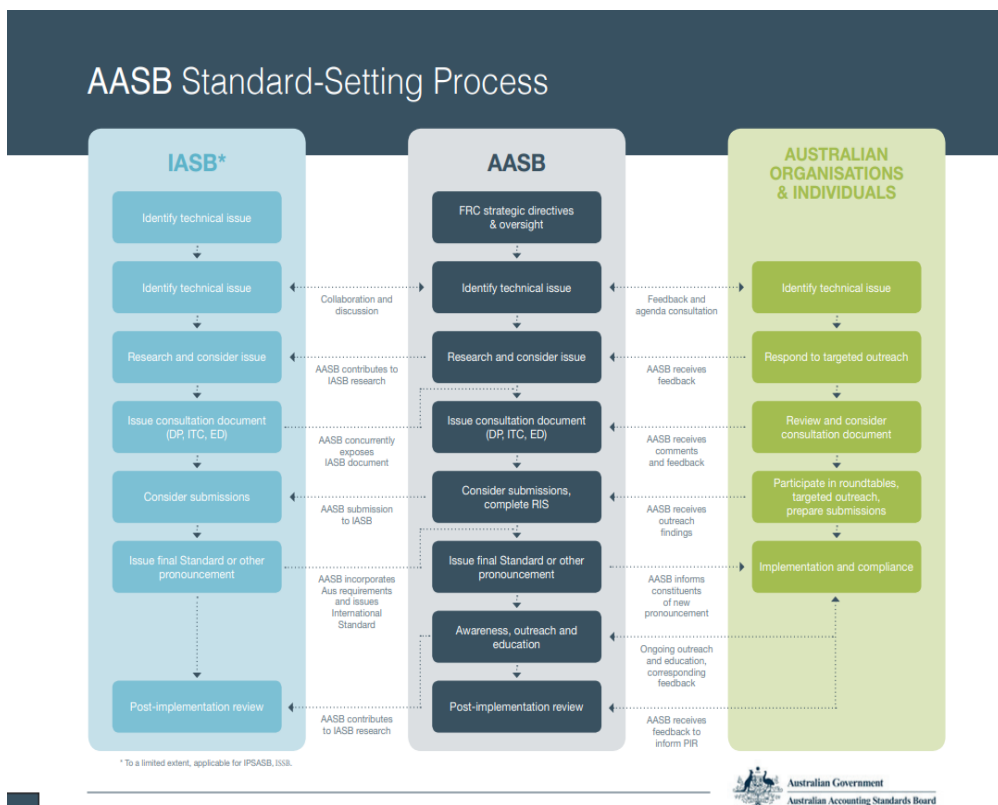
THE AASB'S STANDARD SETTING PROCESS

Developing issuing and maintaining principles-based accounting standards

The AASB, in accordance with the FRC direction in 2002, has adopted IFRS accounting and external reporting standards as part of our strategy to facilitate confidence in the Australian economy.

Maintaining IFRS compliance for publicly accountable for-profit entities and using IFRS as a baseline for other entities, means that overseas investors understand our financial reporting and consistency helps reduce the costs incurred by our companies seeking to raise funds. In addition, using IFRS as a basis for other entities promotes professional mobility across the three sectors and also meets our objectives for improving comparability and user confidence in financial reporting.

The following diagram identifies the high-level interaction undertaken by the AASB in developing, issuing and maintaining Australian Accounting Standards.



AASB's STRATEGIES FOR ACHIEVING ITS PURPOSE

| Strategy 1: Standard setting | Strategy 2: Australian external reporting framework | Strategy 3: International thought leadership | Strategy 4: Stakeholder engagement | Strategy 5: Influencing beyond financial reporting | Strategy 6: Emerging Issues | Strategy 7: Enhancing Consistency |
|---|---|---|--|--|---|---|
| Set accounting standards to meet needs of users, capable of being assured and enforced. 'Publicly accountable' entities IFRS compliant; for others, use transaction neutrality, modify IFRS, or develop Australian-specific standards and guidance. | Play a leading role in reshaping the Australian external reporting framework by working with other regulators to set Tier requirements proportionate to user needs and costs to prepares. | Actively influence internationally IASB, IPSASB, NZASB and AOSSG. | Attain significant levels of key stakeholder engagement through collaboration, partnership and outreach. | Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting. | Monitor and respond to, or lead on, emerging issues, including changing technologies. | Enhance consistent implementation, through stakeholder education initiatives. |

2021-22 AASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

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

1 - PERFORMANCE ACTIVITY FOCUS: BRAND/REPUTATION

| Current Priorities | Status | Key Activities / Highlights |
|--|-----------------------------------|---|
| 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 | In progress / Partially completed | <p>For-profit –</p> <ul style="list-style-type: none"> AASB <i>For-Profit Entity Standard Setting Framework</i> updated July 2021 AASB 2022-4 <i>Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities</i> issued in June 2022 <p>NFP private sector –</p> <ul style="list-style-type: none"> AASB <i>Not-For-Profit Entity Standard Setting Framework</i> updated July 2021 Developing a discussion paper for public consultation in 2022. <p>Public sector – participating in FRC working group</p> |
| <p>Agree and deliver on 3-year program of work</p> <p>Maintain IFRS and New Zealand compliance for for-profit Private sector “publicly accountable” entities</p> | Ongoing | <p>IFRS compliance maintained during this reporting period</p> <p>IASB-equivalent Standards issued within two months of release by the IASB:</p> <ul style="list-style-type: none"> AASB 2022-1 <i>Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information</i> |

| Current Priorities | Status | Key Activities / Highlights |
|--|--------|--|
| <p>Tailor IFRS appropriately for other sectors, including developing Australian-specific guidance</p> <p>Develop guidance on external reporting integral to financial reporting</p> <p>Develop guidance on emerging issues related to financial reporting</p> <p>Enhance profile domestically and internationally</p> <p>Maintain and enhance key international relationships with IASB, IPSASB, NZASB, AOSSG, ISSB and International Financial Reporting for NPOs</p> | | <p>Co-hosted with the IASB:</p> <ul style="list-style-type: none"> • Webinar and roundtable on the Management Commentary ED (July and September 2021) <p>Co-hosted with the ISSB:</p> <ul style="list-style-type: none"> • Virtual seminar providing a technical overview of the ISSB's General Requirements and Climate Exposure Drafts. <p>Staff actively participated in IFR4NPO TAG meetings and other outreach activities</p> <p>AASB Chair and staff presented at the AFAANZ Financial Reporting Forum</p> <p>AASB & NZASB presented at two IFASS conferences recommending the IASB undertake a project on going concern.</p> <p>AASB Deputy Technical Director presented at ACNC Adviser and Sector Forums on NFP Financial Reporting Framework in November 2021 and March 2022</p> <p>IASB participated in AASB 2021 Virtual Research Forum</p> <p>AASB staff presented at AOSSG interim meeting on the going concern project.</p> |

| Current Priorities | Status | Key Activities / Highlights |
|---|-----------------------------|--|
| | | <p>AASB 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.</p> <p>AASB staff presented at Conference on Adopting IFRS 17 organised by Insurance Institute of Taiwan.</p> <p>AASB staff presented at the IFASS conference on:</p> <ul style="list-style-type: none"> • The preliminary findings from staff paper on intangible assets • Sustainability-related reporting and • The AASB comments on the PIR of IFRS 9. <p>AASB staff presented at SAFA Accounting Standards Forum the findings from Going Concern staff paper.</p> <p>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.</p> <p>AASB staff presented at the December 2021 Accounting Standard Advisory Forum (ASAF) meeting on the AASB Agenda Consultation 2022-2026.</p> <p>AASB staff provided an update on the NFP FRF project at the ACNC Regulatory Day and ACNC Adviser and Sector Forums</p> |
| <p>Due process followed to ensure the quality of standard-setting</p> <p>Evidence-informed approach to standard setting activities supports need for regulation and proposed solution</p> | <p>Completed / On track</p> | <p>No negative feedback in response to due process from FRC.</p> <p>On-going: staff completing compilation of standards.</p> <p>Events to educate and consult stakeholders:</p> <ul style="list-style-type: none"> • Dialogue Series – two sessions held in 2021-2022, being Intangible Assets and TFCD Implementation |

| Current Priorities | Status | Key Activities / Highlights |
|---|--------|---|
| <p>Appropriate consultation in accordance with the due process framework</p> <p>Preparation of regulatory impact statement assessing costs and benefits</p> | | <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) • Webinars on Income of not-for-profit Entities: AASB 15 and AASB 1058 – AASB staff education session (628 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 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> <ul style="list-style-type: none"> ○ six in-person roundtables in Melbourne, Sydney and Perth (73 attendees) and ○ six virtual roundtables (114 attendees). |

| Current Priorities | Status | Key Activities / Highlights |
|--|-----------------------------|--|
| | | <ul style="list-style-type: none"> AASB Staff Papers issued: <ul style="list-style-type: none"> Review of Executive Remuneration Disclosure Requirements Going Concern Disclosures: A Case for International Standard-Setting Intangible Assets: Reducing the Financial Statements Information Gap through Improved Disclosures |
| <p>Post-implementation reviews conducted (PIR) for all significant projects to assess quality of standard-setting.</p> | <p>Completed / On track</p> | <p>No indication of non-contribution to confidence in the economy.</p> <p>Independent PIR of AASB 1049 (initiated by the FRC) was completed in December 2021 with acceptance by FRC of the final PIR report.</p> <p>ITC 47 <i>Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Classification and Measurement</i> issued in October 2021. Submission made to the IASB.</p> <p>In accordance with the Board’s detailed PIR workplan, PIRs of multiple domestic Australian Accounting Standards have commenced.</p> |
| <p>Improve consistency of implementation: Educate stakeholders on the AASB standards, support materials available, including why standards introduced</p> <p>Support and encourage high quality teaching of the Australian financial reporting framework and standards at Australian educational institution</p> | <p>Completed / On track</p> | <p>Project 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 was completed and resulted in educational material and some standard-setting.</p> <p>Staff paper <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.</p> <p>Staff paper <i>Going Concern Disclosures: A Case for International Standard-Setting</i> issued in October 2021, which identifies potential</p> |

| Current Priorities | Status | Key Activities / Highlights |
|--------------------|--------|--|
| | | <p>areas for improvement relating to the existing going concern disclosure requirements in the IFRS Standards.</p> <p>Joint Staff Article <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.</p> <p>Staff Paper <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.</p> <p>Staff Article <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.</p> |

2 - PERFORMANCE ACTIVITY FOCUS: STAKEHOLDER ENGAGEMENT

| Current Priorities | Status | Key Activities / Highlights |
|---|-------------------------|---|
| Enhance stakeholder engagement | Completed / On track | <p>LinkedIn main page followers increased by 7.24% over the twelve months to June 2022</p> <p>Twitter followers increased by 3.96% over the twelve months to June 2022.</p> <p>Over 620 attendees at the Income for Not-for-Profit Income educational webinars.</p> |
| Conduct Agenda consultations to determine projects and priorities | Completed / On track | Domestic agenda consultation completed with two projects added to both the standard-setting and research agendas. |

3 - PERFORMANCE ACTIVITY FOCUS: PEOPLE & CULTURE

| Current Priorities | Status | Key Activities / Highlights |
|--|----------------------|--|
| Develop and implement People and Culture strategy | Completed / On track | <p>Ongoing process</p> <p>High morale of the team supported by virtual team meetings and events, such as virtual drinks and team lunches</p> <p>Staff encouraged to register for online work-related training of their choice as part of employee growth</p> <p>New flexible working environment implemented 1 March 2022 which targeted return to office while also retaining high degree of workplace flexibility.</p> |
| New starter processes improved to support flexible subject matter expert involvement | Completed / On track | <p>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</p> |
| Understand current capability (talent mapping) | Completed / On track | <p>Ongoing process – promotions during the year based on performance</p> <p>External experts used for specific projects</p> |
| Resource planning to develop skills and allocate them appropriately | Completed / On track | <p>Additional resources engaged as contractors to assist with workplan delivery</p> <p>Utilisation of employees regularly monitored</p> <p>Regular resource planning meetings in place to identify the need for project prioritisation or for external resources.</p> |

4 - PERFORMANCE ACTIVITY FOCUS: TECHNOLOGY

| Current Priorities | Status | Key Activities / Highlights |
|--|-------------------------|--|
| Develop and implement an IT strategy that enables flexible, seamless working via cloud | Completed / On track | All AASB staff capable of working remotely - no significant issues. External webinars hosted via ZOOM AASB moved offices and video conferencing suites installed within new offices. |
| Website refreshed to improve stakeholder experience and engagement | Completed / On track | Corporate website content continually updated Commenced work on the AASB Standards Portal. |

5 - PERFORMANCE ACTIVITY FOCUS: OPERATIONAL & BUSINESS EXCELLENCE

| Current Priorities | Status | Key Activities / Highlights |
|--|-------------------------|---|
| Develop strategy supporting operational excellence and regulatory compliance | Completed / On track | Continuous Compliance tasks completed by appropriate deadline date No breaches of regulatory obligations identified |
| Key processes and standards documented | Completed / On track | 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 | Completed / On track | Staff participate in monthly lunch and learn sessions to share knowledge from subject matter expert |

| Current Priorities | Status | Key Activities / Highlights |
|---|----------------------|--|
| Continuous improvement of operational processes to achieve planned outcomes | Completed / On track | <p>Working from home has focused AASB on ensuring critical operational tasks and processes can be sustained remotely.</p> <p>Core operational tasks being monitored and continuously improved to minimise slippage in internal and external service delivery</p> |

6 - PERFORMANCE ACTIVITY FOCUS: PROGRAM & PROJECT MANAGEMENT

| Current Priorities | Status | Key Activities / Highlights |
|---|-------------------------|---|
| Develop a strategy to improve program and project management | Completed / On track | Utilisation of employees regularly monitored Regular resource planning meetings in place to identify the need for project prioritisation for external resources |
| Identify and establish frameworks and processes to allocate resources appropriately, establish and monitor accountabilities | Completed / On track | Continuous review process implemented to assess 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 |
| Allocate resources efficiently and effectively | Completed / On track | |

OUTPUTS

The AASB's standards, exposure drafts and other research reports are listed in the tables below.

| Standards | |
|-----------------|---|
| AASB 2021-6 | <i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies: Tier 2 and Other Australian Accounting Standards</i> (December 2021) |
| AASB 2021-7 | <i>Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections</i> (December 2021) |
| AASB 2022-1 | <i>Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information</i> (March 2022) |
| AASB 2022-2 | <i>Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1</i> (May 2022) |
| AASB 2022-3 | <i>Amendments to Australian Accounting Standards – Illustrative Examples for Not-for-Profit Entities accompanying AASB 15</i> (May 2022) |
| AASB 2022-4 | <i>Amendments to Australian Accounting Standards – Disclosures in Special Purpose Financial Statements of Certain For-Profit Private Sector Entities</i> (June 2022) |
| Exposure Drafts | |
| ED 312 | <i>Disclosure of Accounting Policies – Proposed Amendments to Tier 2 and Other Australian Accounting Standards</i> (August 2021) |
| ED 313 | <i>Initial Application of AASB 17 and AASB 9 – Comparative Information</i> (August 2021) |
| ED 314 | <i>Subsidiaries without Public Accountability: Disclosures</i> (September 2021) |
| ED 315 | <i>Extending Transition Relief under AASB 1</i> (November 2021) |
| ED 316 | <i>Non-current Liabilities with Covenants</i> (December 2021) |
| ED 317 | <i>Supplier Finance Arrangements (Proposed amendments to AASB 107 and AASB 7)</i> (December 2021) |
| ED 318 | <i>Illustrative Examples for Income of Not-for-Profit Entities and Right-of-Use Assets arising under Concessionary Leases</i> (January 2022) |
| ED 319 | <i>Insurance Contracts in the Public Sector</i> (March 2022) |
| ED 320 | <i>Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities</i> (March 2022) |
| ED 321 | <i>Request for Comment on ISSB [Draft] IFRS 1 General Requirements for Disclosure of Sustainability-related Financial Information and [Draft] IFRS 2 Climate-related Disclosures</i> (April 2022) |

Invitations to Comment

| | |
|--------|--|
| ITC 46 | <i>AASB Agenda Consultation 2022-2026 (October 2021)</i> |
| ITC 47 | <i>Request for Comment on IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Classification and Measurement (October 2021)</i> |
| ITC 48 | <i>Extended External Reporting (November 2021)</i> |

AASB Authoritative Pronouncements can be accessed via www.aasb.gov.au/Pronouncements.aspx.

The Standard-setting and Research Centre Work Programs can be accessed via www.aasb.gov.au/current-projects/work-program

AUASB CHAIR'S REVIEW



OUR PERFORMANCE IN 2021-22

Having completed my first full year as Chair and CEO of the Auditing and Assurance Standards Board (AUASB), I reflect with pride on the past year and the AUASB's many accomplishments and outputs. The earlier part of the year continued to be one of extreme turbulence in the business environment, and the Board and Technical staff took all their learnings from the prior year and continued to stay focussed to deliver on our strategic projects. Maintaining effective communication and engagement with stakeholders is an ongoing goal of the AUASB. Importantly, with the return to a normalised working environment, we have had the ability to re-engage face-to-face with our key stakeholders to consult on the AUASB's priorities and outputs.

KEY MILESTONES

Over the course of the last financial year, the AUASB achieved several key milestones in both standard-setting activities and thought leadership.

During the year we focused on the following key strategic priority areas:

- Driving initiatives which support Audit Quality, including working with the Financial Reporting Council on their Audit Quality Action Plan and developing materials to support the implementation of the new Quality Management Standards;
- Assisting the Australian Accounting Standards Board (AASB) and Assurance Practitioners dealing with the rapid development of Sustainability Reporting and Assurance;
- Seeking consultation on challenges in auditing less complex entities;
- Developing guidance to support the public sector;
- Developing guidance to support auditors in considering the use of technology; and
- Influencing the development of International Auditing Standards and guidance.

Further detail on the key milestones we have achieved on these priority areas as well as other priority projects is provided below.

AUDIT QUALITY

The AUASB has a strategic objective to work with the Financial Reporting Council (FRC) to identify and implement initiatives designed to enhance Audit Quality in Australia. The following are specific actions (not covered elsewhere in this report) undertaken in implementing this objective:

Supporting the profession during times of changing and uncertain economic conditions

Preparers and auditors of financial reports are faced a challenging 30 June 2022 reporting period arising from the impact of topical and emerging risks, and changing and uncertain economic conditions. Additionally, ASIC's *Areas of Focus for 30 June 2022* highlights key focus areas for companies to consider in preparation of their upcoming financial report and annual reporting including the Operating and Financial Review (OFR). The AUASB issued a Bulletin on *Auditor's considerations in times of changing and uncertain economic conditions* which highlights how relevant Auditing Standards and existing guidance supports auditors to perform a high-quality audit in the current economic and external environment.

Parliamentary Joint Committee on Corporations and Financial Services (PJC) Inquiry into Regulation of Auditing in Australia

Whilst the Australian government is yet to respond to the final report of the PJC Inquiry into Regulation of Auditing in Australia, the FRC's PJC Inquiry Working Group continues to meet to prepare for implementation of the recommendations arising from the inquiry. To this end, the AASB, Accounting Professional and Ethics Standards Board (APESB) and AUASB are working together on progressing recommendations within its mandate concerning fee disclosures and prohibitions on non-audit services (recommendation 3), auditor tenure disclosure (recommendation 6) and the adequacy of fraud prevention and going concern reporting requirements (recommendation 8). In relation to recommendation 8, the IAASB is progressing with projects on fraud and going concern and, through my membership of the IAASB, I will be directly involved in any global developments.

Quality Management Standards implementation support

The AUASB recently issued significant revisions to the Quality Management Standards (QMS) that require audit firms to enhance their systems of quality management across all audits and assurance engagements carried out by the firm.

The current year's priority was to provide implementation support particularly for smaller firms so that all practitioners could implement the revised standards to achieve the intended objectives of the standards.

Earlier in the year, the AUASB released a series of "five-minute video guides" to the new Standards to raise awareness of the key elements audit practitioners need to know, as well as launching a dedicated Quality Management web page with available guidance including the IAASB's implementation support materials. Throughout the year, the AUASB staff worked closely with the accounting professional bodies to support them in the development of further practical guidance to assist practitioners and worked with the APESB on their revisions to APES 320 *Quality Control for Firms*. Additionally, AUASB staff presented on the new standards at the professional bodies' annual conferences. Towards the end of the year, the AUASB released a Bulletin *Quality Management Standards – Enhancing Audit Quality* aimed at smaller audit firms to communicate the benefits of the QMS and key enhancements in the standards designed to enhance audit quality.

Other activities to enhance audit quality

Supporting stakeholders in complying with the AUASB standards is important to support audit quality. To assist with the recently revised ASA 315 *Identifying and Assessing the Risks of Material Misstatements* with a focus on audits of less complex entities, the AUASB released a Staff Paper *ASA 315: Scalability Considerations for Audits of Less Complex Entities*. ASA 315 is long and complex, so this Staff Paper is designed to assist auditors of less complex entities by highlighting how scalability has been considered in ASA 315. Additionally, a dedicated web page has been established on the AUASB website with various ASA 315 implementation support materials.

The AUASB have been working with ASIC on further understanding ASIC audit inspection findings and whether there are any amendments to standards or guidance needed to support practitioners. The AUASB will continue to work with ASIC and auditors on identification of further initiatives. The AUASB issued a Bulletin *Supporting Auditors in Enhancing Audit Quality* to communicate actions taken by the AUASB with respect to specific auditing standards that assists auditors to enhance audit quality, including those in response to matters identified during recent ASIC audit inspections.

SUSTAINABILITY

Reflecting the growing global and local attention and urgency around sustainability reporting and the assurance thereof, to support preparers and assurers of non-financial information, the AUASB has been proactive in taking preparatory steps to support future implementation of Australian sustainability-related and climate-risk disclosure and assurance standards. The following strategic initiatives have been completed during the year or are currently underway:

- An AUASB Bulletin *Extended External Reporting Assurance Guidance in Australia* has been issued to contextualise the IAASB's *EER Non-Authoritative Guidance* for the Australian jurisdiction.
- 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. Additionally, the AUASB Chair and staff, together with the AASB Chair and staff, are having on-going discussions with representatives from the accounting professional bodies, ASIC and the APESB, on the broader implications for the accounting and auditing profession.
- The FRC, AASB and AUASB released in March 2022 a *Position Statement on Extended External Reporting and Assurance* outlining that, at this time, the AASB intends to develop reporting requirements for sustainability-related information simultaneously with the relevant assurance standards developed by the AUASB, rather than via a separately established board.
- The AASB/AUASB issued a staff paper *Globally consistent reporting for sustainability-related information: Australian perspectives*. This paper provides an overview of the Australian perspective on the recent global sustainability-related developments and the

considerations for what approach the AASB and AUASB may take in response to those developments.

- In line with the AUASB's International Influencing Strategy and in my capacity as an IAASB member, I will continue to influence the direction and timely attention by the IAASB on the development of Sustainability assurance standards.
- The AUASB has issued AUASB Research Report 7: *A Literature Review on the Reporting and Assurance of Climate-related and Other Non-financial Information*. This literature review aims to inform practice and standard-setting by summarising and discussing key publications in the area of (i) climate-related disclosures (ii) Assurance on climate-related disclosures (iii) EER and (iv) Assurance on EER.

LESS COMPLEX ENTITIES

In recognition of the increasing complexity of the International Auditing Standards (ISAs) and challenges auditors are facing in applying these for audits of Less Complex Entities (LCEs), the IAASB issued a new proposed standard for audits of LCEs for public comment. While the Australian Auditing Standards (ASAs) are derived from the ISAs and apply to audits of entities of all complexities, the AUASB is aware of the challenges some stakeholders have in applying the ASAs to less complex audit engagements. Furthermore, the AUASB recognises that there are a range of factors driving challenges that impact the audit environment for LCEs which are not associated specifically with the auditing standards, such as:

- The myriad of legal and regulatory requirements for an audit (driven by a significant number of differing Commonwealth and State based legislative requirements).
- A lack of understanding of the requirements in auditing standards, different levels of assurance or inadequate training impacting the way the standards are applied.
- The expectation gap between practitioners and users with user needs not being fully understood.

To further explore the proposed IAASB standard and other factors driving the challenges in the environment, in September 2021, the AUASB issued a Consultation Paper *Exposure of the IAASB's Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits* seeking stakeholder feedback.

After extensive consultation with stakeholders, the AUASB responded to the IAASB's Exposure Draft. The AUASB's submission to the IAASB concluded that, while the AUASB supports the concept of a standalone standard for LCE audits, the proposed standard in its current form was not appropriate to meet the needs of Australian stakeholders. Based on a significant number of global responses, the IAASB is progressing with revisions to this proposed standard and through my membership of the IAASB I will be indirectly involved in these revisions. The AUASB will continue to monitor how this revised standard may meet the needs of Australian stakeholders.

In relation to other possible Australian initiatives which may assist LCE stakeholders, feedback from consultation has prompted the AUASB to continue to pursue the legal and regulatory environment in terms of the appropriateness of the assurance product and the terminology used in legislation to meet the intended needs of Assurance Prescribers and users.

PUBLIC SECTOR

In recognising the specific assurance needs of the Public Sector and that there are differences between engagements undertaken in the public and private sectors, public sector auditors may face challenges in applying the AUASB Standards. In response, the AUASB has established a Public Sector Project Advisory Group consisting of representatives from all the Australian Auditors General to assist in addressing public sector audit issues. This resulted in the issuing of Guidance Statement GS 023 *Special Considerations – Public Sector Engagements* which provides supplementary application and other explanatory material in relation to issues that, at times, present challenges applying certain AUASB Standards on public sector audit and assurance engagements. Topic-specific guidance issued so far include Terms of Engagement and Going Concern. Additional topic-specific guidance material will be developed and incrementally added to the Guidance Statement in response to emerging issues.

TECHNOLOGY

The AUASB have continued to prioritise the importance of providing guidance to auditors on how to apply new and emerging technologies on audit and assurance engagements, as well as identifying how to utilise different technologies to improve the way our standards are accessed by the profession.

Technology Project Advisory Group

The AUASB's Technology Project Advisory Group, consisting of representatives from the largest accounting firms, the public sector and the professional accounting bodies, issued a Bulletin *Integrity of Data Obtained for the Purpose of an Audit of a Financial Report*. This Bulletin focusses on data integrity, addressing matters related to the collection and transformation of data by the auditor. In addition, the AUASB issued a Bulletin on the *Auditor's Responsibilities for General IT Controls* based on the revised ASA 315 *Identifying and Assessing the Risks of Material Misstatement*. This Bulletin is designed to assist auditors in understanding the role of General Information Technology Controls (GITCs) in the audit of a financial report and the auditor's responsibilities related to GITCs. Lastly, in relation to technology, the AUASB revised Guidance Statement GS 016 *Bank Confirmation Requests*, to reflect the use of electronic confirmation services.

Digital Standards Portal

In the pursuit of our strategic projects on technology and less complex entities, last year saw the launch of our transformational Digital Standards Portal. In the current period, we have continued to update the Portal with additional features and functions to support effective and efficient use by our stakeholders. We have seen overwhelming usage of our Portal with a significant 'click rate' averaging around 6,500-page impressions per month.

AUSTRALIAN SPECIFIC STANDARDS AND GUIDANCE

Throughout this Chair's Review I have referred to the many Pronouncements, Guidance and Other Publications issued by the AUASB during the year. In addition to those already mentioned, the AUASB has issued the following Australian-specific standards and guidance to meet the needs of Australian stakeholders:

- *GS 010 Responding to Questions at an Annual General Meeting*: This guidance has been significantly enhanced to provide additional guidance on how to respond to questions auditors may receive at an Annual General Meeting (AGM);
- *ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*: ASA 600 is expected to enhance audit quality by reinforcing the accountability and ultimate responsibility of the Group Engagement Partner, adopting a risk-based approach to planning and performing a group audit engagement, and emphasising the need for robust communication and interactions between the group and component auditors; and
- *Feedback Statement Post Implementation Review – ASAE 3100 Compliance Engagements*: in accordance with the AUASB due process framework to gather information about the application of ASAE 3100 *Compliance Engagements* (ASAE 3100) issued by the AUASB in February 2017, the AUASB conducted a Post Implementation Review. Based on the evidence gathered through this process, the AUASB will not be implementing any change to ASAE 3100.

Furthermore, the AUASB revised ASA 101 *Preamble to AUASB Standards* and issued several Amending Standards and Exposure Drafts of amending standards largely to reflect conforming and consequential changes to other standards resulting from the issuance of a revisions to an underlying standard.

In addition, the AUASB approved changes to its *Due Process Framework* designed to streamline standard-setting activities and associated consultation processes that need to be applied when undertaking narrow scope projects.

INTERNATIONAL INFLUENCE

The AUASB's legislative mandate includes participating and contributing to the development of a single set of auditing standards for worldwide use, and we are required to use auditing standards issued by the IAASB as a base from which to develop local Auditing and Assurance standards. Therefore, it is important that we influence the direction of international standards to achieve local public interest outcomes and make sure they serve as the most effective foundation for our Australian standards. Effective 1 January 2022, for a period of 3 years, I was appointed to the International Auditing and Assurance Standards Board reflecting the strong role our region plays contributing to the global auditing standard process. In this role I have been assisted by AUASB Deputy Technical Director, Ms Rene Herman, who acts as my IAASB Technical Advisor, and other AUASB staff.

Additionally, Australia actively engages with and monitors the activities of other National Auditing and Assurance Standard Setters (NSS). We continue to build our international influence by working with other NSS, especially our colleagues in New Zealand and Canada, to work cooperatively and collaboratively on issues addressing our respective constituencies. In particular, Australia and New Zealand continue to work closely together to facilitate harmonisation of Trans-Tasman standard setting and I thank the outgoing Chair of the New Zealand Auditing Standards Board (NZAuASB), Mr Robert Buchanan, for his support both as a member of the AUASB and also as Chair of the NZAuASB and I welcome and look forward to working with the newly appointed NZAuASB Chair, Ms Marje Russ.

The AUASB provides ongoing feedback to me and Ms Herman on ongoing projects of the IAASB in key areas such as going concern, fraud, less complex audits, sustainability and audit evidence.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

To deliver on our strategic objectives, we recognise the importance of stakeholder outreach. In the last year, the AUASB has engaged with stakeholders across the country at speaking engagements and at national, regional and international meetings. During the COVID-19 pandemic, we have championed the use of technology to maintain this engagement using virtual meetings and webinars, and our reach across the AUASB network has continued to grow.

The AUASB's Consultation Paper of the *IAASB's Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits* proposes a significant change to our current framework and practice. It was important the AUASB obtain stakeholder feedback on whether the proposed standard will meet the needs of Australian stakeholders and serves in the Australian public interest. To this end, the AUASB conducted extensive virtual roundtables across Australia to obtain feedback on the AUASB's Consultation Paper.

With a return to normalised activities, the AUASB took the opportunity to re-engage face-to-face with our stakeholders and commenced formal agenda consultation roundtables. The purpose of the agenda consultation is to seek views from Australian stakeholders on which projects the AUASB should be addressing, with an emphasis on projects and priorities that are primarily domestic in nature. To further assist with the gathering of stakeholder feedback, the AUASB Issued Consultation Paper: *AUASB Agenda Consultation 2022–23*. Feedback from stakeholders will be used to inform the AUASB workplan going forward.

LOOKING TOWARD 2022-23

During 2022-2023 we will continue to work closely with the AASB and engage with all members of the financial reporting eco-system as we consider the reporting, assurance and regulatory implications of sustainability information in the Australian market.

We will remain focused on a number of our newer strategic priority areas including additional guidance for the public sector, a greater focus on not-for-profit entities, and the consideration of

assurance requirements which are clear and effective to meet the intended needs of Assurance Prescribers and users.

We will continue to actively contribute to the International Standard-Setting process in the critical areas of sustainability, going concern, fraud, less complex audits and audit evidence, and we will further develop our collaborations with other NSS and our research initiatives.

We will also continue to work on audit quality initiatives across our portfolio, including continuing working with ASIC and auditors to identify areas where we may assist with interpretation and compliance with our Auditing Standards.

As always, other emerging issues will be monitored and responded to in a timely manner.

FINANCIAL RESULTS

The AUASB has recognised a total Comprehensive loss of \$114,702 (2021: Surplus of \$85,745). The loss can be attributed to the additional costs of operating the standards portal and also increased employee costs. Travel costs have also been incurred due to the recommencement of travel in 2022.

The management fee paid to the AASB was \$571,443 (2021: \$633,735) (refer to Notes 2A and 2B to the Financial Statements). The Management fee relates to common costs incurred by AASB which have been apportioned between the two entities as agreed in the MOU. The costs are low due to reduced corporate services expenses, partly attributed to working remotely for a portion of the year.

Note 8 to the Financial Statements provides further details of variances from the reported budget numbers.

ACKNOWLEDGEMENTS

I would like to recognise all the members of the AUASB, including our members who retired in 2022-23, for their considerable contributions over the past year. I would also like to express my appreciation to the staff of the AUASB, for their continuing effective and efficient support of the AUASB through these challenging times.

Additionally, I thank the Chair at the AASB, Dr Keith Kendall, as we continue to build a close collaborative and co-operative relationship between the AASB and the AUASB. I look forward to working with the new Chair of the Financial Reporting Council, Mr Andrew Mills, on a range of matters impacting the Australian reporting and assurance landscape in the future.

Sincerely,



William Edge
Chair and CEO
26 September 2022

AUASB ANNUAL PERFORMANCE STATEMENT 2021-22

I, William Edge, as the accountable authority of the Auditing and Assurance Standards Board, present the 2021-22 annual performance statement of the Auditing and Assurance Standards Board, (AUASB) as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.



ENTITY PURPOSE

The functions of the AUASB are to:

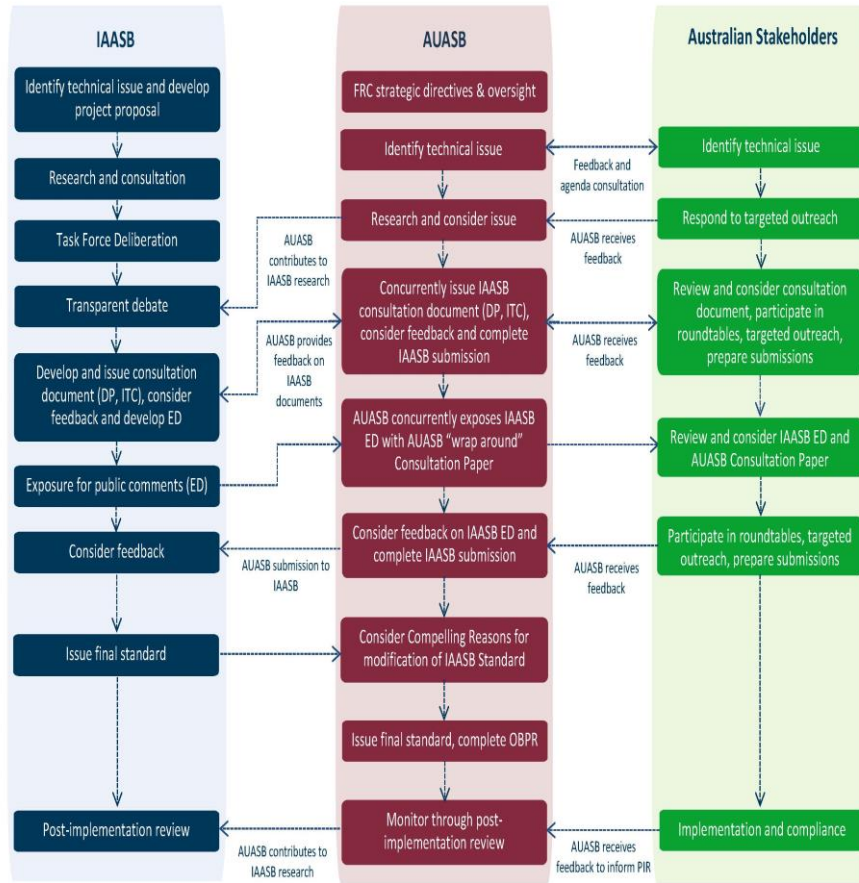
- make auditing standards under section 336 of the Corporations Act 2001 for the purposes of the Corporations' Legislation
- formulate auditing and assurance standards for other purposes
- formulate guidance on auditing and assurance matters
- participate in and contribute to the development of a single set of auditing standards for world-wide use
- advance and promote the main objectives of part 12 of the Australian Securities and Investments Commission Act 2001.

THE AUASB STANDARD SETTING PROCESS

In order to increase our influence during the formative stages of standards development, in 2020-21 the AUASB implemented a revised process for issuing IAASB Exposure Drafts (EDs) in Australia, where the EDs are issued concurrently with their release internationally. This approach is consistent with the way the AASB and many other standards setters seek to inform and influence international standards setting. Having now adopted this approach for all IAASB standards, the AUASB also in 2020-21 fully reviewed and updated its standard-setting and due process documentation and updated its policies relating to the conformity and harmonisation of AUASB standards with their global and NZAuASB equivalents.

The AUASB's Standard-Setting process is set out below.

AUASB Standard-Setting Process



AUASB's STRATEGIES FOR ACHIEVING ITS PURPOSE

| Strategy 1: Standard setting | Strategy 2: Australian external reporting framework | Strategy 3: International thought leadership | Strategy 4: Stakeholder engagement | Strategy 5: Influencing beyond financial reporting | Strategy 6: Emerging Issues | Strategy 7: Enhancing Consistency |
|--|---|---|---|---|--|---|
| 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). | Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required on external reports. | Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards. | In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia. | Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance. | Partner with the AASB and others to reform the Australian external reporting and assurance frameworks. | Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards. |

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: *Issue Australian Auditing and Assurance Standards based on IAASB equivalent standards in accordance with AUASB functions and mandate 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 to 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. <p>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.</p> |
| 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 |

| Current Priorities & KPIs | Achieved/Not Achieved | Comments |
|---------------------------|-----------------------|--|
| | | <p data-bbox="1232 367 1881 422">exposure drafts and other proposals issued. In particular the AUASB:</p> <ul data-bbox="1276 438 1881 662" style="list-style-type: none"><li data-bbox="1276 438 1881 526">○ conducted extensive outreach and provided feedback to the IAASB on the Proposed Standard on the Audit of Less Complex Entities; and<li data-bbox="1276 542 1881 662">○ 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 closely with the APESB to ensure alignment with the ethical standards that apply to assurance and non assurance firms. We |

| Current Priorities & KPIs | Achieved/Not Achieved | Comments |
|--|-----------------------|---|
| <p>Seek feedback on relevance, effectiveness and public interest of Australian-specific standards and guidance through stakeholder feedback, outreach programs and post-implementation reviews</p> | <p>Achieved</p> | <p>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. • 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. |

Current Priorities & KPIs

Achieved/Not Achieved

Comments

Identify gaps in the AUASB Framework where guidance is required and issue Guidance Statements or Bulletins to address these

Achieved

- 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, below the performance measure tables, this lists highlights publications on:
 - 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: *Monitor the Assurance Environment (including the impact of regulatory inspection findings) and address any implications for Australian auditing and assurance standards and guidance.*

| 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, and 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 reviews and provides input on the current IAASB work plan. Over the course of 2021-22, |

| Current Priorities & KPIs | Achieved/Not Achieved | Comments |
|---|-----------------------|--|
| Provide input to the international standard setting process through responding to international pronouncements using input from Australian stakeholders | Achieved | <p>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.</p> <ul style="list-style-type: none"> 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. 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 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 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 |
|---|-----------------------|---|
| <p>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</p> | <p>Achieved</p> | <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 existing guidance supports auditors to perform a high-quality audit in the current economic and external environment. |

| Current Priorities & KPIs | Achieved/Not Achieved | Comments |
|---|-----------------------|---|
| <p>Work with ASIC, the AASB, practitioners and other stakeholders to identify and address significant inspection findings associated with accounting and auditing standards</p> | <p>Achieved</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. • 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. • 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. ○ 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 |

| Current Priorities & KPIs | Achieved/Not Achieved | Comments |
|---|-----------------------|---|
| <p>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</p> | <p>Achieved</p> | <p>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:</p> <ul style="list-style-type: none"> ○ <i>A Position Statement on Extended External Reporting and Assurance</i>; and ○ <i>A Joint Staff Article on Globally consistent reporting of sustainability-related information: Australian perspectives.</i> <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 and 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 considerations arising 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. |

Current Priorities & KPIs

Achieved/Not Achieved

Comments

Support initiatives that promote consistency and understanding of the nature and extent of assurance required for external reporting requirements in Australia

Achieved

- 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 the 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. |

OUTPUTS

The AUASB's pronouncements, exposure drafts, consultation papers and other publications issued in 2021-22 are listed in the table below.

| Standards and Guidance Statements | |
|---|--|
| GS 010 | <i>Responding to Questions at an Annual General Meeting</i> (September 2021) |
| ASA 101 | <i>Preamble to AUASB Standards</i> (September 2021) <i>Foreword to AUASB Pronouncements</i> (September 2021) |
| ASA 2021-2 | <i>Amendments to Australian Auditing Standard ASA 560 Subsequent Events</i> (September 2021) |
| ASA 2021-3 | <i>Amendments to Australian Auditing Standards</i> (September 2021) [NB: Conforming Amendments to reflect the revised ASA 101 <i>Preamble to AUASB Standards</i>] |
| ASA 2021-4 | <i>Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i> (September 2021) |
| ASA 2021-5 | <i>Amendments to Australian Auditing Standards</i> (November 2021) [NB: Amendments represent editorial corrections] |
| GS 023 | <i>Special Considerations – Public Sector Engagements</i> (December 2021) |
| ASA 2022-1 | <i>Amendments to Australian Auditing Standards</i> (April 2022) [NB: Conforming Amendments to reflect ISA 600 (Revised) <i>Special Considerations—Audits of Group Financial Report (Including the Work of Component Auditors)</i>] |
| ASA 600 | <i>Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)</i> (May 2022) |
| GS 016 | <i>Bank Confirmation Requests</i> (June 2022) |
| GS 023 | <i>Special Considerations – Public Sector Engagements</i> (June 2022) |
| Exposure Drafts and Consultation Papers | |
| Consultation Paper | Exposure of the IAASB's <i>Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)</i> ; and Consideration of Possible alternative options for Australian LCE audits (September 2021) |
| ED 01/22 | <i>Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards</i> (May 2022) |
| ED 02/22 | <i>Proposed Conforming and Consequential Amendments to the other AUASB Standards to align to the IAASB Other Standards</i> (June 2022) |

AUASB Publications

AUASB Bulletin on Extended External Reporting (EER) Assurance Guidance in Australia (August 2021)

AUASB Bulletin on Integrity of data obtained for the purpose of an audit of a financial report (August 2021)

FRC/AASB/AUASB Position Statement on Extended External Reporting and Assurance (November 2021)

AUASB Staff Paper on ASA 315: *Scalability Considerations for Audits of Less Complex Entities* (November 2021)

AUASB Bulletin on Supporting Auditors in Enhancing Audit Quality (December 2021)

AASB and AUASB Joint Staff Article on Globally consistent reporting for sustainability-related information: Australian perspectives (December 2021)

AUASB Bulletin on Quality Management Standards – Enhancing Audit Quality (May 2022)

AUASB Research Report 7: A Literature Review on the Reporting and Assurance of Climate-related and Other Non-financial Information (May 2022)

Consultation Paper: AUASB Agenda Consultation 2022–23 (May 2022)

AUASB Bulletin on ASA 315 and the Auditor's Responsibilities for General IT Controls (June 2022)

AUASB Bulletin on Auditor's considerations in times of changing and uncertain economic conditions (June 2022)

AUASB Feedback Statement for post-implementation review (PIR) on ASAE 3100 *Compliance Engagements* (June 2022)

AUASB Authoritative Pronouncements can be accessed via

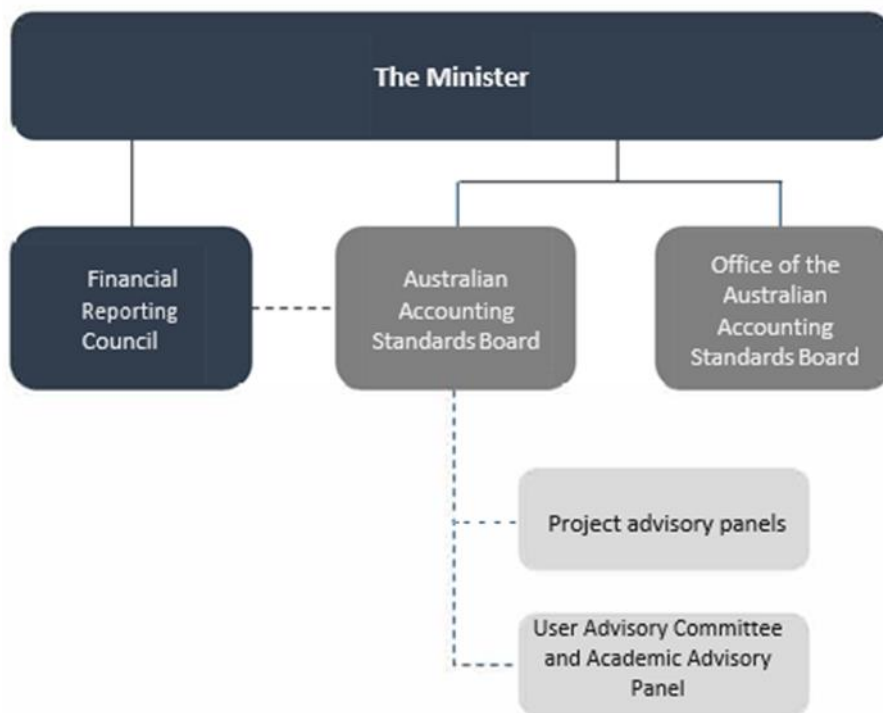
www.auasb.gov.au/standards-guidance/auasb-standards/australian-auditing-standards

The AUASB's Technical Work Programs can be accessed via

www.auasb.gov.au/about-auasb/corporate-plan-strategy

MANAGEMENT AND ACCOUNTABILITY

How the AASB works



The Minister

The Minister appoints the Chair of the AASB. The Chair of the AASB is accountable to the Minister regarding the operations of the AASB and the Office of the AASB.

Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AASB and has oversight of the process for setting accounting standards in Australia. The FRC appoints Board members to the AASB.

AASB

The AASB is an Australian non-corporate Government Entity responsible for developing, issuing and maintaining accounting standards under section 334 of the *Corporations Act 2001* for the purposes of the corporations legislation. The AASB also formulates accounting standards and or guidance for other purposes and participates in, and contributes to, the development of a single

set of international accounting standards for worldwide use. The AASB's vision and strategies are set out on page 8. Further detail on the AASB's functions are set out in Appendix A.

To be eligible for appointment as a member of the AASB, a person must have knowledge of, or experience in, business, accounting, law or government. Initial appointment is for a maximum of three years with possible extensions for a further two terms.

The members of the AASB during 2021-22 are listed below. The AASB met four times via video conference and three times as a hybrid meeting during 2021-22 for a total of 11 meeting days. Attendance of members at these meetings is set out in Appendix B.

Office of the AASB

The Office of the AASB provides technical and administrative services, information and advice to the AASB. The Chair of the AASB is also the Chief Executive Officer of the Office of the AASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the Managing Director.

Membership

Chair

Keith Kendall was appointed as Chair of the AASB and CEO of the Office of the AASB for a five-year term from 3 May 2020 to 2 May 2025. The duties of the Chair and CEO of the AASB are outlined in sections 235D to 235J of the *Australian Securities and Investments Commission Act 2001*.

As Chair of the AASB, Keith Kendall is also a member of the FRC and a member of the NZASB.

The members of the AASB holding office during the year ended 30 June 2022 were:

| Board Member | Qualification | Appointment end date |
|------------------|---|--------------------------------------|
| Carolyn Cordery | NZASB Chair | Reciprocal member from February 2021 |
| James Grant | Westpac | December 2024 (2 nd term) |
| Dean Hanlon | Monash University | December 2023 |
| David Holland | Sapphire Professional Services | December 2022 |
| Toby Langley | Xero | December 2023 |
| Sean Osbourne | NSW Treasury | December 2024 |
| Paul Rogers | KPMG | December 2024 (2 nd term) |
| Caroline Spencer | Auditor General of Western Australian Office of Auditor General | December 2023 |
| Stephen Taylor | University of Technology Sydney | December 2022 (2 nd term) |
| Alison White | Deloitte | December 2023 (2 nd term) |

| Board Member | Qualification | Appointment end date |
|--------------|---------------|----------------------|
|--------------|---------------|----------------------|

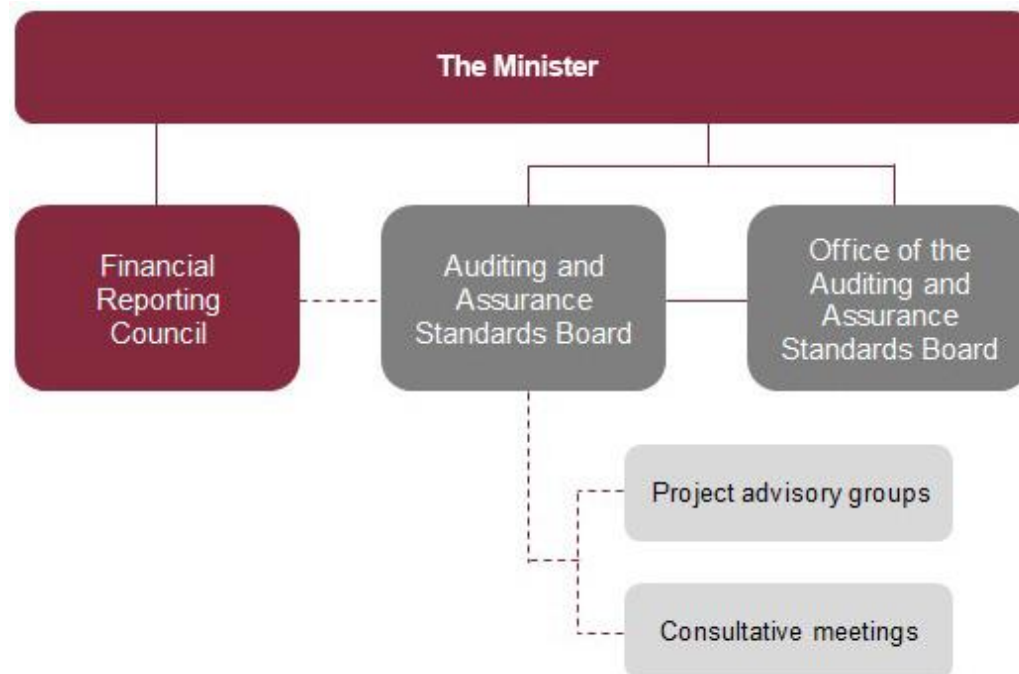
Retirements

| | | |
|--------------|-------------------------|--------------------------------|
| Peter Gibson | Commonwealth Finance | Department of December 2021 |
|--------------|-------------------------|--------------------------------|

Observers

There was no one with observer status during the year.

How the AUASB works



The Minister

The Minister appoints the Chair of the AUASB. The Chair of the AUASB is accountable to the Minister regarding the operations of the AUASB and the Office of the AUASB.

Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AUASB and has oversight of the process for setting auditing and assurance standards in Australia. The FRC appoints Board members to the AUASB for various terms.

AUASB

The AUASB an Australian non-corporate Government Entity responsible for making auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation. The AUASB also formulates auditing and assurance standards for other purposes and participates in and contributes to the development of a single set of international auditing standards for worldwide use. The AUASB's vision and strategies are set out on page 8. Further detail on the AUASB's functions are set out in Appendix A.

Board appointments may be made for a period of up to three years and retiring members are eligible for reappointment for a maximum of three terms.

The AUASB held five (two video conferences and three hybrid) meetings during 2021-22 for a total of eight meeting days. Attendance of members at these meetings is set out in Appendix B.

Office of the AUASB.

The Office of the AUASB provides technical support and information and advice to the AUASB. The Chair of the AUASB is also the Chief Executive Officer of the Office of the AUASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the Managing Director.

Membership

Chair

William Edge (Bill) was appointed as Chair of the AUASB and CEO of the Office of the AUASB for a 12-month term from 1 July 2021 following on from a short-term appointment. Effective from 1 July 2022, Bill has been appointed as the Chair of the AUASB for a further 12-month term.

The duties of the Chair and CEO of the AUASB are outlined in sections 235D to 235J of the *Australian Securities and Investments Commission Act 2001*.

As Chair of the AUASB, he is also a member of the FRC and a member of NZAuASB.

The AUASB comprised an independent Chair (appointed by the Minister) and 10 part-time members (appointed by the FRC).

The members during 2021-2022 were:

| Board Member | Qualification | Appointment end date |
|----------------------------|--|--------------------------------------|
| Julie Crisp (Deputy Chair) | Northern Territory Auditor-General's Office | December 2023 (2 nd term) |
| Tracey Barker | KPMG | December 2024 |
| Klynton Hankin | PwC | December 2024 (2 nd term) |
| Noel Harding | UNSW Sydney | December 2023 (2 nd term) |
| Joanne Lonergan | EY | December 2024 |
| Andrew Porter | CFO - Australian Foundation Investment Company | December 2022 |
| Michelle Shafizadeh | Moore Australia | December 2023 |

| Board Member | Qualification | Appointment end date |
|--------------------|------------------------|---|
| Retirements | | |
| Jo Cain | Non-Executive Director | 3 rd term completed December 2021 |
| Rodney Piltz | EY | 1 st term completed December 2021 |
| Carolyn Ralph | KPMG | 2 nd term completed December 2021 |
| Gareth Bird | Deloitte | Retired 1 April 2022 (2 nd term) |
| Robert Buchanan | Chair, NZAuASB | Reciprocal member until 30 June 2022 |

Observers

There was no one with observer status during the year.



Photo of AUASB Chair and some of the Board Members as at 30 June 2022.

AASB AND AUASB'S CORPORATE GOVERNANCE

The corporate governance practices of the AASB, AUASB and the Offices of the AASB and the AUASB comply with statutory and other external requirements and aim to achieve sound administrative and financial management practice. They are designed to ensure the efficient, effective and ethical use of resources.

As part of its ongoing focus on effective governance arrangements, the Offices of the AASB and AUASB periodically consider a range of issues, including:

- Clear accountability mechanisms;
- Leadership, culture and communication;
- Appropriate governance and committee structures;
- Effectiveness of work with stakeholders;
- Comprehensive risk management, compliance and assurance systems and
- Strategic planning, performance monitoring and evaluation.

AUDIT COMMITTEE

The AASB and AUASB Audit and Risk Committee's (ARC) role is to provide independent assurance and assistance to the Chairs on their financial and performance reporting responsibilities, risk oversight and management, and system of internal control. The Committee is not responsible for the executive management of these functions. The Committee engages with management in discharging its advisory responsibilities and formulating its advice to the Chairs.

The Audit and Risk Committee follows the recommended practice guidelines issued by the Department of Finance for non-corporate Commonwealth entities. The Audit and Risk Committee comprises an independent external Chair, and three external members. The Australian National Audit Office (ANAO) also attends Audit and Risk Committee meetings as an observer, as do other AASB and AUASB management representatives.

Audit and Risk Committee members are:

| Member | Qualifications, knowledge, skills or experience | Number of meetings attended/total number of meetings | Total annual remuneration |
|---------------|--|--|---------------------------|
| Stuart Alford | BEcon (Hons), FCA, MAICD. is the Independent Chair of our Audit and Risk Committee. Stuart is a Non-Executive Director with considerable board and audit committee experience. He is a retired EY partner and a former member and Chair of the Auditing and Assurance Standards Board. | 4/4 | \$12,000 |

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2021-22

| Member | Qualifications, knowledge, skills or experience | Number of meetings attended/total number of meetings | Total annual remuneration |
|--------------------|--|--|---------------------------|
| Michael Alexander | Honours Economics, Research Doctorate, Labor and Industrial Relations, Deputy Director, Corporate Services at Australian Institute of Family Studies | 3/4 | n/a |
| Kylie Maher | Graduate, Australian Institute of Company Directors, Certified Practising Accountant (CPA), Bachelor of Business (Accounting) and Member, Institute of Internal Auditors. Kylie has 26 years experience in providing Finance, Risk and Governance advisory services as a Partner/Director at Moore Australia and KPMG. | 4/4 | \$8,000 |
| Mark Stretton | BCom (Acc & Fin), BEc, Grad Dip App F in & Inv, FFIIn, CA, CPA. Partner with Deloitte Touche Tohmatsu where he has 28 years experience providing audit and assurance services in Australia and internationally. | 4/4 | n/a |
| Retirements | | | |
| Andrew Mills | Bus, LL.M, Grad Dip Tax Law, CTA (Life), GAICD. Over 40 years experience in senior commercial, practice, government and academic roles and experience as a member of other audit and risk committees | 3/4 | \$4,000 |

The Audit and Risk Committee charter can be sourced at: www.aasb.gov.au/about-the-aasb/government-reports/audit-and-risk-committee/

RISK MANAGEMENT

The Office of the AASB and AUASB risk management framework aligns with the Commonwealth Risk Management Policy and enables risk to be managed in line with our low-risk appetite. We monitor and report on risks via a series of risk registers. The Executive and the Audit and Risk Committee regularly review the risk-management framework, including the strategic risk register and other risk registers as appropriate

FRAUD PREVENTION AND CONTROLS

Fraud control is regarded by the AASB and AUASB as a continuous process, and AASB and AUASB officers and employees maintain an awareness of fraud risk generally, and their responsibility to take any reasonable action to reduce the possibility and impact of losses through fraud.

The AASB and AUASB has in place a fraud risk assessment and fraud control plan. It has adequate fraud prevention, detection, investigation and reporting mechanisms that meet its specific needs.

I, Keith Kendall as the AASB accountable authority, certify that the AASB meets the obligations arising from section 10 of the *Public Governance, Performance and Accountability Rule 2014*. This legislation requires appropriate fraud risk, fraud assessment, fraud detection and subsequent reporting mechanisms to be in place.

I, William Edge, as the AUASB accountable authority, certify that the AUASB meets the obligations arising from section 10 of the *Public Governance, Performance and Accountability Rule 2014*. This legislation requires appropriate fraud risk, fraud assessment, fraud detection and subsequent reporting mechanisms to be in place.

ETHICS

The Offices of the AASB and AUASB employees are required to adhere to the Australian Public Service values and code of conduct under the *Public Service Act 1999*.

Australian Public Service values include performing functions impartially and professionally, the highest ethical standards, open accountability, providing frank, honest, comprehensive, accurate and timely advice to government and promoting communication, consultation, cooperation and input from employees.

The requirements of the code of conduct include honesty, care and diligence, courtesy, compliance with the law, avoiding conflicts of interest and proper use of Commonwealth resources and information.

PUBLIC INTEREST DISCLOSURE

The *Public Interest Disclosure Act 2013* (PID Act) promotes integrity and accountability in the Commonwealth public sector by encouraging the disclosure of information about suspected wrongdoing. It also protects people who make disclosures and requires agencies to investigate or take other appropriate actions.

In accordance with the PID Act, the Office of the AASB and AUASB has a PID policy/procedure which is made available on their websites. During the reporting period, no public interest disclosures were received.

INFORMATION PUBLICATION SCHEME STATEMENT

In accordance with the Freedom of Information (FOI) Act and the Information Publication Scheme (IPS), AASB and AUASB publish a range of information on its websites, such as its organisational structure, appointments, annual reports, gift register, Audit and Risk Committee & Board Charters, Code of Conduct, legal expenditure, and details of the freedom of information officer. The Statements of Expectations and Intent are also available on the websites

AASB PERSONNEL MANAGEMENT

Table 1a: AASB Ongoing employees at 30 June 2022

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|-----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| QLD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VIC | 5 | 1 | 6 | 5 | 4 | 9 | 0 | 0 | 0 | 15 |
| WA | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| ACT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 5 | 1 | 6 | 7 | 4 | 11 | 0 | 0 | 0 | 17 |

Table 1b: AASB Ongoing employees at 30 June 2021

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|-----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 0 | 1 |
| QLD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |
| VIC | 6 | 1 | 7 | 3 | 4 | 7 | 0 | 0 | 0 | 14 |
| WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 6 | 1 | 7 | 4 | 5 | 9 | 0 | 0 | 0 | 16 |

Table 1c: AASB Non-ongoing employees at 30 June 2022

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| QLD | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VIC | 0 | 4 | 4 | 0 | 1 | 1 | 0 | 0 | 0 | 5 |
| WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 5 | 5 | 0 | 2 | 2 | 0 | 0 | 0 | 7 |

Table 1d: AASB Non-ongoing employees at 30 June 2021

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |
| QLD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VIC | 0 | 3 | 3 | 1 | 2 | 3 | 0 | 0 | 0 | 6 |
| WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 0 | 1 |
| Total | 0 | 3 | 3 | 1 | 4 | 5 | 0 | 0 | 0 | 8 |

As at 30 June 2021 no employees identified as Indigenous

Table 2: AASB Other highly paid staff as at 30 June 2022

| Total remuneration bands | Short term benefits | | | Post-employment benefits | Other long-term benefits | Termination benefits | Total remuneration | | |
|--------------------------|-----------------------------------|---------------------|-----------------|--------------------------------------|--------------------------------------|--|----------------------------|---|-----------|
| | Number of other highly paid staff | Average base salary | Average bonuses | Average other benefit and allowances | Average superannuation contributions | Average long service leave term benefits | Average total remuneration | | |
| \$0 - \$220,000 | 2 | \$184,909 | 0 | \$895 | \$18,491 | \$4,623 | 0 | 0 | \$208,918 |

Table 3: AASB Salary ranges as at 30 June 2022

| Salary Bands | Senior executive full time | Senior executive part time | Technical & non-technical full time | Technical & non-technical part time |
|------------------------|----------------------------|----------------------------|-------------------------------------|-------------------------------------|
| \$ 15,000 to \$104,999 | 0 | 0 | 3 | 1 |
| \$105,000 to \$194,999 | 0 | 0 | 6 | 1 |
| \$195,000 to \$284,999 | 2 | 1 | 1 | 0 |
| \$285,000 to \$374,999 | 0 | 1 | 0 | 0 |
| \$375,000 to \$464,999 | 1 | 0 | 0 | 0 |

AUASB PERSONNEL MANAGEMENT



Photo of AUASB Chair and Staff as at 30 June 2022.

Table 4a: AUASB Ongoing employees at 30 June 2022

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 0 | 0 | 0 | 0 | 1 | 0 | 0 | 0 | 0 |
| QLD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VIC | 3 | 0 | 3 | 2 | 3 | 5 | 0 | 0 | 0 | 8 |
| WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 3 | 0 | 3 | 2 | 3 | 5 | 0 | 0 | 0 | 8 |

Table 4b: AUASB Ongoing employees at 30 June 2021

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| QLD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VIC | 2 | 1 | 3 | 2 | 3 | 5 | 0 | 0 | 0 | 8 |
| WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACT | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 3 | 1 | 4 | 2 | 3 | 5 | 0 | 0 | 0 | 9 |

Table 4c: AUASB Non-ongoing employees at 30 June 2022

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| QLD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VIC | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |

Table 4d: AUASB Non-ongoing employees at 30 June 2021

| | Male | | | Female | | | Indeterminate | | | Total |
|----------------------|----------|----------|------------|----------|----------|--------------|---------------|----------|---------------------|----------|
| | F/T | P/T | Total Male | F/T | P/T | Total Female | F/T | P/T | Total Indeterminate | |
| NSW | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| QLD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| SA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Tas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| VIC | 0 | 1 | 1 | 0 | 2 | 2 | 0 | 0 | 0 | 3 |
| WA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ACT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NT | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| External Territories | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Overseas | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 0 | 1 | 1 | 0 | 2 | 2 | 0 | 0 | 0 | 3 |

As at 30 June 2022 no employees identified as Indigenous.

Table 5: AUASB Other highly paid staff as at 30 June 2022

| Total remuneration bands | Number of other highly paid staff | Short term benefits | | | Post-employment benefits | Other long-term benefits | | Termination benefits | Total remuneration |
|--------------------------|-----------------------------------|---------------------|-----------------|--------------------------------------|--------------------------------------|----------------------------|----------------------------------|------------------------------|----------------------------|
| | | Average base salary | Average bonuses | Average other benefit and allowances | Average superannuation contributions | Average long service leave | Average other long-term benefits | Average termination benefits | Average total remuneration |
| \$0 - \$220,000 | 2 | \$184,909 | 0 | \$895 | \$18,491 | \$4,623 | 0 | 0 | \$208,918 |

Table 6: AUASB Salary ranges as at 30 June 2022

| Salary Bands | Senior executive full time | Senior executive part time | Technical & non-technical full time | Technical & non-technical part time |
|------------------------|----------------------------|----------------------------|-------------------------------------|-------------------------------------|
| \$ 15,000 to \$104,999 | 0 | 0 | 1 | 0 |
| \$105,000 to \$194,999 | 0 | 0 | 2 | 1 |
| \$195,000 to \$284,999 | 1 | 2 | 0 | 0 |
| \$285,000 to \$374,999 | 0 | 0 | 0 | 0 |
| \$375,000 to \$464,999 | 1 | 0 | 0 | 0 |

NON-SALARY BENEFITS

The AASB and AUASB offers employees a number of non-salary benefits which include:

- Annual influenza immunisation;
- COVID19 vaccination incentive;
- Mentoring and coaching programs;
- In-house capability development programs;
- Confidential employee assistance program for employees and their immediate families;
- Study assistance to eligible employees;
- Access to flexible working arrangements;
- Access to equipment to work from home during COVID-19 lockdown restrictions;
- Various well-being packages to support staff during lockdown restrictions; and
- Contributions to relevant professional memberships.

The AASB and AUASB provides the Senior Executive Service (SES) employees and where there is a business need some employees with a mobile phone, tablet, laptop and/or airline lounge membership. Employees can also make use of a range of salary sacrifice benefits, including additional superannuation and leased motor vehicles.

BRINGING IT ALL TOGETHER

The AASB and AUASB are each supported by an Office providing technical and administrative services to the Boards. Each Office is a non-corporate Australian Government entity under the ASIC Act. The Offices are the financial entities governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The AASB and AUASB are effectively operating to the extent permitted by legislation, as a single Office supporting both Boards. The Chairs are Chief Executive Officers and the Accountable Authority under the PGPA Act and are responsible for the preparation of the financial reports for each entity, however, have delegated to the maximum extent permitted the CEO responsibilities to the Managing Director.

The Managing Director is responsible for the operation of the Office of AASB. The Offices of the AASB and AUASB have implemented a shared service model, in that the AASB provides all administrative services for the AUASB and their respective Boards.

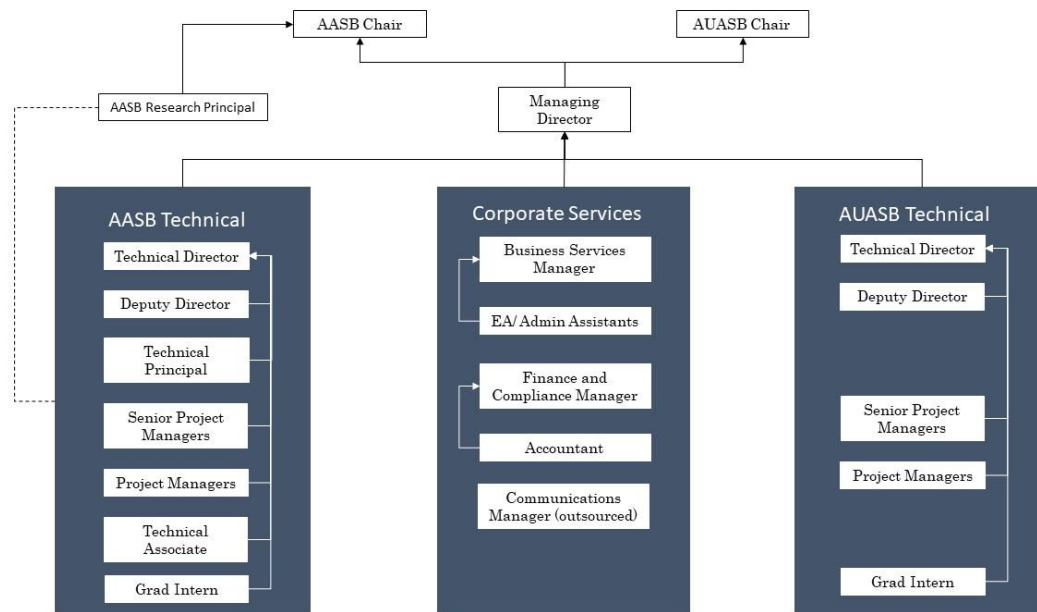
(The diagram on the following page outlines the operational structure of the AASB, AUASB and the Office of both AASB and AUASB.)

In order to ensure appropriate governance and accountability, the operating model is governed by a memorandum of understanding (MOU) which is signed by the Chairs.

To transparently reflect this operating model and organisation structure, the AASB and AUASB have provided additional disclosures (refer to Note 2A and Note 2B) that aims to provide some

further understanding of the financial arrangements in relation to the costs of the services delivered in accordance with the MOU.

ORGANISATION CHART



OUR PEOPLE

Both Chairs are appointed by the Minister, pursuant to a contract for services with the respective Office of the Board. Salary and other entitlements of the Chairs are determined by the Commonwealth Remuneration Tribunal.

Members of the respective Boards are appointed for three-year terms. The FRC, via the Nominations Committee, is responsible for the selection process of AASB and AUASB Board members. Recommendations are tabled with the FRC for confirmation of appointment. Entitlements are determined by the Commonwealth Remuneration Tribunal.

The AASB and AUASB have the capacity to employ under the ASIC Act, as well as the *Public Service Act 1999* (PSA). As at 30 June 2022, all employees were employed under the *ASIC Act*.

Salaries and other entitlements of the technical and non-technical employees are linked to comparable industry and market levels of remuneration.

The performance management process is based on informal frequent performance discussions that build to formal meetings for review and forward planning of goals and objectives for the year.

Our employees undertake a range of training and professional development experiences which include attendance at seminars, conferences and training programs as appropriate on topics related to technical and personal development, policy and the administrative work of the AASB and AUASB.

It is a policy of the AASB and AUASB that employees do not receive performance bonuses. The AASB and the AUASB comply with the Workplace Bargaining Policy 2020 of the Australian Public Service Commission, as it applies to non-government entities, including the approach to annual wage adjustments which are linked to the private sector Wage Price Index annual percentage change for the immediately preceding June quarter.

Recruitment and retention of employees will always prove to be challenging – particularly in the specialist fields associated with standards setting. These challenges are being overcome by working to establish a core group of experienced technical people and complementing their skills through secondments from other government departments, the accounting and auditing firms, our graduate intern program and short-term appointments from academia and corporates for specialist skills.

Using these strategies, the Chairs are confident that they have well-qualified employees and are continuously developing appropriate policies and procedures to enable them to achieve the AASB's and AUASB's strategies.

FINANCIAL REPORTS

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INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer and Minister for Financial Services

Opinion

In my opinion, the financial statements of the Office of the Australian Accounting Standards Board (the Entity) for the year ended 30 June 2022:

- (a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2022 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2022 and for the year then ended:

- Statements by the Chairs;
- Statements of Comprehensive Income;
- Statements of Financial Position;
- Statements of Changes in Equity;
- Cash Flow Statements; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

GPO Box 707, Canberra ACT 2601
38 Sydney Avenue, Forrest ACT 2603
Phone (02) 6203 7300

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Mark Vial
Executive Director
Delegate of the Auditor-General

Canberra
27 September 2022



INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer and Minister for Financial Services

Opinion

In my opinion, the financial statements of the Office of the Auditing and Assurance Standards Board (the Entity) for the year ended 30 June 2022:

- (a) comply with Australian Accounting Standards – Simplified Disclosures and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2022 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2022 and for the year then ended:

- Statements by the Chairs;
- Statements of Comprehensive Income;
- Statements of Financial Position;
- Statements of Changes in Equity;
- Cash Flow Statements; and
- Notes to the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Simplified Disclosures and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Mark Vial
Executive Director
Delegate of the Auditor-General

Canberra
27 September 2022

STATEMENTS BY THE CHAIRS

AASB

In my opinion, the attached Financial Statements for the Office of the Australian Accounting Standards Board for the year ended 30 June 2022 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In my opinion, at the date of this statement, there are reasonable grounds to believe that the Office of the Australian Accounting Standards Board will be able to pay its debts as and when they fall due.



Dr Keith Kendall
Chair, CEO and CFO – AASB

26 September 2022

AUASB

In my opinion, the attached Financial Statements for the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2022 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In my opinion, at the date of this statement, there are reasonable grounds to believe that the Office of the Auditing and Assurance Standards Board will be able to pay its debts as and when they fall due.



William Edge
Chair, CEO and CFO – AUASB

26 September 2022

Statements of Comprehensive Income
for the period ended 30 June 2022

| | Notes | AASB | | AUASB | |
|--|-------|--------------------|--------------------|--------------------|--------------------|
| | | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| EXPENSES | | | | | |
| Employee and contractor costs | 3A | 3,497,082 | 3,234,745 | 1,640,859 | 1,524,799 |
| Supplier expenses | 3B | 978,469 | 893,348 | 319,224 | 234,960 |
| Occupancy expenses | 2B | 93,583 | 111,786 | 0 | 0 |
| Depreciation and amortisation | 3C | 307,135 | 293,234 | 51,506 | 3,934 |
| Finance costs | | 2,631 | 2,409 | 0 | 0 |
| Management fee paid to AASB | 2 | 0 | 0 | 571,443 | 633,735 |
| Write-down and impairment of assets & losses on sale | | 6,559 | 12,406 | 0 | 0 |
| Total expenses | | 4,885,459 | 4,547,928 | 2,583,032 | 2,397,428 |
| LESS: | | | | | |
| OWN-SOURCE INCOME | | | | | |
| Own-source revenue | | | | | |
| Sale of goods and rendering of services | | 25,910 | 558 | 0 | 0 |
| Management fee received from AUASB | 2 | 571,443 | 633,735 | 0 | 0 |
| Resources received free of charge | | 65,026 | 59,696 | 47,330 | 64,173 |
| Audit fees received free of charge | | 46,150 | 46,150 | 33,000 | 33,000 |
| Contributions from states and territories | | 500,000 | 500,000 | 0 | 0 |
| Total own-source revenue | | 1,208,529 | 1,240,139 | 80,330 | 97,173 |
| Net cost of services & cost of outcome delivery | | (3,676,930) | (3,307,789) | (2,502,702) | (2,300,255) |
| Revenue from Government | 4 | 3,568,000 | 3,565,000 | 2,388,000 | 2,386,000 |
| Surplus/(Deficit) attributable to the Australian Government | | (108,930) | 257,211 | (114,702) | 85,745 |
| Total comprehensive surplus/(deficit) attributable to the Australian Government | | (108,930) | 257,211 | (114,702) | 85,745 |

The above statements should be read in conjunction with the accompanying notes.

Statements of Financial Position
as at 30 June 2022

| | | AASB | | AUASB | |
|---|-------|------------------|------------------|------------------|------------------|
| | Notes | 2022 | 2021 | 2022 | 2021 |
| | | \$ | \$ | \$ | \$ |
| ASSETS | | | | | |
| Financial Assets | | | | | |
| Cash and cash equivalents | | 67,576 | 57,018 | 49,553 | 41,203 |
| Trade and other receivables | | 381,405 | 404,135 | 0 | 0 |
| Appropriation receivable | 4 | 2,313,000 | 2,405,000 | 1,068,000 | 1,092,000 |
| Total financial assets | | 2,761,981 | 2,866,153 | 1,117,553 | 1,133,203 |
| Non-Financial Assets | | | | | |
| Buildings right of use - at cost | | 1,263,059 | 140,062 | 0 | 0 |
| Plant & equipment - fair value | | 161,853 | 80,521 | 0 | 0 |
| Computer software – at cost | | 58,404 | 1,884 | 114,013 | 141,116 |
| Prepaid expenses | | 160,669 | 159,889 | 43,396 | 59,248 |
| Total non-financial assets | | 1,643,985 | 382,356 | 157,409 | 200,364 |
| Total assets | | 4,405,966 | 3,248,509 | 1,274,962 | 1,333,567 |
| LIABILITIES | | | | | |
| Payables | | | | | |
| Suppliers | | 154,142 | 169,833 | 25,959 | 7,285 |
| Management fee payable to AASB | 5B | 0 | 0 | 332,842 | 321,132 |
| Other payables | | 90,757 | 98,131 | 0 | 0 |
| Total payables | | 244,899 | 267,964 | 358,801 | 328,417 |
| Interest-bearing liabilities | | | | | |
| Leases | 7A | 1,296,884 | 146,850 | 0 | 0 |
| Total Interest-bearing liabilities | | 1,296,884 | 146,850 | 0 | 0 |
| Provisions | | | | | |
| Employee provisions | | 463,141 | 374,723 | 273,010 | 271,297 |
| Total provisions | | 463,141 | 374,723 | 273,010 | 271,297 |
| Total liabilities | | 2,004,924 | 789,537 | 631,811 | 599,714 |
| Net assets | | 2,401,042 | 2,458,972 | 643,151 | 733,853 |
| EQUITY | | | | | |
| Contributed equity | | 753,000 | 702,000 | 325,300 | 301,300 |
| Retained earnings | | 1,648,042 | 1,756,972 | 317,851 | 432,553 |
| Total equity | | 2,401,042 | 2,458,972 | 643,151 | 733,853 |

The above statements should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the period ended 30 June 2022

Australian Accounting Standards Board

| | Retained earnings | | Contributed equity/capital | | Total equity | |
|---|-------------------|------------|----------------------------|------------|------------------|------------|
| | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| Opening balance as at 1 July | 1,756,972 | 1,499,761 | 702,000 | 651,000 | 2,458,972 | 2,150,761 |
| Balance carried forward from previous period | | | | | | |
| Comprehensive income | | | | | | |
| Surplus/(Deficit) for the period | (108,930) | 257,211 | 0 | 0 | (108,930) | 257,211 |
| Comprehensive income attributable to the Australian Government | (108,930) | 257,211 | 0 | 0 | (108,930) | 257,211 |
| Transactions with owners | | | | | | |
| Departmental capital budget | 0 | 0 | 51,000 | 51,000 | 51,000 | 51,000 |
| Closing balance as at 30 June | 1,648,042 | 1,756,972 | 753,000 | 702,000 | 2,401,042 | 2,458,972 |

The above statements should be read in conjunction with the accompanying notes.

Auditing and Assurance Standards Board

| | Retained earnings | | Contributed equity/capital | | Total equity | |
|---|-------------------|------------|----------------------------|------------|------------------|------------|
| | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| Opening balance as at 1 July | 432,553 | 346,808 | 301,300 | 280,300 | 733,853 | 627,108 |
| Balance carried forward from previous period | | | | | | |
| Comprehensive income | | | | | | |
| Surplus/(Deficit) for the period | (114,702) | 85,745 | 0 | 0 | (114,702) | 85,745 |
| Comprehensive income attributable to the Australian Government | (114,702) | 85,745 | 0 | 0 | (114,702) | 85,745 |
| Transactions with owners | | | | | | |
| Departmental capital budget | 0 | 0 | 24,000 | 21,000 | 24,000 | 21,000 |
| Closing balance as at 30 June | 317,851 | 432,553 | 325,300 | 301,300 | 643,151 | 733,853 |

The above statement should be read in conjunction with the accompanying notes.

Cash Flow Statements

for the period ended 30 June 2022

| Notes | AASB | | AUASB | |
|---|------------------|--------------------|------------------|--------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| OPERATING ACTIVITIES | | | | |
| Cash received | | | | |
| Appropriations | 3,660,000 | 1,160,000 | 2,412,000 | 1,294,000 |
| Goods and services | 585,878 | 492,611 | 0 | 0 |
| Net GST received | 112,291 | 93,931 | 0 | 0 |
| Contributions received | 542,275 | 500,000 | 0 | 0 |
| Total cash received | 4,900,444 | 2,246,542 | 2,412,000 | 1,294,000 |
| Cash used | | | | |
| Employees and contractors | 3,351,012 | 3,155,978 | 1,591,816 | 1,664,209 |
| Suppliers | 1,162,735 | 1,028,637 | 811,431 | 537,278 |
| Interest payments on lease liabilities | 2,631 | 2,409 | 0 | 0 |
| Total cash used | 4,516,378 | 4,187,024 | 2,403,247 | 2,201,487 |
| Net cash from / (used by) operating activities | 384,066 | (1,940,482) | 8,753 | (907,487) |
| INVESTING ACTIVITIES | | | | |
| Cash received / (used) | | | | |
| Purchase of property, plant and equipment | (195,691) | (25,283) | (24,403) | (145,050) |
| Cash received from disposal of infrastructure, plant and equipment | 0 | 0 | 0 | 0 |
| Net cash used by investing activities | (195,691) | (25,283) | (24,403) | (145,050) |
| FINANCING ACTIVITIES | | | | |
| Cash received/used | | | | |
| Contributed equity | 51,000 | 51,000 | 24,000 | 21,000 |
| Principal payments of lease liabilities | (228,817) | (211,334) | 0 | 0 |
| Net cash from/used by financing activities | (177,817) | (160,334) | 24,000 | 21,000 |
| Net increase / (decrease) in cash held | 10,558 | (2,126,099) | 8,350 | (1,031,537) |
| Cash and cash equivalents at the beginning of the reporting period | 57,018 | 2,183,117 | 41,203 | 1,072,740 |
| Cash and cash equivalents at the end of the reporting period | 67,576 | 57,018 | 49,553 | 41,203 |

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS

Objectives of AASB and AUASB

The Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) are each supported by an Office providing technical and administrative services to the Boards. Each Office is formed under the *Australian Securities and Investments Commission Act 2001* (ASIC Act). The Offices are the financial entities governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are non-corporate Commonwealth Government Entities.

The Office of the AASB is structured to meet one outcome: the formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of the reports to make informed decisions.

The Office of the AUASB is structured to meet one outcome: the formulation and making of auditing and assurance standards and guidance that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.

Financial Reporting and Organisation Structure

The AASB and AUASB are effectively operating to the extent permitted by legislation, as a single Office supporting both Boards. The Chairs are Chief Executive Officers and the Accountable Authority under the PGPA and are responsible for the preparation of the financial reports for each entity. The Chairs have delegated to the maximum extent possible the CEO responsibilities to the Managing Director. The Managing Director supports the Chairs and manages the technical and administrative support staff of the AASB and AUASB. The AASB and AUASB have implemented a shared service model, in that the AASB provides specified administrative services for the AUASB. The AUASB does not employ any administrative support staff.

Given the common objectives of the AASB and AUASB and the interlinked financial relationships, their individual financial reports are presented jointly with a column for each entity, supplemented with a detailed note outlining the appropriations received, and the direct costs incurred by each of the AASB and AUASB, together with the common expenses.

The accounting policies applied by each Office are the same.

Events After the Statement of Financial Position Date

There are no major events post 30 June 2022 to report for the AASB or AUASB.

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Statements

The financial statements of the Offices of the AASB and the AUASB are required by Section 42 of the PGPA Act.

The financial reports have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.*

- *Australian Accounting Standards and Interpretations - including simplified disclosures for Tier 2 Entities under AASB 1060 issued by the AASB that apply for the reporting period.*

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars.

1.2 Significant Accounting Judgements and Estimates

There are no accounting assumptions or estimates at reporting date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

1.3 Changes in Australian Accounting Standards

(a) Adoption of Revised Australian Accounting Standard Requirements applicable for 30 June 2022

AASB 1060 *General Purpose Financial Statements - Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities* has been adopted this financial year. The AASB and AUASB had previously elected to apply Tier 1. This has not resulted in a material change in the disclosures.

(b) Revised Standards effective for years commencing after 30 June 2022

New standards, amendments to standards and interpretations that are applicable to future periods have been issued by the AASB. None of these are expected to have a material impact on future reporting periods, either because the AASB and AUASB do not conduct the types of transactions addressed by the pronouncements or because of the extent to which they may impact the AASB and AUASB is not expected to be material.

1.4 Taxation

The Offices of the AASB and AUASB are exempt from all forms of taxation, except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

1.5 Financial Instruments

AASB and AUASB have the following financial assets: cash and cash equivalents, management fee receivable and trade receivables. Management fee receivable and trade receivables are measured at amortised cost. The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

The net fair values of cash and cash equivalents, management fee receivable and trade receivables of the AASB and AUASB approximates their carrying amounts.

Financial assets are assessed for impairment at the end of each reporting period based on the simplified Expected Credit Losses (ECL) approach. The ECL are calculated using the provision

matrix that is based on historical credit loss experience adjusted for forward looking factors specific to the debtors and the economic environment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Offices of the AASB and AUASB are exposed to minimal credit risk due to the nature of the trade receivables, as they represent funding from State and Territories or Commonwealth Government. As there is no history of credit losses in the past and no forward-looking factors indicated differently, no allowance for ECL has been recognised.

The majority of trade receivables relates to a funding agreement between the Office of the AASB and the States and Territories. The current agreement runs from 1 July 2020 to 30 June 2023. Income is received in equal quarterly instalments and is recognised when controlled. All receivables are due in the next 12 months.

Financial instrument liabilities

The net fair value of trade creditors and management fee payable of the AASB and AUASB approximate their carrying amount.

Note 2: Analysis of Shared Operational Activities

Note 2A: Operational activities for AASB and AUASB

To transparently reflect the shared support model and organisation structure, the AASB and AUASB provide additional disclosure on a combined basis for their operational activities.

The AASB and AUASB shared support model effectively enables, to the extent permitted by legislation, the Offices of the AASB and AUASB to operate as a single Office supporting both Boards. Under the Memorandum of Understanding (MoU) between the AASB and the AUASB, the AASB incurs all costs of the AUASB.

The AASB recoups AUASB direct costs with no mark-up and accordingly does not recognise the reimbursement of these direct costs paid for by the AASB. The AASB recognises a receivable from the AUASB at the time the AASB pays for these expenses on behalf of the AUASB. AUASB direct costs are recognised as expenses of the AUASB. The AUASB recognises a payable to the AASB when charged by the AASB.

In addition, the AASB charges the AUASB a management fee to recover an appropriate portion of the total professional services expenses ('common expenses'). As the AASB solely bears legal obligations arising from the contracts for common employees, leases and other expenses, the AASB recognises the full amount of common expenses as incurred and recognises the management fee charged to the AUASB as revenue. The AUASB recognises the management fee as an expense. The common expense management fee for 2022 amounted to \$571,443 (2021: \$633,735).

| | AASB 2022 \$ | AUASB 2022 \$ | Shared 2022 \$ | Total 2022 \$ | Total 2021 \$ |
|--|--------------------|---------------------|----------------------|---------------------|---------------------|
| Note 2B: Operational activities | | | | | |
| Appropriations | 3,568,000 | 2,388,000 | 0 | 5,956,000 | 5,951,000 |
| Other income | 637,086 | 80,330 | 0 | 717,416 | 703,577 |
| Total income before common expense recharge | 4,205,086 | 2,468,330 | 0 | 6,673,416 | 6,654,577 |
| Common expense recharge ¹ | 571,443 | 0 | 0 | 571,443 | 633,735 |
| Total income | 4,776,529 | 2,468,330 | 0 | 7,244,859 | 7,288,312 |
| Employee and contractor costs | 3,067,159 | 1,640,859 | 429,923 | 5,137,941 | 4,759,544 |
| Direct supplier expenses (refer to Note 3B) | 435,717 | 319,224 | 0 | 754,941 | 583,517 |
| Common occupancy expenses | 0 | 0 | 93,583 | 93,583 | 111,786 |
| Common depreciation and amortisation expense | 0 | 51,506 | 307,135 | 358,641 | 297,168 |
| Common finance costs | 0 | 0 | 9,190 | 9,190 | 14,815 |
| Common supplier expenses (refer to Note 3B) | 0 | 0 | 542,752 | 542,752 | 544,791 |
| | 3,502,876 | 2,011,589 | 1,382,583 | 6,897,048 | 6,311,621 |
| Common expense recharge ¹ | 0 | 571,443 | 0 | 571,443 | 633,735 |
| | 3,502,876 | 2,583,032 | 1,382,583 | 7,468,491 | 6,945,356 |
| | | | | (223,632) | 342,956 |
| | | | | (108,930) | 257,211 |
| | | | | (114,702) | 85,745 |

¹ The common expense recharge includes recharges for common employee costs (refer to Note 3A), operating lease expenses, depreciation and amortisation expenses, finance costs and common supplier expenses (refer to Note 3B).

Note 3: Expenses

| | AASB | | AUASB | |
|---|------------------|------------------|------------------|------------------|
| | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| Note 3A: Employee and contractor costs | | | | |
| Employee wages and salaries | 2,894,130 | 2,622,356 | 1,423,009 | 1,274,859 |
| Defined contribution superannuation plans | 275,715 | 243,434 | 132,443 | 120,578 |
| Leave and other entitlements | 198,659 | 202,653 | 83,661 | 127,472 |
| Total employee benefits | 3,368,504 | 3,068,443 | 1,639,103 | 1,522,909 |
| Contractor costs | 128,578 | 166,302 | 1,756 | 1,890 |
| Total employee and contractor costs | 3,497,082 | 3,234,745 | 1,640,859 | 1,524,799 |

Note 3B: Supplier expenses

| | AASB | | AUASB | |
|---|----------------|----------------|----------------|----------------|
| | 2022 \$ | 2021 \$ | 2022 \$ | 2021 \$ |
| Direct expenses | | | | |
| Board members' services | 22,024 | 1,527 | 27,313 | 4,456 |
| Travel | 64,942 | 19,586 | 39,132 | 140 |
| Publications/subscriptions | 114,231 | 118,435 | 36,652 | 39,745 |
| Conference & professional development | 64,051 | 70,065 | 21,079 | 47,875 |
| Audit fees (received free of charge) | 46,150 | 46,150 | 33,000 | 33,000 |
| Compensation and related FBT expenses | 19,283 | 4,690 | 10,699 | 9,398 |
| Legal expenses | 24,345 | 22,955 | 15,667 | 13,539 |
| HR – Employee recruitment, training and support | 2,912 | 6,511 | 3,975 | 152 |
| Consultants | 51,599 | 29,000 | 117,319 | 69,902 |
| Other | 25,780 | 29,638 | 14,388 | 16,753 |
| Total direct expenses | 435,717 | 348,557 | 319,224 | 234,960 |
| Common expenses | | | | |
| Consultant costs – Other | 45,580 | 38,207 | 0 | 0 |
| Consultant costs – IT | 30,924 | 13,555 | 0 | 0 |
| Consultant costs – HR | 31,390 | 60,144 | 0 | 0 |
| HR – Employee recruitment, training and support | 595 | 4,847 | 0 | 0 |
| Administration costs | 365,251 | 362,546 | 0 | 0 |
| Legal expenses | 3,553 | 2,876 | 0 | 0 |
| Other | 65,459 | 62,616 | 0 | 0 |
| Total common expenses | 542,752 | 544,791 | 0 | 0 |
| Total supplier expenses | 978,469 | 893,348 | 319,224 | 234,960 |

Refer to Note 2 for further details on all Direct and Common expenses.

| | AASB | | AUASB | |
|---|----------------|----------------|---------------|--------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Note 3C: Depreciation and amortisation | | | | |
| Buildings right of use asset | 255,854 | 210,093 | 0 | 0 |
| Plant & equipment | 49,728 | 82,750 | 0 | 0 |
| Computer software | 1,553 | 391 | 51,506 | 3,934 |
| Total Depreciation | 307,135 | 293,234 | 51,506 | 3,934 |

Refer to Note 2 for further details on all Direct and Common expenses.

NOTE 3D: VOLUNTEER SERVICES (RESOURCES RECEIVED FREE OF CHARGE)

Volunteer services received by the AASB and AUASB of board member sitting fees, secondee arrangements and audit fees can all be reliably measured at fair value and would have been obtained under a commercial arrangement therefore have been recognised as revenue and an expense in the statements. The use of free of charge meeting rooms has been determined as not meeting the recognition requirements. Whilst the use of volunteer Panel members have been assessed as extensive. For the year ended 30 June 2022 AASB engaged twenty-two (2021: sixteen) panellists/researchers for one meeting (2021: One) and two (2021: zero) occasions using meeting rooms free of charge, whilst the AUASB also had zero (2021: zero) occasions of using a meeting room free of charge.

Note 4: Appropriations

(i) Revenue from Government

Amounts appropriated for departmental output for the year (adjusted for any formal additions and reductions) are recognised as revenue when the Offices of the AASB and AUASB gain control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

(ii) Equity Injections and distributions to Government

Equity Injections and distributions to Government Appropriation amounts that are designated as 'equity injections,' including Departmental Capital Budget amounts, are recognised directly in contributed equity/capital for the year. Amounts transferred to the Australian Government as redemptions of the Government's ownership interest in the Office of the AASB or the AUASB are recognised as distributions to owners that reduce the contributed equity/capital. Contributions and distributions are also made in accordance with Public Governance, Performance Accountability (Financial Reporting) Rule 2015 (FRR), clauses 40 - Formal additions and reductions and 43 - Annual Appropriations.

Note 4: Appropriations continued**Table A: Annual Appropriations ('Recoverable GST exclusive')**

| | AASB | | AUASB | |
|--|------------------|-----------|------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Ordinary annual services | | | | |
| Annual appropriation - Revenue from Government | | | | |
| Departmental appropriations <i>Appropriation Act (No. 1)</i> | 3,568,000 | 3,565,000 | 2,388,000 | 2,386,000 |
| Total Appropriation Act (No. 1) | 3,568,000 | 3,565,000 | 2,388,000 | 2,386,000 |
| Departmental capital budget ¹ | 51,000 | 51,000 | 24,000 | 21,000 |
| Total appropriations | 3,619,000 | 3,616,000 | 2,412,000 | 2,407,000 |
| PGPA Act – Section 74 | | | | |
| Own source income - not transferred to the Official Public Account | 1,128,153 | 992,611 | 0 | 0 |
| Total appropriation | 4,747,153 | 4,608,611 | 2,412,000 | 2,407,000 |
| Total appropriation applied (current and prior years) | 4,828,595 | 4,329,710 | 2,427,650 | 2,346,537 |
| Variance | (81,442) | 278,901 | (15,650) | 60,463 |
| Unspent annual appropriations ('Recoverable GST exclusive') - Closing balance (Table B) | | | | |
| Cash | 67,576 | 57,018 | 49,553 | 41,203 |
| Appropriation receivables | 2,313,000 | 2,405,000 | 1,068,000 | 1,092,000 |
| | 2,380,576 | 2,462,018 | 1,117,553 | 1,133,203 |

1 Departmental Capital Budgets are appropriated through Appropriation Acts (No.1, 3, 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

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Table B: Unspent Annual Appropriations ('Recoverable GST exclusive')

| Authority | AASB | | AUASB | |
|-------------------------------|------------------|-----------|------------------|-----------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Appropriation Act 1 – 2021/22 | 2,313,000 | 2,405,000 | 1,068,000 | 1,092,000 |
| Cash | 67,576 | 57,018 | 49,553 | 41,203 |
| Total | 2,380,576 | 2,462,018 | 1,117,553 | 1,133,203 |

Note 5: Related parties

The AASB and AUASB are Australian Government controlled non-corporate entities. Related parties are:

- Key Management Personnel of the AASB and AUASB, their close family members, and entities controlled or jointed controlled by either: (5A)
- all other Australian government entities (5B).

Key management personnel are determined as persons having authority and responsibility for planning, directing and controlling the activities of the entity. Based on a review of employee titles, analysis of the roles and job descriptions, the PGPA requirements for accountable authorities, the delegations made under the PGPA, the composition of the leadership meetings and communications to employees regarding the leadership team, the following positions have been included within key management personnel: the Chair and CEOs of each Board, the Managing Director and the Technical Directors of each Board.

Note 5A: Transactions with key management personnel

| | AASB | | AUASB | |
|--|----------------|----------------|----------------|----------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Short-term employee benefits: | | | | |
| Salary | 802,138 | 685,414 | 602,215 | 424,694 |
| Post-employment benefits: | | | | |
| Superannuation | 63,811 | 52,216 | 44,496 | 39,664 |
| Other short-term benefits: | | | | |
| Termination benefits - Separation and redundancies | 0 | 0 | 0 | 0 |
| Other long-term benefits: | | | | |
| Long Service Leave | 20,348 | 8,730 | 14,297 | 10,459 |
| Total other long-term benefits | 20,348 | 8,730 | 14,297 | 10,459 |
| Total | 886,297 | 746,360 | 661,008 | 474,817 |

During the reporting period ended 30 June 2022, AASB had three executives (2021: five) who meet the definition of key management personnel.

| Name | Position | Term as KMP |
|-----------------|--------------------|---|
| Keith Kendall | Chair | Full year |
| Justin Williams | Managing Director | Full year (4 days a week) |
| Nikole Gyles | Technical Director | Full year (3 days a week to 17th January & 4 days for the rest of the year) |

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During the reporting period ended 30 June 2022, AUASB had two (2021: three) executives who met the definition of key management personnel.

| Name | Position | Term as KMP |
|------------------|--------------------|--------------------|
| William Edge | Chair | Full year |
| Matthew Zappulla | Technical Director | Full year |

Governance Arrangements

The remuneration of the AASB and AUASB Chair is set by the Commonwealth Remuneration Tribunal Determination (Remuneration and Allowances for Holders of Full-time Public Office) Determination 2021. The remuneration of other KMP is set by the Chair's benchmarking against relevant published external remuneration portions. The individual's performance during the year in assisting to achieve the AASB or AUASB strategy is taken into account in determining the level of increase in base salary each year. The AASB and AUASB do not have bonus or financial incentive schemes in place.

Other non-salary benefits provided to KMP include annual influenza immunisation, COVID-19 vaccination incentive, mentoring and coaching programs, confidential employee assistance program, provision, mobile phone, tablet, laptop and airline lounge membership and internet allowance to facilitate remote working due to COVID-19.

| AASB | | Short-term benefits \$ | Post-employment benefits \$ | Other long-term benefits \$ | Termination Benefits \$ | Total remuneration \$ |
|------------------------------|--------------------|---------------------------------------|--|--|--|--------------------------------------|
| Name | Position | Base Salary | Superannuation contributions | Long service leave | | |
| Keith Kendall | Chair | 380,542 | 23,568 | 9,803 | 0 | 413,913 |
| Justin Williams (0.8 FTE) | Managing Director | 247,024 | 23,273 | 5,318 | 0 | 276,115 |
| Nikole Gyles (0.8 FTE) | Technical Director | 174,572 | 16,970 | 4,727 | 0 | 196,269 |
| Total | | 802,138 | 63,811 | 20,348 | 0 | 886,297 |

| AUASB | | Short-term benefits \$ | Post-employment benefits \$ | Other long-term benefits \$ | Termination Benefits \$ | Total remuneration \$ |
|------------------|--------------------|----------------------------------|---------------------------------------|---------------------------------------|-----------------------------------|---------------------------------|
| Name | Position | Base Salary | Superannuation contributions | Long service leave | | |
| William Edge | Chair | 392,241 | 23,749 | 9,110 | 0 | 425,100 |
| Matthew Zappulla | Technical Director | 209,974 | 20,747 | 5,187 | 0 | 235,908 |
| Total | | 602,215 | 44,496 | 14,297 | 0 | 661,008 |

Note 5B: Other Related Parties

For both AASB and AUASB all outstanding balances with related parties other than the AASB and AUASB are priced on an arm's length basis. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. For details of the arrangements between the AASB and AUASB refer Note 2.

The parent entity of both the AASB and the AUASB is the Department of Treasury and ultimate parent is the Australian Government.

The AASB and AUASB pay for the following services from other Commonwealth controlled entities: Employee Assistance Program from Treasury, Core Desktop Licenses from Department of Finance, insurance premiums from Comcover, legal advice from Australian Government Solicitors (AGS), and registration fees from Treasury for the Federal Register of Legislative instruments cost recovery.

None of these services are individually or collectively significant to the AASB or AUASB, therefore only the nature of these transactions are disclosed.

The AASB and AUASB procure IT support from the Productivity Commission to the value of \$217,519 for 2022 (2021: \$151,880). The nature of MOU between AASB and AUASB means that a related party transaction for the services rendered is sale of goods and services for AASB of \$571,443 (2021: \$633,735) and an expense to AUASB for the same value.

At the end of the financial year a receivable balance for AASB of \$332,842 (2021: \$321,132) existed and a goods payable balance for the AUASB for the same value.

Note 6: Property, Plant and Equipment

Note 6A Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluation

Following initial recognition at cost, property, plant and equipment are carried at fair value (or an amount not materially different from fair value) less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets does not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends upon the volatility of movements in market values for the relevant assets.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

| | 2022 | 2021 |
|--------------------------------|-------------|-------------|
| Right of use assets: | Lease Term | Lease Term |
| Computers and software assets: | 3 years | 3 years |
| Office equipment: | 5 years | 5 years |

Impairment

All assets were assessed for impairment at 30 June 2022.

Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment, made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Lease Right of Use (ROU) Assets (Buildings)

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. ROU assets are carried at costs.

Note 6B: Reconciliation of the opening and closing balance of material Property, Plant and Equipment for 2021-2022

| | Buildings \$ | AASB Plant & equipment \$ | Computer software \$ | AASB Computer software \$ |
|---|------------------|------------------------------------|----------------------------|------------------------------------|
| As at 1 July 2021 | | | | |
| Gross book value | 560,248 | 193,970 | 10,180 | 148,349 |
| Accumulated depreciation, amortisation and impairment | (420,186) | (113,449) | (8,296) | (7,233) |
| Total as at 1 July 2021 | 140,062 | 80,521 | 1,884 | 141,116 |
| Additions: | | | | |
| Purchase | 1,413,866 | 139,548 | 58,073 | 24,403 |
| Depreciation and amortisation | 0 | (49,728) | (1,553) | (51,506) |
| Depreciation on right-of-use assets | (255,854) | 0 | 0 | 0 |
| Disposals: | | | | |
| Other | (35,015) | (8,488) | 0 | 0 |
| Total as at 30 June 2022 | 1,263,059 | 161,853 | 58,404 | 114,013 |
| Total as at 30 June 2022 represented by | | | | |
| Gross book value | 1,413,866 | 306,953 | 62,733 | 169,453 |
| Accumulated depreciation, amortisation and impairment | (150,807) | (45,100) | (4,328) | (55,440) |
| Total as at 30 June 2022 | 1,263,059 | 161,853 | 58,404 | 114,013 |

Note 7: Other Information

Note 7A: Interest Bearing Liabilities

| | AASB | | AUASB | |
|--|------------------|----------------|----------|----------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Leases | | | | |
| Leases liabilities | 1,296,884 | 146,850 | 0 | 0 |
| Total lease liability | 1,296,884 | 146,850 | 0 | 0 |
| Maturity analysis - contractual undiscounted cash flows | | | | |
| Within 1 year | 269,994 | 147,275 | 0 | 0 |
| Between 1-5 years | 1,037,537 | 0 | 0 | 0 |
| Total leases | 1,307,531 | 147,275 | 0 | 0 |

The AASB in its capacity as a lessee, entered a lease contract for a period of 5 years (with one option of 5 years) commencing from 19th December 2021 in relation to Level 20 500 Collins Street Melbourne office premises. The rent is increase on each anniversary of the commencement date including any options by 3.5%, except that on the commencement of each option term the rent will be reviewed to market.

Accounting Policy

For all new contracts entered into, the AASB and AUASB considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.'

Once it has been determined that a contract is, or contains a lease, the lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease, if that rate is readily determinable, or the entities' incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification to the lease. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset or profit and loss depending on the nature of the reassessment or modification.

Note 7B: Aggregate Assets and Liabilities

| | AASB | | AUASB | |
|---|------------------|------------------|------------------|------------------|
| | 2022 | 2021 | 2022 | 2021 |
| | \$ | \$ | \$ | \$ |
| Assets expected to be recovered in: | | | | |
| No more than 12 months | | | | |
| Cash and cash equivalents | 67,576 | 57,018 | 49,553 | 41,203 |
| Trade and other receivables | 2,694,405 | 2,809,135 | 1,068,000 | 1,092,000 |
| Buildings right of use - at cost | 0 | 140,062 | 0 | 0 |
| Prepayments | 160,669 | 159,889 | 43,396 | 59,248 |
| Total no more than 12 months | 2,922,650 | 3,166,104 | 1,160,949 | 1,192,451 |
| More than 12 months | | | | |
| Buildings right of use | 1,263,059 | 0 | 0 | 0 |
| Plant and equipment | 161,853 | 80,521 | 0 | 0 |
| Computer software | 58,404 | 1,884 | 114,013 | 141,116 |
| Total more than 12 months | 1,483,316 | 82,405 | 114,013 | 141,116 |
| Total assets | 4,405,966 | 3,248,509 | 1,274,962 | 1,333,567 |
| Liabilities expected to be recovered in: | | | | |
| No more than 12 months | | | | |
| Suppliers | 154,142 | 169,833 | 25,959 | 7,285 |
| Other payables | 90,757 | 98,131 | 332,842 | 321,132 |
| Leases | 265,878 | 146,850 | 0 | 0 |
| Employee provisions | 265,930 | 188,209 | 156,944 | 145,192 |
| Total no more than 12 months | 776,707 | 603,023 | 515,745 | 473,609 |
| More than 12 months | | | | |
| Leases | 1,031,006 | 0 | 0 | 0 |
| Employee provisions | 197,211 | 186,514 | 116,066 | 126,105 |
| Total more than 12 months | 1,228,217 | 186,514 | 116,066 | 126,105 |
| Total liabilities | 2,004,924 | 789,537 | 631,811 | 599,714 |

Note 8: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2021-22 Portfolio Budget Statements (PBS) to the 2021-2022 final outcome as presented in accordance with Australian Accounting Standards. The Budget is not audited and where applicable, the original budget numbers have been reclassified to align with the financial statement.

Explanations are provided for major variances between actual results and the original budget. Variances are considered to be 'major' based on the following criteria:

- the variance between budget and actual is greater than 10%; and
- an item below this threshold but is considered important for the readers' understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of AASB.

Note 8A: Major Budget Variances for 2021-22

| Australian Accounting Standards Board | |
|---|---|
| Explanations of major variances | Footnote reference and affected statement |
| The budget anticipated that we might be leasing two properties during the transition from one office to another and that the fit-out costs would be depreciated, instead it was provided as part of the lease incentive. The budget did not include any allowance for the AASB Standards portal that has been developed and capitalised during the financial year | 3 Statement of Comprehensive Income - Depreciation and amortisation, Statement of Financial Position, Cash Flow Statement |
| Finance costs are favourable to budget as the budget was based on a new office lease that would be more expensive and for a longer term so incurring greater interest expense and higher Building ROU. The budget also anticipated leasing two premises for a couple of months during the transition. | 4 Statement of Comprehensive Income - Finance Costs, Statement of Financial Position & Cashflow Statement - Buildings ROU & Leases |
| The revenue is favourable because the AASB received some funding support from the NZ External Reporting Board for the cost of the preparation of the public sector insurance exposure draft that was not included in the budget. | 5 Statement of Comprehensive Income - Sale of goods and services |
| The Management fee recharge is less than budget due to reduced common costs being incurred for the year partly as a result of office costs being low as staff were working from home a good portion of the year due to the Melbourne pandemic lockdown restrictions. Common costs for consulting were lower than anticipated in the budget. | 6 Statement of Comprehensive Income - Management fee recharge |
| The bank balance was low compared to budget as AASB was ensuring that the appropriations are drawn down on a just in time basis to meet expense payments, decreasing the balance held in the bank account. | 8 Statement of Financial Position & Cashflow Statement - Cash and cash equivalents |

| | |
|--|---|
| <p>Additional prepaid cost incurred compared to anticipated in budget as a result of the operating costs for the AASB standards portal that are prepaid.</p> | <p>9 Statement of Financial Position - Prepaid expenses</p> |
| <p>Suppliers payable larger than budgeted due to timing of the receipt of a invoices for the AASB standards portal, that was expected to have been completed prior to the end of the financial year.</p> | <p>10 Statement of Financial Position - Suppliers</p> |
| <p>Variance to budget is due to the timing of employee payables such as the PAYG.</p> | <p>11 Statement of Financial Position - Other payables</p> |
| <p>Employee provisions high as staff have been reluctant to take leave due to the pandemic.</p> | <p>12 Statement of Financial Position – Employee provisions</p> |

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2021-22

| Auditing and Assurance Standards Board | |
|---|---|
| Explanations of major variances | Footnote reference and affected statement |
| Budget was based on Chair being part-time whilst actual costs were full time. Additional use of contractors to complete specialised projects. | 1 Statement of Comprehensive Income & Cashflow statement- Employee and contractor costs |
| Supplier expenses are favourable to budget due to the impact of COVID-19 on travel and other stakeholder engagement. The Management fee recharge is favourable to budget due to reduced common costs being incurred for the year, partly as a result of office costs being low as staff were working from home a good portion of the year due to the Melbourne pandemic lockdown restrictions. Common costs for consulting were lower than anticipated in the budget. | 2 Statement of Comprehensive Income & Cashflow Statement - Supplier expense |
| AUASB Standards portal amortisation costs that have been incurred for the year were not reflected in the budget. | 3 Statement of Comprehensive Income - Depreciation and amortisation |
| The budget anticipated more resources free of charge being received in the form of board member waived fees. There was a reduced number of members waiving fees and fewer meetings compared to what was anticipated in the budget. | 7 Statement of Comprehensive Income – resources received free of charge |
| The bank balance was low compared to budget as AUASB was ensuring that the appropriations are drawn down on a just in time basis to meet expense payments, decreasing the balance held in the bank account. | 8 Statement of Financial Position & Cashflow Statement - Cash and cash equivalents |
| Additional prepaid cost incurred compared to anticipated in budget as a result of the operating costs for the AUASB standards portal that are prepaid. | 9 Statement of Financial Position - Prepaid expenses |
| Suppliers payable larger than budgeted due to timing of the receipt of supplier invoices for the received at the end of the year. | 10 Statement of Financial Position - Suppliers |

Statements of Comprehensive Income
for the period ended 30 June 2022

| | AASB | | | AUASB | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Budget estimate | | Actual | Budget estimate | |
| | 2022 | Original 2022 | Variance 2022 | 2022 | Original 2022 | Variance 2022 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| EXPENSES | | | | | | |
| Employee and contractor costs ¹ | 3,497,082 | 3,320,000 | 177,082, | 1,640,859 | 1,381,000 | 259,859 |
| Supplier expenses ² | 1,072,052 | 1,084,000 | (11,948) | 890,667 | 1,112,000 | (221,333) |
| Depreciation and amortisation ³ | 307,135 | 425,000 | (117,865) | 51,506 | 24,000 | 27,506 |
| Finance costs ⁴ | 2,631 | 47,000 | (44,369) | 0 | 0 | 0 |
| Write-down and impairment of assets and losses on sale | 6,559 | 0 | 6,559 | 0 | 0 | 0 |
| Total expenses | 4,885,459 | 4,876,000 | 9,459 | 2,583,032 | 2,517,000 | 66,032 |
| LESS: | | | | | | |
| OWN SOURCE INCOME | | | | | | |
| Own-source revenue | | | | | | |
| Sale of goods and rendering of services ⁵ | 25,910 | 0 | 25,910 | 0 | 0 | 0 |
| Management fee recharge ⁶ | 571,443 | 636,000 | (64,557) | 0 | 0 | 0 |
| Resources received free of charge ⁷ | 111,176 | 121,000 | (9,284) | 80,330 | 105,000 | (24,670) |
| Contributions from states and territories | 500,000 | 500,000 | 0 | 0 | 0 | 0 |
| Total own-source revenue | 1,208,529 | 1,257,000 | (48,471) | 80,330 | 105,000 | (24,670) |
| Net cost of services & cost of outcome delivery | | | | | | |
| Revenue from Government - departmental appropriations | 3,568,000 | 3,568,000 | 0 | 2,388,000 | 2,388,000 | 0 |
| Surplus/(Deficit) attributable to the Australian Government | (108,930) | (51,000) | (57,930) | (114,702) | (24,000) | (90,702) |
| OTHER COMPREHENSIVE INCOME | | | | | | |
| Total comprehensive income attributable to the Australian Government | (108,930) | (51,000) | (57,930) | (114,702) | (24,000) | (90,702) |

Statements of Financial Position
for the period ended 30 June 2022

| | AASB | | | AUASB | | |
|--|------------------|------------------|--------------------|------------------|------------------|------------------|
| | Actual | Budget estimate | | Actual | Budget estimate | |
| | 2022 | Original 2022 | Variance 2022 | 2022 | Original 2022 | Variance 2022 |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| ASSETS | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalent ⁸ | 67,576 | 300,000 | (232,424) | 49,553 | 273,000 | (223,447) |
| Trade and other receivables | 2,694,405 | 2,502,000 | 192,405 | 1,068,000 | 1,147,000 | (79,000) |
| Total financial assets | 2,761,981 | 2,802,000 | (40,019) | 1,117,553 | 1,420,000 | (302,447) |
| Non-financial assets | | | | | | |
| Buildings ROU ⁴ | 1,263,059 | 3,262,000 | (1,998,941) | 0 | 0 | 0 |
| Plant and equipment | 161,853 | 153,000 | 8,853 | 0 | 0 | 0 |
| Computer Software/Intangibles ³ | 58,404 | 0 | 58,404 | 114,013 | 0 | 114,013 |
| Prepaid expenses ⁹ | 160,669 | 129,000 | 31,669 | 43,396 | 13,000 | 30,396 |
| Total non-financial assets | 1,643,985 | 3,544,000 | (1,900,015) | 157,408 | 13,000 | 144,409 |
| Total assets | 4,405,966 | 6,346,000 | (1,940,034) | 1,274,962 | 1,433,000 | (158,038) |
| LIABILITIES | | | | | | |
| Payables | | | | | | |
| Suppliers ¹⁰ | 154,142 | 104,000 | 50,142 | 358,801 | 221,000 | 137,801 |
| Other payables ¹¹ | 90,757 | 150,000 | (59,242) | 0 | 0 | 0 |
| Total payables | 224,899 | 254,000 | (9,100) | 358,801 | 221,000 | 137,801 |
| Interest-bearing liabilities | | | | | | |
| Leases ⁴ | 1,296,884 | 3,281,000 | (1,984,116) | 0 | 0 | 0 |
| Total Interest-bearing liabilities | 1,296,884 | 3,281,000 | (1,984,116) | 0 | 0 | 0 |
| Provisions | | | | | | |
| Employee provisions ¹² | 463,141 | 304,000 | 175,818 | 273,010 | 264,000 | 9,010 |
| Total provisions | 463,141 | 304,000 | 175,818 | 273,010 | 264,000 | 9,010 |
| Total liabilities | 2,004,924 | 3,839,000 | (1,817,398) | 631,811 | 485,000 | 146,811 |
| Net assets | 2,401,042 | 2,507,000 | (122,635) | 643,151 | 948,000 | (304,849) |
| EQUITY | | | | | | |
| Parent entity interest | | | | | | |
| Contributed equity | 753,000 | 753,000 | 0 | 325,300 | 326,000 | (700) |
| Retained earnings | 1,648,042 | 1,754,000 | (122,635) | 317,851 | 622,000 | (304,149) |
| Total parent entity interest | 2,401,042 | 2,507,000 | (122,635) | 643,151 | 948,000 | (304,149) |

Variances in equity are the net result of variances in the statements of comprehensive income and the statements of financial position.

Statements of Changes in Equity
for the period ended 30 June 2022

Australian Accounting Standards Board

| | Retained earnings | | | Contributed equity/capital | | | Total equity | | |
|---|-------------------|-----------------|-----------|----------------------------|-----------------|----------|------------------|-----------------|-----------|
| | Actual | Budget Estimate | | Actual | Budget Estimate | | Actual | Budget Estimate | |
| | | Original | Variance | | Original | Variance | | Original | Variance |
| | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 |
| \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Opening balance | | | | | | | | | |
| Balance carried forward from previous period | 1,756,972 | 1,805,000 | (48,028) | 702,000 | 702,000 | 0 | 2,458,972 | 2,507,000 | (48,028) |
| Comprehensive income | | | | | | | | | |
| Surplus/ (Deficit) for the period | (108,930) | (51,000) | (57,930) | 0 | 0 | 0 | (108,930) | (51,000) | (57,930) |
| Total comprehensive income attributable to the Australian Government | (108,930) | (51,000) | (57,930) | 0 | 0 | 0 | (108,930) | (51,000) | (57,930) |
| Contribution by owners | | | | | | | | | |
| Departmental capital budget | 0 | 0 | 0 | 51,000 | 51,000 | 0 | 51,000 | 51,000 | 0 |
| Total transactions with owners | 0 | 0 | 0 | 51,000 | 51,000 | 0 | 51,000 | 51,000 | 0 |
| Closing balance attributable to Australian Government | 1,648,042 | 1,754,000 | (105,958) | 753,000 | 753,000 | 0 | 2,401,042 | 2,507,000 | (105,958) |

Statements of Changes in Equity (continued)

for the period ended 30 June 2022

Auditing and Assurance Standards Board

| | Retained earnings | | | Contributed equity/capital | | | Total equity | | |
|---|-------------------|-----------------|------------------|----------------------------|-----------------|--------------|------------------|-----------------|------------------|
| | Actual | Budget Estimate | | Actual | Budget Estimate | | Actual | Budget Estimate | |
| | | Original | Variance | | Original | Variance | | Original | Variance |
| | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 | |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | |
| Balance carried forward from previous period | 432,553 | 646,000 | (213,447) | 301,300 | 302,000 | (700) | 733,853 | 948,000 | (214,147) |
| Surplus/ (Deficit) for the period | (114,702) | (24,000) | (90,702) | 0 | 0 | 0 | (114,702) | (24,000) | (90,702) |
| Total comprehensive income attributable to the Australian Government | (114,702) | (24,000) | (90,702) | 0 | 0 | 0 | (114,702) | (24,000) | (90,702) |
| Contributions by owners | | | | | | | | | |
| Departmental capital budget | 0 | 0 | 0 | 24,000 | 24,000 | 0 | 24,000 | 24,000 | 0 |
| Total transactions with owners | 0 | 0 | 0 | 24,000 | 24,000 | 0 | 24,000 | 24,000 | 0 |
| Closing balance attributable to Australian Government | 317,851 | 622,000 | (304,149) | 325,300 | 326,000 | (700) | 643,151 | 948,000 | (304,849) |

Cash Flow Statements

for the period ended 30 June 2022

| | AASB | | | AUASB | | |
|--|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Budget estimate | | Actual | Budget estimate | |
| | | Original | Variance | | Original | Variance |
| | 2022 | 2022 | 2022 | 2022 | 2022 | 2022 |
| \$ | \$ | \$ | \$ | \$ | \$ | |
| OPERATING ACTIVITIES | | | | | | |
| Cash received | | | | | | |
| Appropriations | 3,660,000 | 3,559,000 | 101,000 | 2,412,000 | 2,388,000 | 24,000 |
| Goods and services | 585,878 | 636,000 | (50,122) | 0 | 0 | 0 |
| Net GST received | 112,291 | 0 | 112,291 | 0 | 0 | 0 |
| Contributions received | 542,275 | 500,000 | 42,275 | 0 | 0 | 0 |
| Total cash received | 4,900,444 | 4,695,000 | 205,444 | 2,412,000 | 2,388,000 | 24,000 |
| Cash used | | | | | | |
| Employees and contractors ¹ | 3,351,012 | 3,320,000 | 31,012 | 1,591,816 | 1,381,000 | 210,816 |
| Suppliers ² | 1,162,735 | 966,000 | 196,735 | 811,431 | 1,007,000 | (195,569) |
| Interest payments on lease liabilities ⁴ | 2,631 | 47,000 | (44,369) | 0 | 0 | 0 |
| Total cash used | 4,516,378 | 4,333,000 | 183,378 | 2,403,247 | 2,388,000 | 15,247 |
| Net cash from/ (used by) operating activities | 384,066 | 362,000 | 22,066 | 8,753 | 0 | 8,753 |
| INVESTING ACTIVITIES | | | | | | |
| Cash received / (used) | | | | | | |
| Purchase of property, plant and equipment and intangibles ³ | (195,691) | (51,000) | (144,691) | (24,403) | (24,000) | (403) |
| Cash received from disposal of infrastructure, plant and equipment | 0 | 0 | 0 | 0 | 0 | 0 |
| Total cash used | (195,691) | (51,000) | (144,691) | (24,403) | (24,000) | (403) |
| Net cash from (used by) investing activities | (195,691) | (51,000) | (144,691) | (24,403) | (24,000) | (403) |
| FINANCING ACTIVITIES | | | | | | |
| Cash received | | | | | | |
| Contributed equity | 51,000 | 51,000 | 0 | 24,000 | 24,000 | 0 |
| Principal payments of lease liabilities ⁴ | (228,817) | (362,000) | 133,183 | 0 | 0 | 0 |
| Net cash from/ (used by) financing activities | (177,817) | (311,000) | 133,183 | 24,000 | 24,000 | 0 |
| Net increase (decrease) in cash held | (10,558) | 0 | 10,558 | 8,350 | 0 | 8,350 |
| Cash and cash equivalents at the beginning of the reporting period | 57,018 | 300,000 | (242,982) | 41,203 | 273,000 | (231,797) |
| Cash and cash equivalents at the end of the reporting period ⁸ | 67,576 | 300,000 | (232,424) | 49,553 | 273,000 | (231,447) |

Appendices

APPENDIX A

AASB AND AUASB LEGISLATIVE REQUIREMENTS

AASB

The AASB is required to advance and promote the main objects of Part 12, section 224, of the ASIC Act:

- (a) to facilitate the development of accounting standards that require the provision of financial information that:
1. allows users to make and evaluate decisions about allocating scarce resources
 2. assists directors to discharge their obligations in relation to financial reporting
 3. is relevant to assessing performance, financial position, financing and investment
 4. is relevant and reliable
 5. facilitates comparability
 6. is readily understandable.
- (b) to facilitate the Australian economy by:
1. reducing the cost of capital
 2. enabling Australian entities to compete effectively overseas
 3. having accounting standards that are clearly stated and easy to understand.

(c) to maintain investor confidence in the Australian economy (including its capital markets).

Part 12, section 227, of the ASIC Act provides, among other things, that:

- (1) The functions of the AASB are:
1. to develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards
 2. to make accounting standards under section 334 of the *Corporations Act 2001* for the purposes of the Corporations legislation (other than the excluded provisions)
 3. to formulate accounting standards for other purposes
 4. to participate in and contribute to the development of a single set of accounting standards for worldwide use
 5. to advance and promote the main objects of this Part.
- (2) In carrying out its functions under paragraphs (1) (a) and (d) the AASB must have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres.

AUASB

The AUASB is an Australian Government Agency under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

Under section 227B (1) of the ASIC Act, the functions of the AUASB are:

- (a) to make auditing standards under section 336 of the *Corporations Act 2001*, for the purposes of the corporations legislation
- (b) to formulate auditing and assurance standards for other purposes
- (c) to formulate guidance on auditing and assurance matters
- (d) to participate in and contribute to the development of a single set of auditing standards for worldwide use
- (e) to advance and promote the main objects of Part 12 of the ASIC Act. Section 224 (aa) of the *ASIC Act* states the objectives of Part 12, which include:

“To facilitate the development of auditing and assurance standards and related guidance materials that:

1. provide Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the *Corporations Act 2001*; and
2. require the preparation of auditors’ reports that are reliable and readily understandable by the users of financial reports to which they relate.”

Other relevant objectives of Part 12 are summarised below:

- to facilitate the Australian economy by having (accounting and) auditing standards that are clearly stated and easy to understand; and
- to maintain investor confidence in the Australian economy (including its capital markets).

APPENDIX B

ATTENDANCE AT AASB AND AUASB MEETINGS

AASB MEMBER ATTENDANCE

The AASB met six times via video conference during 2021-22 for a total of eleven meeting days. In addition to preparation for these meetings, which requires consideration of detailed technical papers, members considered and voted on accounting standards and other pronouncements out of session and also attended or made presentations at seminars and other meetings related to their role as a Board member. Consequently, the time committed by members is substantially more than the meeting days attended.

AASB Member attendance is shown in the table below:

| Members | Number of days eligible to attend | Number of days attended | Apologies (days) |
|-------------------|-----------------------------------|-------------------------|------------------|
| K Kendall (Chair) | 11 | 11 | 0 |
| J Grant | 11 | 11 | 0 |
| P Rogers | 11 | 10 | 1 |
| S Taylor | 11 | 11 | 0 |
| A White | 11 | 8 | 3 |
| D Holland | 11 | 11 | 0 |
| T Langley | 11 | 9 | 2 |
| D Hanlon | 11 | 11 | 0 |
| C Cordery | 11 | 11 | 0 |
| C Spencer | 11 | 11 | 0 |
| S Osbourne | 6 | 6 | 0 |

For details of terms of appointments, please refer to the AASB Organisational Structure section of this Report.

AUASB MEMBER ATTENDANCE

The AUASB held seven meetings during 2021-22 for a total of eight meeting days. Member attendance is shown in the table below:

| Members | Number of days eligible to attend | Number of days attended | Apologies (days) |
|----------------------|--|--------------------------------|-------------------------|
| William Edge (Chair) | 8 | 8 | 0 |
| R Buchanan | 8 | 8 | 0 |
| G Bird* | 5 | 5 | 0 |
| J Cain* | 4 | 4 | 0 |
| J Crisp | 8 | 8 | 0 |
| K Hankin | 8 | 8 | 0 |
| N Harding | 8 | 8 | 0 |
| R Piltz* | 4 | 4 | 0 |
| A Porter | 8 | 8 | 0 |
| C Ralph* | 4 | 4 | 0 |
| M Shafizadeh | 8 | 8 | 0 |
| T Barker | 4 | 4 | 0 |
| J Lonergan | 4 | 4 | 0 |

* Board retirements during 2021-22 period

For details of terms of appointments, please refer to the AUASB Organisational Structure section of this Report.

APPENDIX C

OTHER INFORMATION

EXTERNAL SCRUTINY

The AASB and AUASB's financial statements are audited each year by the ANAO.

AASB and AUASB annual reports are scrutinised by the Senate Economics Legislation Committee and the Parliamentary Joint Committee on Corporations and Financial Services.

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament.

PURCHASING

The AASB and AUASB's general policy is that the purchase of any major capital items follows the Commonwealth Procurement Guidelines.

Information on expenditure on contracts and consultancies is also available on the AusTender website, www.tenders.gov.au.

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

The AASB and AUASB support small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website (www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts)

Officials of the AASB and AUASB apply procurement practices that do not unfairly discriminate against SMEs and provide appropriate opportunities for SMEs to compete. Officials consider the benefits of doing business with SMEs when scoping the requirements and evaluating value for money. Procurement practices support SMEs by the use of the Commonwealth Contracting Suite for low-risk procurements valued under \$200,000.

The AASB and AUASB participate in whole-of-government procurement where applicable and follow the Small Business Engagement Principles, such as communicating in clear, simple language and presenting information in an accessible format

E-invoicing has been implemented to support on-time payment to suppliers, including the use of payment cards.

Statics on SMEs' participation in Commonwealth Government procurement are available on the [Statistics on Australian Government Procurement Contracts](#) page.

CONSULTANTS

| Reportable consultancy contracts 2021-22 | AASB | | AUASB | |
|---|----------|----------------|----------|----------------|
| | Number | Expenditure \$ | Number | Expenditure \$ |
| New contracts entered into during the reporting period | 1 | 12,629 | 1 | 4,879 |
| Ongoing contracts entered into during a previous reporting period | 3 | 72,716 | 1 | 12,354 |
| Total | 4 | 85,346 | 2 | 17,233 |

| Organisations receiving a share of reportable consultancy contract expenditure 2021-22 | AASB | |
|--|----------------|---------------------------------------|
| | Expenditure \$ | Proportion of 2021-22 total spend (%) |
| Gadens Lawyers | 40,256 | 47% |
| Langfield-Smith Consulting | 31,900 | 37% |
| Talent Code | 13,187 | 15% |
| Total of the Largest Shares | 85,346 | 100% |

| Organisations receiving a share of reportable consultancy contract expenditure 2021-22 | AUASB | |
|--|----------------|---------------------------------------|
| | Expenditure \$ | Proportion of 2021-22 total spend (%) |
| Gadens | 17,233 | 100% |
| Total of the Largest Shares | 17,233 | 100% |

AASB - During 2021-22, 1 new reportable consultancy contract was entered into involving a total actual expenditure of \$12,629.35. There were 3 active ongoing reportable consultancy contracts during the period involving a total expenditure of \$72,716.

AUASB - During 2021-22, 1 new reportable consultancy contract was entered into involving a total actual expenditure of \$4,879. There was 1 active ongoing reportable consultancy contract during the period involving a total expenditure of \$12,354.38.

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.

Decisions to engage consultants during 2021-22 were made in accordance with the PGPA Act and related regulations including the Commonwealth Procurement Rules and relevant internal policies.

AASB and AUASB selects consultants through the use of panel arrangements or by making an open approach to market.

AASB and AUASB engages consultants when it requires specialist expertise on policy design, financial viability, and information technology strategic planning. Independent evaluation on AASB's or AUASB outcomes are also required.

NON-CONSULTANCY CONTRACTS

| Reportable non-consultancy contract 2021-22 | AASB | | AUASB | |
|---|-----------|----------------|----------|----------------|
| | Number | Expenditure \$ | Number | Expenditure \$ |
| New contracts entered into during the reporting period | 10 | 435,306 | 5 | 122,680 |
| Ongoing contracts entered into during a previous reporting period | 3 | 46,260 | 0 | 0 |
| Total | 13 | 481,566 | 5 | 122,680 |

| Organisations receiving a share of reportable non-consultancy contract expenditure 2021-22 | AASB | |
|--|----------------|---------------------------------------|
| | Expenditure \$ | Proportion of 2021-22 total spend (%) |
| Kamirice | 182,467 | 42% |
| EY | 73,425 | 17% |
| Pro AV | 60,587 | 14% |
| Torque Software | 26,096 | 6% |
| MCI | 23,040 | 5% |
| Total of the Largest Shares | 365,615 | 84% |

| | AUASB | |
|------------------------------------|----------------|---------------------------------------|
| | Expenditure \$ | Proportion of 2021-22 total spend (%) |
| EY | 93,473 | 76% |
| Dexus Place | 12,708 | 10% |
| Simnett Consulting | 8,250 | 7% |
| Gering Holdings | 8,250 | 7% |
| Total of the Largest Shares | 122,681 | 100% |

Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the reportable non-consultancy contracts' value is available on the AusTender website.

EXEMPT CONTRACTS

The AASB has a contract with the IFRS Foundation. The contract gives the AASB rights to IFRS copyright material.

This contract and value has been exempted by the Chair from being published in AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*.

ADVERTISING AND MARKET RESEARCH

The AASB and AUASB completed the following advertising and market research:

Payments made to advertising organisations, 2021–22

| Organisation | Purpose | Amount (\$) |
|----------------|--|-------------|
| Seek Australia | Recruitment for Communications Manager | 654 |
| Seek Australia | Recruitment for Assistant Manager | 292 |
| Seek Australia | Recruitment for Assistant Manager | 259 |

Payments made to market research organisations, 2021–22

| Organisation | Purpose | Amount (\$) |
|---------------|--|-------------|
| Monkey Survey | Audit Quality Survey for following surveys: <ul style="list-style-type: none">AASB Preparer and Auditor Survey: Is there a gap in the information provided to the users of financial statements in relation to Intangible Assets that can be filled in a cost-effective way? (July 2021)AASB ITC 45: Current value measurement of operational capacity assets (August 2021)AASB Dialogue Series - TCFD Implementation (March 2022) | 2,490 |

- Transition and Practical Expedient choices made by lessees under AASB 16 Leases (April 2022)
- AASB Dialogue Series: Intangible Assets - Insights from Research and Practice (May 2022)
- AASB Sustainability Reporting (ED 321) Survey (May 2022)
- AASB Sustainability Reporting Roundtable Survey (June 2022)
- Consent for AUASB data collection – LCE Roundtable (October 2021)
- AUASB Agenda Consultation 2022- 23 Survey (June 2022)
- AUASB Agenda Consultation Roundtable Survey (June 2022)

| | | |
|-----------------------------|--|-------|
| Simnett Consulting | Audit Committee Chair Interviews | 8,250 |
| Gering Holdings | Audit Committee Chair Interviews | 8,250 |
| The University of Adelaide | Understandability of IFRS - An International Perspective | 9,900 |
| The University of Melbourne | Execution for project: Enhancing Sustainability Reporting: The crucial role of accounting standard-setters | 8,800 |

GRANTS

The AASB and AUASB does not administer or receive any grant programs.

FREEDOM OF INFORMATION

Information Publication Scheme

The AASB and AUASB are subject to the *Freedom of Information Act 1982* (FOI Act) and publish information to the public as part of the Information Publications Scheme (IPS). The AASB and AUASB display on their websites a plan showing information in accordance with the IPS requirement (www.aasb.gov.au/about-the-aasb/freedom-of-information and www.auasb.gov.au/about-auasb/freedom-of-information).

DISABILITY REPORTING

Australia's Disability Strategy 2021-2031 (the Strategy) is the overarching framework for inclusive policies, programs and infrastructure that will support people with disability to participate in all areas of Australian life. The Strategy sets out where practical changes will be made to improve the lives of people with disability in Australia. It acts to ensure the principles underpinning the United Nations Convention on the Rights of Persons with Disabilities are incorporated into Australia's policies and programs that affect people with disability, their families and carers. All levels of government have committed to delivering more comprehensive and visible reporting under the Strategy. A range of reports on the progress of the Strategy's actions and outcome areas will be published and available at <https://www.disabilitygateway.gov.au/ads>.

Disability reporting is included the Australian Public Service Commission's State of the Service reports and the APS Statistical Bulletin. These reports are available at <http://www.apsc.gov.au> .

OCCUPATIONAL HEALTH AND SAFETY

Under section 38 of the *Work Health and Safety Act 2011*, the AASB and AUASB is required to notify Comcare of any incidents arising out of the conduct of their operations that result in death, serious injury or serious illness of a person, or involve a dangerous incident.

All employees, and Board members, when attending meetings, are covered under Comcare and Comcover. No accidents or dangerous occurrences, or relevant investigations, took place during the 2021-22 financial year.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE REPORTING

The AASB and AUASB do not have specific responsibilities in relation to the administration of environmental sustainability legislation.

The nature of the AASB and AUASB's activities limits the impact of their operations on the environment, however, they are mindful of their responsibilities to minimise negative impacts. Accordingly, the AASB and AUASB have in place policies and procedures designed to minimise environmental impacts by complying with government policies relating to waste, energy and travel.

The principal environmental impact minimisation activities employed are:

- waste management, through a fully commingled and organic recycling program
- energy efficient practises in lighting, air-conditioning and computer use
- limited water use.

The new office at 500 Collins Street achieved 5-star Green Star Office Design rating from the Green Building Council of Australia. It also achieved a 5-star Australian Business Greenhouse Rating and the first existing building in Australia to achieve a WELL Platinum Certification.

Appendix C: Other information

The building holds a Waste Wise accreditation from EcoRecycle Victoria. Accreditation is supported by a recycling and waste management programme that aims to avoid, reuse or recycle waste generated by the building and its occupants.

Travel restrictions limit meetings to only essential obligations. Teleconferencing and videoconferencing are used whenever possible.

APPENDIX D

LIST OF REQUIREMENTS

| Description | Requirement | AASB Page | AUASB Page |
|---|-------------|--------------|---------------|
| Letter of transmittal | | | |
| A copy of the letter of transmittal signed and dated by accountable authority on the date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report | Mandatory | iii | iii |
| Aids to access | | | |
| Table of contents | Mandatory | iv | iv |
| Alphabetical index | Mandatory | 135 | 135 |
| Glossary of abbreviations and acronyms | Mandatory | v | v |
| List of requirements | Mandatory | 128 | 128 |
| Details of contact officer | Mandatory | vii | vii |
| Entity's website address | Mandatory | vii | vii |
| Electronic address of report | Mandatory | vii | vii |
| Review by accountable authority | | | |
| A review by the accountable authority of the entity | Mandatory | 11 | 33 |
| Overview of the entity | | | |
| A description of the role and functions of the entity | Mandatory | 17 | 41 |
| A description of the organisational structure of the entity | Mandatory | 61 | 64 |
| A description of the outcomes and Programs administered by the entity | Mandatory | 19 | 44 |
| A description of the purposes of the entity as included in the corporate plan | Mandatory | 17 | 41 |
| Name of the accountable authority or each member of the accountable authority | Mandatory | 17 | 41 |
| Position title of the accountable authority of each member of the accountable authority | Mandatory | 17 | 41 |

Appendix D: List of Requirements

| Description | Requirement | AASB Page | AUASB Page |
|--|--------------------------|----------------------|-----------------------|
| Period as the accountable authority or member of the accountable authority within the reporting period | Mandatory | 62 | 65 |
| Where outcome and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change | If applicable, Mandatory | 108 | 108 |
| Report on the performance of the entity | | | |
| Annual performance statements | | | |
| Annual performance statement in accordance with program 39(1)(b) of the Act and section 16F of the Rule | Mandatory | 17 | 41 |
| Report on financial performance | | | |
| A discussion and analysis of the entity's financial performance | Mandatory | 15 | 40 |
| A table summarising the total resources and total payments of the entity | Mandatory | n/a | n/a |
| If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results | If applicable, Mandatory | 15 | 40 |
| Management and accountability | | | |
| Corporate governance | | | |
| Information on compliance with section 10 (fraud systems) | Mandatory | 68 | 68 |
| A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared | Mandatory | 68 | 68 |
| A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place | Mandatory | 68 | 68 |

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2021-22

| Description | Requirement | AASB Page | AUASB Page |
|---|--------------------------|------------------|-------------------|
| A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity | Mandatory | 68 | 68 |
| An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance | Mandatory | 68 | 68 |
| A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance | If applicable, Mandatory | n/a | n/a |
| Audit Committee | | | |
| A direct electronic address of the charter determining the functions of the entity's audit committee | Mandatory | 68 | 68 |
| The name of each member of the entity's audit committee | Mandatory | 67 | 67 |
| The qualifications, knowledge, skills or experience of each member of the entity's audit committee | Mandatory | 67 | 67 |
| Information about the attendance of each member of the entity's audit committee at committee meetings | Mandatory | 67 | 67 |
| The remuneration of each member of the entity's audit committee | Mandatory | 67 | 67 |
| External scrutiny | | | |
| Information on the most significant developments in external scrutiny and the entity's response to the scrutiny | Mandatory | 121 | 121 |
| Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity | If applicable, Mandatory | n/a | n/a |
| Information on any reports on operations of the entity by the Auditor-General, (other than report under section 43 of the Act), a Parliamentary Committee or the Commonwealth Ombudsman | If applicable, Mandatory | n/a | n/a |
| Information on any capability reviews on the entity that were released during the period | If applicable, Mandatory | n/a | n/a |
| Management of human resources | | | |
| An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives | Mandatory | 70 | 73 |

Appendix D: List of Requirements

| Description | Requirement | AASB Page | AUASB Page |
|--|-----------------------------|--------------|---------------|
| <p>Statistics on the entity's employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> statistics on full-time employees statistics on part-time employees statistics on gender statistics on staff location | Mandatory | 70 | 73 |
| <p>Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> statistics on staffing classification level statistics on full-time employees statistics on part-time employees statistics on gender statistics on staff location statistics on employees who identify as Indigenous. | Mandatory | 70 | 73 |
| <p>Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>.</p> | Mandatory | 70 | 73 |
| <p>Information on the number of SES and non-SES employees covered by agreements etc. identified in paragraph 17AG(4)(c)</p> | Mandatory | 70 | 73 |
| <p>The salary ranges available for APS employees by classification level</p> | Mandatory | 70 | 73 |
| <p>A description of non-salary benefits provided to employees</p> | Mandatory | 78 | 78 |
| <p>Information on the number of employees at each classification level who received performance pay</p> | If applicable, Mandatory | n/a | n/a |
| <p>Information on aggregate amounts of performance pay at each classification level</p> | If applicable, Mandatory | n/a | n/a |
| <p>Information on the average amount of performance payment, and range of such payments, at each classification level</p> | If applicable, Mandatory | n/a | n/a |
| <p>Information on aggregate amount of performance payments</p> | If applicable, Mandatory | n/a | n/a |
| Assets management | | | |
| <p>An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities</p> | If applicable, mandatory | n/a | n/a |

| Description | Requirement | AASB Page | AUASB Page |
|---|-------------|-----------|------------|
| Purchasing | | | |
| An assessment of entity performance against the <i>Commonwealth Procurement Rules</i> | Mandatory | 121 | 121 |
| Consultants | | | |
| A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST) | Mandatory | 122 | 122 |
| A statement that “ <i>During 2021-22, [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million].</i> ” | Mandatory | 122 | 122 |
| A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged | Mandatory | 122 | 122 |
| A statement that “ <i>Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website.</i> ” | Mandatory | 122 | 122 |
| A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST). | Mandatory | 123 | 123 |
| A statement that “ <i>Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website</i> | Mandatory | 123 | 123 |

Appendix D: List of Requirements

| Description | Requirement | AASB Page | AUASB Page |
|--|-----------------------------|--------------|---------------|
| Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts. | Mandatory | 123 | 123 |
| Australian National Audit Office Access Clauses | | | |
| If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract. | If applicable, Mandatory | n/a | n/a |
| Exempt contracts | | | |
| If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters. | If applicable, Mandatory | 122 | 122 |
| Small business | | | |
| A statement that <i>"AASB-AUSB supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website"</i> | Mandatory | 121 | 121 |
| An outline of the ways in which the procurement practices of the entity support small and medium enterprises | Mandatory | 121 | 121 |
| If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that <i>AASB recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website."</i> | If applicable, Mandatory | n/a | n/a |
| Financial statements | | | |
| Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act | Mandatory | 80 | 80 |

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2021-22

| Description | Requirement | AASB Page | AUASB Page |
|---|--------------------------|-----------|------------|
| Executive Remuneration | | | |
| Information about executive remuneration in accordance with Subdivision C of Division 3A of Part 2-3 of the Rule | Mandatory | 101 | 102 |
| Other mandatory information | | | |
| If the entity conducted advertising campaigns, a statement that <i>“During 2021-22, the AASB conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available on [entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”</i> | If applicable, Mandatory | n/a | n/a |
| If the entity did not conduct advertising campaigns, a statement to that effect | If applicable, Mandatory | 124 | 124 |
| A statement that <i>“Information on grants awarded to AASB during 2021-22 is available at [entity’s website]</i> | If applicable, Mandatory | n/a | n/a |
| Outline of mechanisms of disability reporting including reference to website for further information | Mandatory | 126 | 126 |
| Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found | Mandatory | 125 | 125 |
| Correction of material errors in previous annual report | If applicable, Mandatory | n/a | n/a |
| Information required by other legislation | Mandatory | 121 | 121 |

APPENDIX E

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INTERVIEWS OF AUDIT COMMITTEE CHAIRS

ACTION

- For the FRC to:
 - receive a presentation of the preliminary results and feedback from the interviews of Audit Committee Chairs (ACC).
 - consider if there are any actions as a result of the results and feedback.
 - The FRC Secretariat to circulate any relevant slides or documents after the meeting, as it receives them.
-
- An important element of the [FRC Audit Quality Action Plan](#) is to obtain views of users of audit services on audit quality. ACC are an important user of audit services and are well placed to assess the quality of their auditor.
 - In 2019 and 2021 the FRC and AUASB conducted a survey of ACC to understand their views on audit quality. Refer to the [AUASB website](#) for research reports 1 and 6 for the results.
 - The success of the survey is dependent on having access to a data base of contact details. Due to difficulties in accessing contact details of a large number of ACCs, this year we have engaged Professor Roger Simnett and Professor Ken Trotman to conduct one on one interviews. This was also done to obtain more in-depth feedback.
 - 21 ACC have been interviewed.
 - The final report is being finalised with a planned release mid December 2022.
 - Professor Roger Simnett (Deakin University) and Professor Ken Trotman (University NSW) will present the preliminary results and key messages to the FRC.
 - At the time of drafting this paper, any relevant slides or documents are not available. These will be available during the meeting and will be circulated by the FRC Secretariat after the meeting as well.



SUSTAINABILITY REPORTING

DESCRIPTION

Sustainability Matters

At its last meeting on 8 September 2022, the FRC discussed:

- the impact of sustainability reporting on financial reporting (including the recognition of contingent liabilities)
- the interaction of climate transition action plans with financial statements and reporting risks
- greenwashing (noting that this matter is not simply confined to the issue of reporting itself).

The FRC agreed that it would further discuss these, and any other relevant, sustainability matters (see action item 3 in *Matters Arising*).

The FRC may also wish to further consider the following sustainability-related matters it has discussed at past meetings:

- The implementation of sustainability standards for assurers who are not members of accounting bodies working under different regimes 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).
- The possible establishment of an ISSB hub in Australia. Members have noted that this would require substantial funding from the Government. It has also been suggested that the FRC could use the BLRF as an advisor on this matter.
- Sustainability reporting as a means of re-invigorating accounting students in universities and employees in firms.

Stakeholder Engagement and Sustainability

The FRC also agreed to reach out to stakeholders with a preparer influence to enquire about activities undertaken to assist preparers with sustainability reporting (see action item 4 in *Matters Arising*).

It is recommended that the FRC consider the objectives of this information request, and additionally, to discuss avoiding any potential overlap with the AASB's work on sustainability.

Based on this discussion, it is recommended that the FRC agree:

- on the information it wishes to obtain from the stakeholders listed in **Attachment A**, prior to its 8 March 2023 meeting
- and/or whether there are any additional stakeholders it wishes to go out with this information request.

ACTION

- For further discussion.
- When appropriate, the FRC to agree on a position with respect to each sustainability-related issue and explore potential FRC actions (if any).
- The FRC to agree on:
 - the sustainability information it wishes to obtain from stakeholders before the March 2023 FRC meeting
 - whether to modify the list of stakeholders in **Attachment A** for this information request; if so, the additional stakeholders it wishes to include.

SUSTAINABILITY REPORTING STAKEHOLDERS

Below are the proposed stakeholders from whom to request information about sustainability-related reporting, prior to the 8 March 2023 FRC meeting.

STAKEHOLDERS

Below are suggested stakeholders that have a preparer influence:

- Australian Institute of Company Directors
- ASX
- Business Reporting Leaders Forum
- Business Council of Australia
- Group of 100
- Professional accounting bodies
 - CA ANZ
 - CPA Australia
 - IPA Australia



ITEM 6B

23 NOVEMBER 2022

AUSTRALIAN AND INTERNATIONAL SUSTAINABILITY DEVELOPMENTS UPDATE

DESCRIPTION

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

ACTION

- Keith Kendall and Bill Edge to provide verbal update.



ITEM 7

23 NOVEMBER 2022

DIGITAL REPORTING UPDATE

DESCRIPTION

Verbal update by Chair of the AASB.

ACTION

- Keith Kendall to provide verbal update on the AASB's work on digital financial reporting.



ITEM 8

23 NOVEMBER 2022

PUBLIC SECTOR ADVISORY GROUP – VERBAL UPDATE

DESCRIPTION

At the FRC meeting on 8 September 2022, the FRC discussed creating a standing agenda item for public sector reporting.

Chair of the Public Sector Advisory Group (PSAG) to provide a verbal update.

The FRC Secretariat has also invited Stewart Walters to provide a verbal update on the work of HoTARAC.

ACTION

- Tracey Carroll and Stewart Walters to provide a verbal update.



CYBER SECURITY AND FINANCIAL REPORTING

DESCRIPTION

Previous Discussions

At its 10 December 2021 meeting, the FRC identified cyber security as a strategic risk to the financial reporting system.

At its last 8 September 2022 meeting, the FRC discussed the following:

- Ransomware issues and implications for businesses and customers, noting the cost of insurance for businesses to safeguard against cyber-attack is increasing.
- Whether current reporting is adequate from a financial reporting perspective. It was noted cyber security risk is increasingly rapidly and there are vulnerable entities, and the government has introduced obligations on critical infrastructure.

In October 2022, the FRC Chair also contacted the AASB and AUASB Chairs to discuss accounting and auditing standards, as they relate to cyber security.

Stakeholder Reports

On 25 October 2022, the FRC Secretariat sought stakeholder feedback about current reporting requirements and regulations within the context of cyber security, in addition to the recent casino inquiries (see item 13A of this meeting pack for stakeholder responses).

In light of the recent cyber-attacks, it is recommended the FRC consider the stakeholder feedback, further discuss cyber security matters, and monitor the current corporate reporting landscape through the lens of cyber security risks.

Based on the discussion above, it is further recommended that the FRC consider the scope of the current financial reporting requirements, and accounting and auditing standards, as they relate to cyber security.

ACTION

- For further discussion and, when appropriate, to agree on a position regarding any relevant cyber-security-related matters and potential actions to address them.



PUBLIC BENEFICIAL OWNERSHIP – TREASURY CONSULTATION PAPER

DESCRIPTION

On 7 November 2022, the Department of Treasury released a consultation paper on the [Public Beneficial Ownership Register](#) in which unlisted entities regulated under the *Corporations Act 2001* would be required to maintain accurate, up-to-date and publicly accessible beneficial ownership registers.

A similar consultation paper in 2017 was [released](#) to which CA ANZ, KPMG and IPA submitted responses.

The Treasury team responsible for the consultation paper will be attending the meeting to answer any questions FRC members may have.

ACTION

- For discussion.



TALENT ATTRACTION AND RETENTION

DESCRIPTION

On 6 October 2022, the National Skills Commission (NSC) released the 2022 Skills Priority List (SPL). The updated List reports that there is ‘No Shortage’ of General Accountants (with the exception of the Northern Territory), Management Accounts and Taxation Accountants. Each occupation has also been forecast to have ‘Moderate’ future demand. While the SPL helps inform advice on the targeting of policy initiatives, it is important to note that it is not the only input into any such advice. A letter has been sent to the Minister advising of the current talent shortage in the accounting and auditing professions as at **Item 14B**.

On 20 October 2022, the FRC Secretariate contacted the NSC to enquire about their reasoning for listing accountants as ‘No Shortage’ and other relevant matters. The complete correspondence from the NSC is at **Attachment A**.

The decision to no longer list accountants as in ‘shortage’ has received some media attention (see [Accountants Daily](#) and [CA ANZ](#) articles). The CA ANZ article states that this ‘does not reflect the experience of our Members [who have been] struggling to recruit and retain people with accounting skills’.

The FRC has been monitoring the challenges in talent attraction and retention in the accounting and assurance profession. As part of this work, the FRC has discussed the effects of barriers to migration and visa processing delays on this talent shortage (see the 10 December 2021 [meeting pack](#) and [minutes](#) and 8 September 2022 meeting minutes). Immigration and migration have also been raised by stakeholders in FRC stakeholder reports (see 8 September 2022 [meeting pack](#)).

Stakeholder Consultation

Formal consultation for the SPL involves two online surveys (a peak body stakeholder survey and a major employer survey), engagement with government agencies and state/territory governments for feedback, as well as face-to-face (or online) engagement stakeholders year-round. An indicative annual timeline for the SPL 2023 ongoing consultation is below:

| Timing | Activity |
|------------------------|--|
| 1 November – 6 January | Peak body stakeholder and major employer survey |
| May | Draft SPL tested with state/territory and federal agencies |
| Continuous | Face-to-face/digital engagement with stakeholders as appropriate |

Continuous

Engage with state/territory government, including through working groups, as appropriate

Survey program

The NSC's peak body stakeholder survey and major employer survey seek to capture information from stakeholders on recruitment challenges and skills needs across a wide range of occupations and industries.

Survey respondents can provide additional documentation to support their claims, such as member surveys, industry reports or their own internal modelling or data. Respondents are also given the opportunity to provide information on new and emerging occupations, or occupations that are not currently categorised in ANZSCO. Information gathered through the surveys is then considered during the assessment process. In addition to the SPL surveys, stakeholders can contact the NSC at any time to provide advice or submissions on occupations or to arrange a meeting to discuss input with the NSC. Any stakeholders wishing to provide input can contact the NSC at skillsprioritylist@skillscommission.gov.au.

Peak body stakeholder survey program

Peak body stakeholder survey is conducted annually, and target industry bodies, unions and regional bodies. Targeted surveys have been developed to collect information from these different groups. The same group of core questions are used to ensure consistency across the surveys. However, splitting the surveys enables the NSC to tailor the language and phrasing of questions in acknowledgement of the different roles these representative bodies play in the Australian labour market.

In each of the targeted surveys, stakeholders are asked to identify occupations that are difficult to recruit for in their experience, or, that their members have difficulty recruiting for. Stakeholders are asked to comment on issues regarding access to skills, to provide an indication of the level of shortage or adequacy of supply that exists for an occupation, and why. This provides an understanding of skills needs across industries, occupations and regions.

Major employer survey program

In 2022, the NSC introduced the major employer survey. This survey is conducted annually and aims to capture major employers' experiences recruiting for occupations on the SPL, across a wide range of industries. The survey collects quantitative evidence on the employers' recruitment experiences.

Consultation with government agencies

Federal government agencies are consulted on the SPL occupations that are deemed relevant to their portfolio, e.g. Department of Health are consulted on health-related occupations. Whereas the state and territory agencies are consulted on the SPL findings within their jurisdiction. Draft SPL findings are tested to verify the findings to seek any additional context or evidence that may not have been considered in the initial occupation assessment.

Additional Information

It is important to note that auditors are listed as 'Shortage' on a national scale with a 'moderate' future demand. While accountants have been listed as 'No Shortage' on the SPL, General Accountants, Management Accountant and Taxation Accountants are listed on the Skilled Migration Occupation Lists (SMOL). Australia's skills-related migration visas are underpinned by the following lists, which combine to form the SMOL:

- Short-Term Skilled Occupation List
- Medium and Long-Term Strategic Skills List (MLTSSL)
- Regional Occupation List.

The MLTSSL, formerly the Skilled Occupation List (SOL), contains 212 occupations. This list is prescribed in Legislative Instrument [LIN 19/051](#). General Accountants, Management Accountant and Taxation Accountants are currently listed on the MLTSSL and thus presently remain on the SMOL. The Minister for Immigration, Citizenship and Multicultural Affairs is the decision maker on the timeframe and frequency of updates to the skilled migration occupation lists (SMOL). SPL ratings are not necessarily determinative of future SMOL status. However, the NSC's determination of Accountants to be in 'No Shortage' on the SPL may have an effect on future policy initiatives and decision (including as to whether accountants should remain on the SMOL for migration purposes).

It is recommended that the FRC discuss and decide on whether it will engage with stakeholders, the National Skills Commission (to influence the development of the 2023 Skills Priority List) and/or the Department of Home Affairs(to better understand any barriers to the migration of auditors and accountants) to further its work in relation to talent attraction and retention.

RECOMMENDATIONS:

- The FRC decide on whether to engage in the National Skills Commission consultation process, either by participating in its stakeholder survey or making a submission.
- The FRC decide on whether to engage with the Department of Home Affairs to increase its knowledge of the migration system (as it relates to accountants and auditors).

Email from the NSC

The National Skills Commission (NSC) defines occupation shortages as an occupation that is generally considered to be in shortage when employers are unable to or have considerable difficulty filling vacancies for an occupation or cannot meet significant specialised skill needs within that occupation, at current levels of remuneration and conditions of employment, and in reasonably accessible locations. Further, large amounts of vacancies, including high demand for an occupation, alone are not enough to indicate a shortage, as it is possible these vacancies may be filled relatively easily.

The Skills Priority List (SPL) does not measure labour shortages that occur when staff are unavailable due to COVID-19 quarantine measures, including the impacts of border closures, or similar short-term workforce limitations. While these measures can be a strain on both employers and the labour market at large, these occurrences can be short-term in nature.

'No Shortage' for Accountants

- The SPL occupation ratings are determined through extensive statistical analysis of the labour market, employer surveys, and extensive stakeholder engagement (including industry bodies representing the accounting profession). The use of various sources of evidence and stakeholder consultations ensures the SPL represents a comprehensive assessment of occupational shortages.
- The estimated proportion of vacancies filled (or the 'fill rate') is based on the NSC's SPL Indicator model (further discussion of this model is published [here](#)). It provides a valuable link to, and extension of, the targeted long-standing research undertaken on skill shortages and the Survey of Employers who have Recently Advertised (SERA).
- As Table 1 shows, the estimated fill rates for each of the three Accountancy occupations increased (by either 4 or 5 percentage points) in 2022. The 2022 result was also 11 percentage points above both the economy-wide average result and the average result for all occupations in the Professionals major occupation group (which we consider to be the better comparator, given the formal qualification requirements that are typically associated with Professionals occupations).
- The NSC also included the estimated fill rates for both External Auditor and Internal Auditor, which declined significantly in 2022, to help put the fill rates for the accountant occupations into context and better gauge the reasons the occupations were not found to be in shortage.

Table 1: Estimated proportion of vacancies filled, or the 'fill rate', 2021 and 2022

| ANZSCO code | ANZSCO Title | Estimated proportion of vacancies filled (fill rate) | |
|-------------|----------------------|--|----------|
| | | 2021 SPL | 2022 SPL |
| 221111 | Accountant (General) | 68% | 72% |

| | | | |
|--|-----------------------|------------|------------|
| 221112 | Management Accountant | 67% | 72% |
| 221113 | Taxation Accountant | 68% | 72% |
| 221213 | External Auditor | 62% | 38% |
| 221214 | Internal Auditor | 62% | 38% |
| All occupations in the Professionals major occupation group | | 68% | 61% |
| All occupations assessed | | 69% | 61% |

Survey of Employers who have Recently Advertised (SERA) data

- To develop and validate the findings of the SPL Indicator Model, the NSC continues to undertake SERA.
- The SERA is a sample and therefore won't be fully representative of all recruitment activity. Based on SERA results for Accountant (General), the overall fill rate from SERA respondents was just over 70%, with relatively high level of total applicants, qualified applicants and applicants deemed suitable (by the employer) on average per vacancy.
- Compared to the results for Accountant (General), the SERA results – with respect to fill rate and average number of applicants, qualified applicants and suitable applicants – were generally better for Management Accountant but worse for Taxation Accountant. However, the small sample sizes (and high volatility in numbers of candidates within each sample) meant that the NSC had low confidence that the true economy-wide results for Management Accountant and Taxation Accountant were materially different to the results for Accountant (General).

Other data analysis

- Analysis of ABS data shows that, in seasonally adjusted terms, employment of Accountants (at the 4 digit occupation level) stood at 206,600 in August 2022, an increase of 32,000 (or 18.3%) compared to February 2020 (the most recent quarterly data prior to the COVID-19 pandemic). This compares to economy-wide employment growth of 601,600 (or 4.6%) over the same period. For context, in contrast, employment of Auditors, Company Secretaries and Corporate Treasurers has declined by 2,900 (or 10.4%) over the same period, to stand at 25,300.
- While the NSC's Internet Vacancy Index identifies both increasing demand for accountants over the past year and thousands of vacancies, the SPL indicator

model and SERA highlights that the proportion of these vacancies that are being filled is above the economy-wide average.

Input from stakeholders

- Feedback from stakeholders was mixed but was broadly consistent with overall findings from the SPL indicator model and SERA.

Priority Migration Skilled Occupation List (PMSOL)

The Minister for Immigration, Citizenship and Multicultural Affairs is the decision maker on the timeframe and frequency of updates to the skilled migration occupation lists (SMOL), and the priority migration skilled occupations list (PMSOL), noting:

- The PMSOL was introduced in September 2020 as a temporary COVID-19 migration measure, to prioritise the processing of **employer-sponsored** skill visa applications and to act as the basis for a travel exemption for employer-sponsored visa holders, while Australia's international borders were shut. As our borders are now open, a further update to PMSOL may not be needed.
- The PMSOL which was most recently updated in July 2021, does not affect the composition of the SMOL (which applies to ten temporary, provisional and permanent skill-related visa programs). The July 2021 PMSOL was based on labour market analysis which preceded the release of the 2021 Skills Priority List (SPL).
- The current SMOL was introduced in March 2019, and the planned March 2020 update put aside (i.e. will not be actioned) due to COVID-19.
- Future updates to the SMOL – and should it be required, the PMSOL – will be based on labour market analysis undertaken by the NSC. This analysis will build on the SPL ratings, while also taking into consideration other labour market, migration and visa related factors and datasets. The advice provided by the NSC to the Government on these lists will also take into consideration relevant Australian law and international obligations. That is, the SPL ratings are not necessarily determinative of future SMOL (or PMSOL) status.

Accountants who have migrated to Australia over the last 5 years

- The table (which can be extracted from pivot tables at www.data.gov.au) below provides data on primary employer-sponsored TSS visa grant for Accountant occupations, noting requests for permanent skill visa grant should be made to the Department of Home Affairs. The NSC's access agreements signed with the Department of Home Affairs, do not allow them to share unpublished permanent skill visa data. *Note –the table below is presented as total visa grant, as disaggregation to on-shore and off-shore visa applicants would result in some cells being suppressed for privacy reasons.*

| ACCOUNTANTS | | | | | | |
|---------------------------------|---------------|----------------|----------------|----------------|----------------|----------------|
| Primary TSS/Subclass 457 | ANZSCO | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 |
| Accountant (General) | 221111 | 684 | 795 | 450 | 392 | 940 |
| Management Accountant | 221112 | 188 | 209 | 137 | 112 | 270 |
| Taxation Accountant | 221113 | 85 | 107 | 51 | 27 | 118 |
| Total Unit Group | 2211 | 957 | 1,111 | 638 | 531 | 1,328 |

Including the FRC as a Stakeholder

- For your information, we consult Commonwealth departments, including Treasury, and state and territory agencies on the SPL before it is finalised. The 2022 SPL was previously sent to the Labour Market, Environment, Industry and Infrastructure Division in Fiscal Group for comment. We are happy to include contacts within the FRC when consulting on the 2023 SPL. Please let us know who we should send the draft 2023 SPL to in the FRC as well as others in Treasury that might be interested in reviewing the SPL.
- FRC are also welcome to participate in our peak body and major employer surveys. We will open the survey response to inform the 2023 SPL in November 2022. However, evidence and analysis on shortages can be provided at any time to the SkillsPriorityList@skillscommission.gov.au. The provision of evidence in the form of internal modelling, data and research will be most helpful and considered when producing the 2023 SPL.
- Please let us know if you would like further information including meeting to discuss further.



ROYAL COMMISSIONS AND INQUIRIES

DESCRIPTION

At its last two meetings, the FRC has discussed the recent banking and casino inquiries and whether they:

- indicated any issues with accounting and/or auditing standards
- could bring the culture of audits into question.

However, the FRC also recognised that there were few, if any, references to the role of external auditors in the recommendations from the three state-based inquiries and royal commissions into casinos.

At its 8 September 2022 meeting, the FRC agreed to continue to explore the relevance of the inquiries to the FRC's functions, including whether they highlight any issues with the accounting and/or auditing standards.

On 25 October 2022, the FRC Secretariat sought stakeholder feedback about current reporting requirements and regulations within the context of the recent inquiries into Australian casinos, and other corporate risks (see item 13A of this meeting pack for stakeholder responses).

The Chair of the AASB also agreed, at the 8 September 2022 meeting, to investigate the extent to which accounting standards are relevant to the casino inquiries (please see action item 7 in Matters Arising).

ACTION

- Keith Kendall to provide a verbal report about the extent the accounting standards are relevant to the recent casino inquiries.
- For further discussion in order to determine appropriate FRC action (if any).



ITEM 11C

23 NOVEMBER 2022

AUDITOR DISCIPLINARY PROCESSES

DESCRIPTION

During an out-of-session meeting held on 10 November 2022, the FRC agreed:

- to an approach to refreshing the 2019 *Auditor Disciplinary Processes: Review*
- on whether to make a submission to the [CA ANZ Professional Conduct Framework Review](#) and the Senate Economics References Committee's [inquiry into Australian Securities and Investments Commission investigation and enforcement](#).

At the time of drafting this meeting paper, the minutes for this out-of-session meeting have not yet been finalised. The FRC Secretariat will publish an updated meeting pack on the FRC website, which will include the finalised minutes (see Item 3B).

The FRC Chair to provide a verbal report on these decisions.

ACTION

- The FRC Chair to provide a verbal report.



ITEM 12A

23 NOVEMBER 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 [calling for nominations](#) for Trustee positions from regions including Asia-Oceania.
 - The appointments will be for 3 years (with a possibility of renewal for a further 3 years) and will commence 1 January 2024. Applications close 15 December 2022.
- The IFRS Foundation has [appointed 3 new members](#) to the Global Preparers Forum.
 - The Forum is an independent body from the International Accounting Standards Board (IASB) and IFRS Foundation which aims to provide the IASB with regular input from the international community of preparers of financial statements.
- The IFRS Foundation held its 2022 World Standard-setters Conference on 26-27 September 2022. A summary is available on its [website](#).
 - Discussions included the IASB's work, the International Sustainability Standards Board's (ISSB) work (including the two draft sustainability standards), and the *IFRS for SMEs* Accounting Standard consultation (see also IASB update below).

International Sustainability Standards Board

- The ISSB [announced](#) that it appointed three members from Europe and Japan, and the [appointment of its Vice-Chair](#), completing ISS membership.
- The IFRS Foundation [confirmed](#) the appointment of 7 organisations and representatives to the Sustainability Consultative Committee (SCC).
 - The SCC identifies, informs and advises the ISSB on priority sustainability matters, related technical protocols and significant interdependencies between sustainability matters. It comprises of 4 permanent multilateral member organisations, the IMF, OECD, UN and the World Bank.

International Accounting Standards Board

- On 8 September 2022, the IASB [published](#) its proposals to update the *IFRS for SME's* Accounting Standard to reflect improvements made to full IFRS Accounting Standards, whilst keeping the Standard suitable for small and medium-sized entities.
 - This includes updating the principles of the Standard for new requirements in IFRS 3 *Business Combinations*, IFRS 9 *Financial Instruments*, IFRS 10 *Consolidated Financial Statements* and IFRS 11 *Joint Arrangements*.
- On 22 September 2022, the IASB [issued amendments](#) to IFRS 16 *Leases*.
 - The amendments add to requirements explaining how a company accounts for a sale and leaseback after the date of the transaction.
- The [2023 IASB Research Forum](#) will be held 2 -3 November 2023, to discuss accounting for intangible assets.
- On 31 October 2022, the IASB [amended the IAS 1 Presentation of Financial Statements](#), to improve the information companies provide about long-term debt with covenants.
- On 13 October 2022, the IASB [appointed](#) Florian Esterer as a Board member, bringing previous investor experience, including sustainable investment.

International Auditing and Assurance Standards Board (IAASB)

- On 1 August 2022, the IAASB [issued a non-authoritative FAQ](#) to address common questions on reporting going concern matters.
 - The publication focuses on the use of and interrelationship of the *Material Uncertainty Related to Going Concern* and *Key Audit Matters* sections, and the *Emphasis of Matter* paragraphs.
- The IAASB has [proposed changes](#) to International Standard on Auditing (ISA) 500 (Revised), *Audit Evidence*.
 - The proposed International Standard on Auditing 500 (Revised), *Audit Evidence*, provides a “reference framework” for auditors when making judgments about audit evidence throughout the audit.

Financial Reporting Council UK (UK FRC)

- On 8 November 2022, the UK FRC [commenced consultation](#) on its draft proposal for a minimum standard for audit committees.
- The FRC Lab published the following reports:
 - [a report](#) on ESG data production to assist companies to consider how to collect and use such data more effectively to support better decision-making.
 - [a report](#) that identifies lessons learnt from the first year of mandatory structure digital reporting under the UK Transparency Directive European Single Electronic Format Regulation.
- On 22 August 2022, the UK FRC announced that it is [holding roundtables](#) to discuss how auditor reporting in the UK could be improved.



ITEM 12B

23 NOVEMBER 2022

XRB UPDATE

DESCRIPTION

Report by Chair of the XRB

ACTION

- Michele Embling to provide verbal update.



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.

On 25 October 2022, the FRC Secretariat sent specific questions (available at **Attachment A**) to all stakeholders about:

- current reporting and assurance requirements and corporate risks (such as cyber security)
- barriers and opportunities to implementing digital financial reporting in Australia.

Out of requests to 19 stakeholders, the FRC received 8 Stakeholder Reports and a response from AIST confirming nil updates.

At its 8 September 2022 meeting, the FRC agreed to internally track stakeholder responses over time. A report of stakeholder response rates was circulated to FRC members prior to the 23 November 2022 meeting.

The FRC also agreed to further discuss and agree on whether to:

- implement a mechanism through which it can respond to Stakeholder Reports, when appropriate
- modify its stakeholder list used for the purpose of requesting Stakeholder Reports.
 - A list of FRC stakeholders is at **Attachment B**.

ACTION

- Chair to report.
- The FRC to further discuss and agree on:
 - A mechanism through which it can respond to Stakeholder Reports, when appropriate
 - A stakeholder list used for the purposes of requesting Stakeholder Reports.

SPECIFIC QUESTIONS FOR STAKEHOLDERS - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

At each meeting, the FRC identifies and monitors strategic risks to financial reporting and audit quality, to inform any potential actions to address and/or mitigate such risks.

At its 10 December 2021 meeting, the FRC identified cyber-security as strategic risk to the financial reporting system. It has since monitored this issue and continues to do so. As part of this discussion, the FRC explored whether current corporate reporting requirements are adequate to address such risks. At its 8 September 2022 meeting, the FRC also agreed to further examine whether the recent casino inquiries highlight any issues with the accounting and/or auditing standards.

In light of recent developments in relation to casino inquiries and cyber-attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:

- 1.** Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.
- 2.** Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why.
- 3.** Does your organisation have any other relevant matters to bring to the FRC's attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia?

At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB's investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation's views on the following:

- 4.** Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia?

FRC STAKEHOLDERS – REPORT REQUESTS

Below is the list of stakeholders from which the FRC Secretariat regularly requests reports for the FRC to consider at each of its quarterly meetings.

- Association of Superannuation Funds of Australia
- Australian Charities and Not-for-profits Commission
- Australian Institute of Company Directors
- Australian Institute of Company Directors
- Australian Prudential Regulation Authority
- Australian Securities Exchange
- 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** - as agreed at the 8 September 2022 FRC meeting, Tracey Carroll will provide any relevant public sector updates under the PSAG agenda item - this may include Department of Finance updates.
- Governance Institute of Australia
- Group of 100
- HoTARAC
- Institute of Internal Auditors
- Institute of Public Accountants
- PSWG (NSW Secretariat)

The following stakeholders are also included on the FRC stakeholder contact list. The FRC Secretariat has contacted these stakeholders with targeted questions but does not reach out to request a Stakeholder Report regularly before each FRC meeting.

- Accounting Professional and Ethical Standards Board
- Australian Council of Auditors-General
- Australian Council of Superannuation Investors
- Australian Investment Council
- Australian Prudential Regulation Authority
- Australian Public Policy Committee

- Australian Public Policy Committee/Audit Quality Committee
- BDO
- Bentleys
- Companies Auditors Disciplinary Board (CADB)
- Crowe Australasia
- Deloitte
- Ernst & Young
- Grant Thornton
- KPMG
- Pitcher Partners
- PKF
- PricewaterhouseCoopers
- RSM Australia
- William Buck



ITEM 13A

23 NOVEMBER 2022

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.

- We launched a [Sustainability Assurance Playbook](#), tailored for small and medium audit firms, designed to showcase the opportunities that sustainability assurance services offer. It provides suggestions how to get started providing sustainability assurance services by sharing experiences from assurance practitioners already providing such services. Following that, we held a webinar on the playbook that had over 500 member registrations.
- We held an educative online session attracting more than 1,000 registrants, on practical aspects of digital reporting from a preparer and user perspective, in conjunction with the International Accounting Standards Board and experts from overseas jurisdictions that have adopted digital reporting.
- We produced a report with the full results of our [2022 Investor Confidence Survey](#) of over 1,000 retail investors. For the fourth year in a row, independent auditors remained the most trusted group on investor protection. The confidence of retail investors has dropped sharply as global and local economies continue to face disruptions. This fourth annual survey reveals that confidence levels are lower than they were even at the height of the pandemic. Issues such as global political unrest, the ongoing impacts of COVID-19, and climate change have again shaken investor confidence, which had started to recover in 2021.
- CA ANZ, in conjunction with CPA Australia and HLB Mann Judd, published a [fact sheet and flow charts](#) to help AFSLs navigate the AASB's for-profit reporting framework reforms and transition to preparing general purpose financial statements.
- We drove a successful [#AuditorProud Day](#) on 29 September with high levels of engagement across various social media platforms. This year we focused on the pivotal role auditors and assurance play in sustainability.



SPECIFIC QUESTIONS FOR STAKEHOLDER - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

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.

At each meeting, the FRC identifies and monitors strategic risks to financial reporting and audit quality, to inform any potential actions to address and/or mitigate such risks.

At its 10 December 2021 meeting, the FRC identified cyber-security as strategic risk to the financial reporting system. It has since monitored this issue and continues to do so. As part of this discussion, the FRC explored whether current corporate reporting requirements are adequate to address such risks. At its 8 September 2022 meeting, the FRC also agreed to further examine whether the recent casino inquiries highlight any issues with the accounting and/or auditing standards.

In light of recent developments in relation to casino inquiries and cyber-attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:

1. Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.

CA ANZ welcomes the FRC's intent to recognise cyber-security as a strategic risk, and examine the recent casino inquiries for issues relevant to accounting and/or auditing standards. In relation to the broad terms of the *Inquiry into the Regulation of Auditing in Australia*, we undertook and documented a comprehensive analysis into the current legislative and regulatory requirements for financial reporting (and auditing). A key consideration in that work was the existence of risks such as cyber-security and other matters not solely of a financial nature that would be of concern to financial reporting stakeholders and the public more broadly, and how well current settings addressed those risks. We found that the Australian settings for financial reporting and auditing were on par with international best practice. However, there were several areas where the Australian arrangements were less robust in addressing those kinds of risks, relevantly:

- Lack of robustness, clarity and transparent accountability for companies to maintain an effective internal control environment
- The clarity and relevance of reporting, and adoption of digital reporting technology (see also question 4 below)
- Reporting on risks associated with business failure

We also made recommendations related to strengthening independence requirements and audit quality. This work is documented here:

- [Overview/analysis of Australia's financial reporting and auditing eco-system with international comparisons](#)
- [CA ANZ Comprehensive Plan for Audit and Risk in Australia](#)



Since this work was completed, several steps have been taken which address the analysis and recommendations made, including inter alia:

- Adoption by the *Inquiry into the Regulation of Auditing in Australia* of several recommendations reflecting the matters raised, including with respect to internal control reporting and assurance and digital reporting.
- Strengthened independence standards relating to non-audit services and fees adopted by the APESB.
- Introduction of new audit quality management standards by the AUASB.
- Progress toward enhanced sustainability reporting and assurance.
- Introduction by the Australian Institute of Company Directors and AUASB of an audit committee/board guide to [Periodic Comprehensive Review of the External Auditor](#).
- Work by the International Auditing and Assurance Standards Board on going concern and fraud risk.

We note however there is a clear opportunity to progress some of the key recommendations of the *Inquiry into the Regulation of Auditing in Australia*, most relevantly to the questions raised above, recommendation 9:

The committee recommends that the Corporations Act 2001 be amended such that entities required to have their financial reports audited under the Act must establish and maintain an internal controls framework for financial reporting. In addition, such amendments should require that:

- *management evaluate and annually report on the effectiveness of the entity's internal control framework; and*
- *the external auditor report on management's assessment of the entity's internal control framework.*

Weakness in the internal control environment is pervasive as a central issue where non-financial risks such as those mentioned in the question and beyond, play out unmitigated and result in adverse impacts and inquiry. Experience and research available from countries where more robust and clear requirements for maintaining an effective internal control environment have been implemented show that this not only improves the quality of financial reporting, but is also a baseline step in mitigating non-financial risks, including those that have already occurred and garnered public attention, and those that may emerge in the future.

Finally, while we commend the FRC on exploring the matters raised above, we would respectfully recommend caution when it comes to consideration of the role of financial reporting and auditing in addressing risks such as cyber-security and those brought to light in the recent casino inquiries. Financial reporting and audit play a key, growing and often stretched role underpinning the confidence and basic functionality of our capital market and economy. It is critical to consider the matters above carefully, beginning with a substantive analysis and understanding of the facts associated with any exemplary cases or risks, existing regulation that serves to directly target those risks, what specific role financial reporting and audit might play, and the feasibility and costs/benefits of any anticipated role. We believe this is essential to be able to consider policy that would best serve Australians and our economy, and avoid exacerbating an existing expectations gap around financial reporting and audit.



We have also undertaken extensive work in conjunction with the Association of Chartered Certified Accountants to better understand that expectation gap and how it may be addressed including undertaking Australian and international outreach across a broad range of stakeholders (refer [Narrowing the audit expectation gap](#)).

2. Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why.

Please refer response to question 1.

3. Does your organisation have any other relevant matters to bring to the FRC's attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia?

Please refer response to question 1.

At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB's investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation's views on the following:

4. Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia?

We welcome the Financial Reporting Council and AASB's interest and work on digital reporting. We believe the Australian experience over the past decade has illustrated it is essential to mandate a requirement for financial reports to be lodged in a recognised, tagged digital format. We recommended a mandate for digital reporting in the *CA ANZ Comprehensive Plan for Audit and Risk in Australia* referred to above and have continued to advocate for this on the basis that uptake has clearly not occurred on a voluntary basis. Digital reporting is essential to provide users with a streamlined way of reading and analysing financial and non-financial reporting suited to their unique needs. Digital, tagged reporting data is essential for reporting to be able to effectively deal with the challenges of increasingly complex organisations and reporting frameworks, and will become even more so with the current steps toward enhanced and possibly mandated sustainability reporting. As many other major economies have already moved toward digital reporting, and adoption will clearly involve a period of transition and 'teething', it is critical for Australia to move quickly to avoid being left behind, with possible detrimental impacts on our prosperity, and attractiveness to investors, business, and other stakeholders internationally.



We have been undertaking a program of work aimed at educating Australian and international investors, preparers and auditors on digital reporting, research to inform the policy dialogue and engaging widely with key stakeholders in Australia and abroad. Please see also:

- CA ANZ research paper: [The Future of Financial Reporting](#)
- Accountants Daily article by Simon Grant FCA, CA ANZ Group Executive Advocacy and International: [Let's get digital when it comes to annual reports](#)
- International Federation of Accountants article by Amir Ghandar FCA, CA ANZ Reporting and Assurance Leader: [The Accounting Revolution Will Be Digitized](#)

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: APESB non-assurance services, IPSASB natural resources, IPSASB public sector sustainability reporting, 2023 Corporate Emissions Reduction Transparency (CERT) report, QLD Incorporated associations and charities regulation consultation.
- We facilitated two online webinars focused on ethics – one provided an update on changes to the Code of Ethics and another to acknowledge [Global Ethics Day](#). Our global ethics day panel webinar was attended by almost 3,000 members.
- Created an [animation](#) to explain the changes to the quality management standards for the membership.



ITEM 13A

23 NOVEMBER 2022

STAKEHOLDER REPORT: AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

FOR ATTENTION OF THE FRC

None noted by the stakeholder

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 September 2022, APRA issued the APRA released finalised changes to the capital and reporting frameworks for insurance in response to the introduction of the new accounting standard Australian Accounting Standards Board 17 Insurance Contracts (AASB 17). The new APRA requirements take effect from 1 July 2023.*
- *APRA continues to monitor the changes in the macro-economic environments on banks provisions and capital levels.*
- *APRA also is monitoring the international sustainability standards activity and related work on assurance standards relating to sustainability.*

SPECIFIC QUESTIONS FOR STAKEHOLDER - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

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.

At each meeting, the FRC identifies and monitors strategic risks to financial reporting and audit quality, to inform any potential actions to address and/or mitigate such risks.

At its 10 December 2021 meeting, the FRC identified cyber-security as strategic risk to the financial reporting system. It has since monitored this issue and continues to do so. As part of this discussion, the FRC explored whether current corporate reporting requirements are adequate to address such risks. At its 8 September 2022 meeting, the FRC also agreed to further examine whether the recent casino inquiries highlight any issues with the accounting and/or auditing standards.

In light of recent developments in relation to casino inquiries and cyber-attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:



1. Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.

Recent cyber events have been concerning. We note that cyber reporting incidents may need to be disclosed under the ASX continuous disclosure requirements and as required under the Operating and financial Review (See ASIC Regulatory Practice Guide) but we are unsure whether there is a significant gap here in reporting obligations that needs to be closed. We do not believe the quality and confidence of corporate reporting itself has been impacted.

2. Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why.

Cyber security is a risk management issue. We do not believe there is a significant gap with assurance requirements for cyber security. The Auditing and Assurance Standards Board has issued guidance in May 2021 on the consideration of cyber security in the audit of the financial report. Considering cyber security risk proactively as part of the audit, would result in better quality audits that would enhance market confidence.

3. Does your organisation have any other relevant matters to bring to the FRC's attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia?

N/A

At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB's investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation's views on the following:

4. Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia?

Australian entities have been actively engaged with digital financial reporting. APRA is not aware of any barriers and/or potential opportunities to implement digital financial reporting in Australia.

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.

N/A



ITEM 13A

23 NOVEMBER 2022

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.

- The AICD has published its *Periodic Comprehensive Review of External Auditors – Guide for Audit Committees*, which was developed in collaboration with the AUASB.
- The AICD has published its *Cyber Security Governance Principles*, which was developed in collaboration with the Cyber Security Cooperative Research Centre (CRC).

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 has released 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. It can be downloaded at: <https://www.aicd.com.au/risk-management/enterprise/reports/audit-quality-guide-2022.html>
- In collaboration with the Cyber Security CRC, the AICD has released a new publication for use by directors, the *Cyber Security Governance Principles*. In recent years, directors have provided feedback that while they are alive to the significant threat that is posed to their organisations by cyber security incidents, they at times lack the tools and knowledge to engage effectively with management. The Principles will enable directors of all sizes of organisations to ask the right questions of management, spot red flags in how cyber security risk is being managed, promote a culture of cyber security resilience and prepare and respond effectively to significant cyber security incidents. The Principles draw on the insight of senior Australian directors, cyber security advisors and government. For SME and NFP directors there is a checklist of practical low-cost steps to enhance cyber security resilience. It can be downloaded at: <https://www.aicd.com.au/risk-management/framework/cyber-security/cyber-security-governance-principles.html>. As at 10 November, the AICD has had around 11,000 unique downloads of the resources.



- In respect of the draft ISSB sustainability and climate standards, the AICD has continued to engage with government and regulators, separately and in collaboration with other preparer stakeholders. We would like to see greater policy clarity from the Federal Government on domestic implementation, even if just in terms of broad policy parameters. AICD, and other preparer groups, recognise a significant change management effort will be required to establish the capacity for high quality reporting on sustainability and climate. AICD is focused on raising awareness amongst directors about the new reporting obligations and a more focused direction from government will assist in bringing greater focus.

SPECIFIC QUESTIONS FOR STAKEHOLDER - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

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.

At each meeting, the FRC identifies and monitors strategic risks to financial reporting and audit quality, to inform any potential actions to address and/or mitigate such risks.

At its 10 December 2021 meeting, the FRC identified cyber-security as strategic risk to the financial reporting system. It has since monitored this issue and continues to do so. As part of this discussion, the FRC explored whether current corporate reporting requirements are adequate to address such risks. At its 8 September 2022 meeting, the FRC also agreed to further examine whether the recent casino inquiries highlight any issues with the accounting and/or auditing standards.

In light of recent developments in relation to casino inquiries and cyber-attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:

1. Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.

The AICD recognises that cyber threats are part of every organisation's risk landscape, particularly as businesses place more of their key assets and systems in internet facing systems, with all organisations susceptible to attack. The cyber threat environment is incredibly dynamic and boards need to remain responsive to the threat and the cyber resilience of the organisations they govern.

The AICD believes that current legislative and regulatory requirements for financial reporting are adequate to address cyber risks. We note that the *Corporations Act 2001* already imposes a reporting obligation on directors of listed entities to provide an 'operating and financial review' (OFR). The OFR includes a narrative explaining the financial performance and financial outcomes an entity expects in future years, and in that context a disclosure material business risks is provided. As cyber security risks grow in materiality for listed entities, they are being addressed through this reporting.

Beyond a legislative/regulatory response, the AICD believes that boards need to be supported to strengthen their practices which govern for cyber risks and build their organisation's cyber resilience. This is why the AICD has released its *Cyber Security Governance Principles*, which were developed by the Cyber Security CRC.



Directors are already subject to a range of obligations which require they govern their companies in ways that ensure cyber risks and resilience are properly managed. These obligations exist under both common law and the *Corporations Act 2001 (Cth)*, and include:

- Duty to act with care and diligence;
- Duty to act in good faith and in the best interests of the corporation;
- Reliance on information and advice provided by others (just because a director does not have specialist knowledge about cyber security does not mean that the director's standard of care is reduced);
- Continuous disclosure obligations for listed entities;
- Entities that hold an Australian Financial Services License (AFSL) are also subject to general and specific obligations under the Corporations Act. A recent decision of the Federal Court of Australia, *ASIC v RI Advice*, confirmed this includes having in place risk management systems and controls to manage business risks; and
- APRA regulated entities are also subject to extensive prudential obligations relevant to cyber security risk.

Many companies are also subject to obligations under the *Privacy Act 1988 (Cth)* and the *Security of Critical Infrastructure Act 2018 (Cth)*.

2. Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why.

The AICD believes that current legislative and regulatory requirements for the assurance of corporate reporting in Australia are adequate to address cyber risks. We note the aforementioned legislative and regulatory framework, relevant to cyber risk, which directors are subject to.

Notwithstanding, what will be important is that audit firms continue to build and maintain capability within their audit teams to apply the audit and assurance standards in the context of growing cyber risks. It will often be necessary for audit teams to include relevant subject matter experts who can identify and probe key areas of financial reporting which are materially susceptible to cyber risk. Boards can only meet their obligations in respect of corporate financial reporting when they have confidence that their auditor has the capacity to offer an audit opinion informed in part by an assessment of cyber risk to the financial reports.

The AICD publication, *Periodic Comprehensive Review of External Auditors – Guide for Audit Committees*, provides a useful framework for directors and audit committees to assess audit quality adequacy within their own companies periodically.

3. Does your organisation have any other relevant matters to bring to the FRC's attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia?

Nil



At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB's investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation's views on the following:

1. Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia?

The AICD supports in-principle efforts to implement digital financial reporting in Australia. We recognise the likely benefits of a move in this area, including:

- increased transparency and improvements in financial statement quality;
- lower information processing costs for users of financial statements;
- increase analyst forecast accuracy; and
- improve the information efficiency of capital markets.

With the level of digital financial reporting currently very low, focus needs to be placed on how companies can be incentivised to build up the required capability in terms of staff, systems and processes. AICD would have reservations about any move to make digital financial reporting mandatory.

We note that most of the identified benefits (including cost efficiencies) lie with the users of reports, not the companies preparing the reports. To advance implementation of digital financial reporting in Australia, proponents will need to demonstrate that the overall benefits of the arrangement substantially exceed the costs to companies to implement.

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.

Director Sentiment Index

In October, the AICD released the results of its biannual Director Sentiment Index (DSI). Director sentiment has dropped to negative 8.5, its lowest point in two years, mainly driven by concerns about the global economy and softer business conditions domestically.

The survey of nearly 1,500 directors was conducted by Roy Morgan from 15-27 September, after the National Jobs Summit and the level of skilled migration was lifted for this financial year from 160,000 to 195,000.

60 per cent of the directors surveyed for the second half 2022 DSI said labour shortages were the major challenge facing Australian businesses, followed by inflation and rising interest rates.

A significant majority of directors saw insufficient skilled migration as a business risk, with 83 per cent agreeing that skilled migration levels were not keeping up with labour demand to the extent that it was likely to have a negative impact on future business growth.

Unsurprisingly, directors are also very focused on inflation, interest rates and monetary policy, and the survey revealed director reaction to recent decisions by the Reserve Bank.

While directors largely agree that the Reserve Bank is increasing rates at the right pace, they do believe it will lead to a significant increase in business insolvencies and a housing debt crisis.



- 51% of directors believe the RBA is raising rates at the right pace to fight inflation.
- 62% of directors believe further increases to interest rates will cause a housing/mortgage crisis.
- 51% of directors believe monetary policies will cause a major uptick in business insolvency.
- Interestingly almost half (47%) of directors think the current review into the Reserve Bank should propose significant changes.

Cyber security remains a pre-occupation for directors and the number one issue keeping them awake at night.

Digital Directors: 10-topic webinar series

The AICD recently concluded its *Digital Directors Webinar Program* (Program) which delivered 10 webinars over the last 12 months. The Program provided critical insights for directors seeking to enhance their knowledge and capability in new and emerging digital governance practices. Focusing on expert advice and practical skills, it has been designed to assist directors to leverage key trends in technology and navigate an evolving digital landscape for organisational sustainability. The series covered such topics as:

- Governing with a Digital Mindset
- Effective Governance of your Digital Assets
- Digital Risk - Balancing Security, Trust, and Performance
- Digital Director Expectations – Legal, Ethical and Societal Change in a Digital Age

The Program has been complementary for AICD members, and the recordings remain accessible at: <https://www.aicd.com.au/courses-and-programs/all-webinars/digital-directors.html>



ITEM 13A

23 NOVEMBER 2022

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

ACTION

- [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 members have agreed to hold regular meetings to discuss climate related issues and will continue to actively monitor communications from the sustainability standards boards.
- HoTARAC has provided 2 submissions to the International Public Sector Accounting Standards Board (IPSASB), related to sustainability reporting and recognition of natural resources, since the FRC meeting 8 September 2022. Comments have also been provided to the Australian Accounting Standards Board (AASB) on amendments to *AASB 13 Fair Value measurement of non-financial assets of not-for-profit public sector entities*. Refer Appendix A for further details.

SPECIFIC QUESTIONS FOR STAKEHOLDER - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

HoTARAC members considered the additional questions from the FRC related to current reporting requirements, corporate risks, and digital reporting.

We consider the questions listed below to be focused on cyber-attacks and casino inquiries; and on corporate rather than all types of reporting. As such we have no comments on queries 1 to 3.

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.

In light of recent developments in relation to casino inquiries and cyber-attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:

1. Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.
2. Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why.
3. Does your organisation have any other relevant matters to bring to the FRC's attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia?

At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB's investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation's views on the following:

4. Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia?

In relation to query 4, whilst this does not present an issue for the public sector, some jurisdictions would like to make the following comments:

If FRC intends to pursue digital reporting, they may wish to consider the following points:

- The cost of education could be considerable for jurisdictions due to a lack of expertise and understanding;
- There is an expectation of significant tooling costs to produce xBRL reports (new reporting tools, mapping and assurance that we are producing reliable information);
- Questions about the level of disclosure and commercial-in-confidence transactional information that may be revealed by material transactions in highly specific xBRL codes;
- Questions about frequency of disclosure (is this real time information? How is it vetted to ensure assurance remains relevant?);
- Digital reporting lends itself to analysis by robotics or AI, which then favours online share trading in dark pools¹ (this can exacerbate trading highs and lows due to programming outcomes. It favours hi-tec investment firms over individuals and may be perceived by regulators as market manipulation due to the avoidance of oversight).

¹ <https://corporatefinanceinstitute.com/resources/equities/dark-pool/>

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- There is a further submission due to the AASB between the date of this report and the FRC meeting.
 - Amendments to AASB 17 (Insurance Contracts) that will allow public sector entities to identify if their arrangements fall within the scope of AASB 17. Amendments to AASB 1050 (Administered Items) would provide an accounting policy choice to the application of AASB 17 by government departments when there are administered captive insurance activities.
- Information on current work in progress related to submissions to Standard Setting Boards is provided in Appendix B.
- HoTARAC expects to prepare comments or be involved in the projects listed in Appendix C in the next 12 months.
- 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 23 November 2022 - SUBMISSIONS TO STANDARD SETTERS COMPLETED at 11 November 2022

| Standard Setter | Topic | Date Lodged | Project Summary | HoTARAC Response |
|-----------------|--|-------------|--|---|
| IPSASB | <i>Consultation paper – Advancing Public Sector Sustainability Reporting</i> | 9/9/2022 | 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. | <p>HoTARAC agrees that non-financial sustainability reporting is an important current topic, and needs to be considered for entities in the public sector as well as the private sector. Implementation of sustainability reporting by any or all public sector entities in Australia is a government policy decision to be taken by each government jurisdiction. Policy decisions about sustainability reporting have been taken to different extents by individual jurisdictions, and HoTARAC is making no comment on jurisdictional policy decisions.</p> <p>In compiling our response we consulted with other relevant public sector organisations, but nevertheless the views expressed are the responsibility solely of HoTARAC.</p> |
| IPSASB | <i>Consultation paper – Natural Resources</i> | 17/10/2022 | 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. | The consultation paper set out proposals for the recognition and disclosure of tangible natural resource assets. HoTARAC broadly supported the proposals, but suggested the IPSASB reconsider the application of qualitative characteristics to disclosures and the role of human intervention in recognition of natural resource assets. We note that the consultation paper mostly reiterates existing principles and uses these as a foundation for effective guidance on natural resources in the public sector. HoTARAC suggests the IPSASB further considers the application of qualitative characteristics to disclosures and the role of human intervention in asset recognition. |

| Standard Setter | Topic | Date Lodged | Project Summary | HoTARAC Response |
|-----------------|---|-------------|---|--|
| AASB | AASB 2022-X Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities [AASB 13] | 10/11/2022 | This Standard amends AASB 13 , including adding authoritative implementation guidance and providing related illustrative examples, for application by not-for-profit public sector entities. Specifically, in respect of fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows. | HoTARAC commended the inclusion of additional guidance based on previous feedback. |

LEGEND

AASB Australian Accounting Standards Board

IPSASB International Public Sector Accounting Standards Board

ISSB International Sustainability Standards Board

APPENDIX B: HOTARAC FRC STAKEHOLDER REPORT 23 November 2022 – SUBMISSIONS TO STANDARD SETTERS CURRENT WORK IN PROGRESS

| Standard Setter | Topic | Due date | Project Summary |
|-----------------|--|------------|---|
| AASB | AASB 2022-Y Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector [AASB 17 & AASB 1050] | 11/11/2022 | <p>This Standard amends AASB 17 to include modifications that apply to public sector entities. Those modifications relate to providing public sector entities with:</p> <ul style="list-style-type: none"> (a) factors to consider for identifying arrangements that fall within the scope of AASB 17 in a public sector context; (b) an exemption from sub-grouping onerous versus non-onerous contracts at initial recognition; (c) an exemption from sub-grouping contracts issued no more than a year apart; (d) an amendment to the initial recognition requirements so that they do not depend on when contracts become onerous; (e) guidance on coverage periods in a public sector context, which has consequences for determining the cash flows used to measure insurance liabilities and the pattern of revenue recognition; (f) an accounting policy choice to measure liabilities for remaining coverage applying the premium allocation approach; and (g) deferral of the effective date of AASB 17 to annual reporting periods beginning on or after 1 July 2025. <p>This Standard also amends AASB 1050 to provide an accounting policy choice for government departments to apply either AASB 17 or AASB 137 Provisions, Contingent Liabilities and Contingent Assets in determining the information to be disclosed about administered captive insurer activities.</p> |
| AASB | ITC 49 – Post Implementation Review of AASB 1059 Service Concession Arrangements Grantors | 28/02/2023 | <p>The Australian Accounting Standards Board (AASB) is undertaking a post-implementation review (PIR) of AASB 1059 Service Concession Arrangements: Grantors. The objective of AASB 1059 is to prescribe the accounting for a service concession arrangement by a grantor that is a public sector entity. This Invitation to Comment (ITC) aims to seek feedback from stakeholders that will assist the AASB in determining whether AASB 1059 continues to meet its objective, and the pronouncement remains appropriate.</p> |

LEGEND

AASB Australian Accounting Standards Board

IPSASB International Public Sector Accounting Standards Board

ISSB International Sustainability Standards Board

APPENDIX C: HOTARAC FRC STAKEHOLDER REPORT 23 November 2022 – SUMMARY OF FUTURE PROJECTS OF HIGH IMPORTANCE

| Standard Setter | Work Items | Next Milestone | Expected Period | Project Summary | Issues/Strategy Action |
|-----------------|--|------------------------------|--------------------------------|---|---|
| AASB | Conceptual Framework-NFP Amendments | Research/Outreach | Q4 2021-H2 2022 | The objective of this project is to apply the AASB's <i>Conceptual Framework for Financial Reporting</i> to not-for-profit entities and improve the consistency, comparability, transparency and enforceability of financial reports prepared in accordance with AAS. | HoTARAC is seeking to proactively engage with AASB on any material issues which still need to be resolved. The Commonwealth has done some preliminary analysis for consideration as the project progresses. |
| AASB | PIR – AASB 1058/AASB 15 NFP Guidance | ITC | October 2022 | Agenda Paper 9.4.1, AASB Meeting 21-22 September 2022 (M190) AASB is seeking comments about the application of AASB 1058 and AASB 15 in revenue recognition accounting treatment. | Continue to monitor progress |
| AASB | PIR – AASB 1059 | Review of comments on ITC 49 | November 2022 to February 2023 | Comments are invited about experience in the accounting treatment of service concession arrangements from the grantor's perspective, by 28 February 2023. | NSW will be lead jurisdiction. Recommend that the lead jurisdiction organise a specific meeting to discuss this PIR. |
| AASB | PIR NFP Amendments AASB 10 & 12 | ITC | October 2022 | Agenda Paper 9.4.2, AASB Meeting 21-22 September 2022 (M190) AASB is seeking comments about the application of AASB 10 and 12 in consolidations accounting. | Continue to monitor progress |
| AASB | PIR NFP Related Party Public Sector Disclosures | ITC | October 2022 | Agenda Paper 9.4.2 - AASB Meeting 21-22 September 2022 (M190). AASB is seeking comments about experience in applying AASB 124 in related party disclosures. | Continue to monitor progress |

| Standard Setter | Work Items | Next Milestone | Expected Period | Project Summary | Issues/Strategy Action |
|-----------------|--|---|-----------------|---|---|
| AASB | PIR Selected Public Sector Standards | Consider findings from the planning phase | Q1 2023 | | Continue to monitor progress |
| AASB | PIR Superannuation | Begin PIR process | Q3 2022 | PIR of AASB 1056 <i>Superannuation Entities</i> and Interpretation 1019 <i>The Superannuation Contribution Surcharge</i> . See AASB Staff Paper September 2021 <i>14.2 Staff Paper M183 (aasb.gov.au)</i> | Monitor when the process commences |
| AASB | Public Sector Financial Reporting Framework | Outreach and consider results of PIR of AASB 1049 | TBD | Clarify and simplify public sector reporting | Continue to monitor progress |
| AASB | Going Concern Disclosures | Develop project plan | Q1 2023 | Going concern disclosures required under AASB 101 | Continue to monitor progress |
| AASB | Intangibles Reporting | Develop project plan | Q4 2022 | Accounting for intangible assets under AASB 138 | Continue to monitor progress |
| AASB | Public Sector Long-term discount rates | Develop project plan | Q1 2023 | Use of long term discount rates in measurement of superannuation and other provisions. | Continue to monitor progress. The Commonwealth has undertaken a literature search on the subject, with limited results. |
| IPSASB | Other lease-Type Arrangements | ED | December 2022 | As per IPSASB's September 2022 presentation, they are developing additional guidance identifying and addressing lease-related accounting issues associated with lease-type arrangements. | Continue to monitor progress |

| Standard Setter | Work Items | Next Milestone | Expected Period | Project Summary | Issues/Strategy Action |
|--|----------------------------------|----------------------------|-----------------|---|---|
| ISSB Consultation on Agenda Priorities | | Request for Information | Q4 2022 | The ISSB are preparing a request for information to consult on agenda priorities. | Continue to monitor progress |
| International Valuation Standards Council (IVSC) | IVS 500 Financial Instruments | ED | Q2 2023 | IVSC will publish a second exposure draft with revised sections on Governance and Data along with the new proposals on Methods and Models, and Reporting. | Monitor progress and allocate lead jurisdiction if a response is required |



ITEM 13A

23 NOVEMBER 2022

STAKEHOLDER REPORT: CPA AUSTRALIA

FOR ATTENTION OF THE FRC

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- **Audit and assurance:**
We made submissions to the AUASB/IAASB on Exposure Draft (ED) Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised).
- **Financial Reporting:**
We made a submission (jointly with CA ANZ) on the IPSASB Consultation Paper on Natural Resources. We are assisting (jointly with CA ANZ) the AASB in its outreach activities to gather feedback on its proposed T3 standard for not-for-profits.

SPECIFIC QUESTIONS FOR STAKEHOLDER - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

At its 10 December 2021 meeting, the FRC identified cyber-security as strategic risk to the financial reporting system. It has since monitored this issue and continues to do so. As part of this discussion, the FRC explored whether current corporate reporting requirements are adequate to address such risks. At its 8 September 2022 meeting, the FRC also agreed to further examine whether the recent casino inquiries highlight any issues with the accounting and/or auditing standards.

In light of recent developments in relation to casino inquiries and cyber-attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:

1. Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.

In general, we believe there are no gaps in the current legislative or regulatory requirements for financial reporting.

In the context of the AASB removal of SPFR, we have taken a number of steps to educate both preparers and auditors of the changes. We are identifying some challenges arising from this change that may have an adverse impact on some smaller entities that prepare statutory financial reports.



Two such examples identified so far are Special Disability Trusts required to prepare financial reports under s1209S of the *Social Security Act 1991* and licensees registered with the Queensland Building and Construction Commission (QBCC) required to prepare financial reports under the QBCC Minimum Financial Reporting requirements. Both examples could give rise to an obligation to prepare GPFS by entities that we would consider as not being “economically significant”. We continue to engage with the respective regulators to address these specific examples. A post implementation review of the AASB removal of SPFR should seek to identify and address these challenges.

2. Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why.

In general, we believe there are no gaps in the current legislative or regulatory requirements for the assurance of corporate reporting in Australia. We however note there may be broader corporate governance considerations, including applicable legislative or regulatory requirements, that may be relevant to the matters being considered by the FRC.

In the context of cyber-attacks, some consideration may need to be given to internal controls and assurance thereof. We note this is one of the recommendations (Recommendation 9) of the Parliamentary Joint Committee inquiry into the Regulation of Auditing in Australia (PJC inquiry).

3. Does your organisation have any other relevant matters to bring to the FRC’s attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia?

No further comments.

At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB’s investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation’s views on the following:

4. Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia?

CPA Australia has been a long-standing supporter of the adoption of digital financial reporting for listed companies in Australia. To assist with this objective, we commissioned and published a research report “Digital Corporate Reporting: Global Experience from the G20 and Implications for Policy Formulation” earlier this year.

Whilst the lodgement of digital financial reports with ASIC has been available as an option for over 10 years, we understand no organisation has taken up this option yet. As identified in our research report, Australia is one of few countries within the G20 that has yet to adopt a mandated approach to digital financial reporting. We also note that the PJC inquiry has recommended (Recommendation 10) that the Australian Government should take appropriate action to make digital financial reporting standard practice in Australia.



Although Treasury consulted on the possibility of mandating digital financial reporting 10 years ago, no further action has been taken in this regard. We see one of the barriers as being Government's inaction in not mandating digital financial reporting for Australian listed companies. There is also a need to "demystify" digital financial reporting and what it entails amongst those involved in the financial reporting supply-chain. CPA Australia has undertaken activities to educate and raise awareness around digital financial reporting and we continue to remain committed to considering further opportunities in this regard.

We note the current international developments in sustainability reporting include the development of the necessary taxonomies to report such information using digital means. Given Australia is likely to implement sustainability reporting very shortly, this might provide an opportunity to consider and implement digital reporting for both sustainability and financial reporting, either simultaneously or sequentially, over an established transition period.



ITEM 13A

23 NOVEMBER 2022

STAKEHOLDER REPORT: AUSTRALIAN SHAREHOLDERS' ASSOCIATION

FOR ATTENTION OF THE FRC

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

- AGM season brings annual reports and audits into focus, we await ISSB standards

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.

- We have been attending AGMs on behalf of proxy-givers which involves preparing voting intentions and close reading of reading Annual Reports and Notices of Meeting. Many retail shareholders find the remuneration data difficult to synthesise with the statutory requirements and what they want to know about take-home pay leading to a lot of information, which is rarely presented in a way that hangs together. We also find the lack of inclusion of the length of time the audit firm has been in place and when the partner was appointed reduces confidence in the independence of the auditor. We value the Key Audit Matters as adding some insight into the audit process.
- We have been addressing ESG to a greater degree with our members. They are concerned about greenwashing and who will provide assurance over sustainability, decarbonisation and GHG claims.

SPECIFIC QUESTIONS FOR STAKEHOLDER - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

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.

At each meeting, the FRC identifies and monitors strategic risks to financial reporting and audit quality, to inform any potential actions to address and/or mitigate such risks.

At its 10 December 2021 meeting, the FRC identified cyber-security as strategic risk to the financial reporting system. It has since monitored this issue and continues to do so. As part of this discussion, the FRC explored whether current corporate reporting requirements are adequate to address such risks. At its 8 September 2022 meeting, the FRC also agreed to further examine whether the recent casino inquiries highlight any issues with the accounting and/or auditing standards.



In light of recent developments in relation to casino inquiries and cyber attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:

1. Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.

For retail shareholders, simplifying financial reporting and providing decent links to notes as we see achieved in well curated digital annual reports makes the information clearer to less sophisticated readers, which can support confidence. We also see digital annual reports in two pages layouts which makes navigating notes difficult, and we have members who suggest the presentation is designed to obscure.

Our focus issues this year included the importance of directors and the board overseeing the company identifying, managing and communicating to shareholders on cyber- and data-risk, as well as developing an appropriate and resilient culture within the company.

2. Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why. *We are waiting for UK (CP382) and Australia to implement proposed reforms – we expect them to take time.*
3. Does your organisation have any other relevant matters to bring to the FRC's attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia? *No*

At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB's investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation's views on the following:

4. Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia? *ASA considers digital financial reporting will be great advantage to retail shareholders and will offer opportunities for development of apps to enable broader application of financial data and it's use by non-digital and non-financial users.*

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.

- Details .
- Details .
- Details .



ITEM 13A

23 NOVEMBER 2022

STAKEHOLDER REPORT: INSTITUTE OF PUBLIC ACCOUNTANTS

FOR ATTENTION OF THE FRC

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

- It is unlikely an entity will make a disclosure about their cyber security unless a cyber-attack event occurred and is material.
- We do not believe there are any gaps in the current corporate reporting assurance legislative or regulatory requirements, however, auditors require more awareness of their responsibilities over general IT controls and the risk of fraud with respect to cyber security.
- Piloting a transition to digital reporting would assist with developing a talent pool and the regulatory experience whilst overcoming barriers.

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.

- Investor confidence is supported by improvements currently underway to the IPA's Quality Review Program relating to testing and monitoring of SMSF auditors; and cyber security and cyber resilience relating to the actual practice of the member.

SPECIFIC QUESTIONS FOR STAKEHOLDER – CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

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.

At each meeting, the FRC identifies and monitors strategic risks to financial reporting and audit quality, to inform any potential actions to address and/or mitigate such risks.

At its 10 December 2021 meeting, the FRC identified cyber-security as strategic risk to the financial reporting system. It has since monitored this issue and continues to do so. As part of this discussion, the FRC explored whether current corporate reporting requirements are adequate to address such risks. At its 8 September 2022 meeting, the FRC also agreed to further examine whether the recent casino inquiries highlight any issues with the accounting and/or auditing standards.

In light of recent developments in relation to casino inquiries and cyber-attacks, the FRC is interested in your organisation's views on the current financial reporting and assurance requirements:



1. Does your organisation consider there to be any gaps in the current legislative or regulatory requirements for financial reporting, insofar as they may impact the quality and confidence in corporate reporting in Australia? If so, please explain why.

The responsibility for cyber security and whether a cyber security threat is a significant risk to the entity is the role of management and Those Charged With Governance (TCWG).

Where a cyber-attack event (significant) has occurred, those entities preparing general purpose financial statements under the current accounting standards will be required to disclose those material impacts.

Where a cyber-attack event is a significant risk (but no known material cyber-attack event has occurred), there would be no disclosure requirement required by entities preparing general purpose financial statements, whether in the for-profit private sector or the not-for-profit private sector.

We do note that AASB Practice Statement 2 *Making Materiality Judgements* provides guidance to entities preparing general purpose financial statements on making materiality judgements, however, it is unlikely an entity will make a disclosure about their cyber security unless a cyber-attack event occurred and is material.

In a similar way to disclosure of material impacts of attacks, the disclosure of contingencies relating to potential threats is addressed within the existing regulatory framework. If there are gaps, we consider they would relate to the existence of guidance and on application of the existing rules rather than in the regulatory framework itself.

2. Does your organisation consider there to be any gaps in current legislative or regulatory requirements for the assurance of corporate reporting in Australia, insofar as they may impact the quality and confidence in audits in Australia? If so, please explain why.

The auditor's responsibilities over the direct and indirect impact of cyber security on the audit of financial report is an area of continual improvement to link the auditor's responsibilities over cyber security and general IT controls (including the risk of fraud).

ASA 315 Identifying and Assessing the Risk of Material Misstatement through Understanding the Entity and Its Environment (ASA 315) requires the auditor to obtain an understanding of general IT controls to the extent they impact the financial report. There is extensive guidance included in the revised ASA 315, however, auditors are not always documenting their understanding of general IT controls (and communicating them).

ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report requires the auditor to respond to the risk of fraud. Similarly to the above, there would appear to be a lack of documentation and potentially understanding the risk of fraud resulting from cyber-attacks (and other impacts).

We do not believe there are any gaps in the current corporate reporting assurance legislative or regulatory requirements. However, we think more awareness is required for auditors to understand their responsibilities over general IT controls and the risk of fraud with respect to



cyber security. Also, gaps in the banking and financial system regulatory area may impact the quality of assurance, for example where they lead to lesser assurance being offered overall because of difficulties in the existence of access to evidence.

3. Does your organisation have any other relevant matters to bring to the FRC's attention, in relation to the matters above, insofar as they may impact the quality and confidence in corporate reporting and audit in Australia?

No further comments.

At its 10 December 2021 meeting, the FRC agreed to work with ASIC, through the AASB, to support digital financial reporting. It has since monitored the AASB's investigation of barriers to the uptake of digital financial reporting in Australia and has discussed the experience of other jurisdictions that have progressed digital financial reporting. The FRC is therefore interested your organisation's views on the following:

4. Do you consider there to be any barriers and/or potential opportunities to implement digital financial reporting in Australia?

We believe some barriers have been well documented in reports and commentary on the subject. They include:

- Perceptions of transitional and ongoing costs to be incurred where others will gain the benefit;
- Fear of lesser control of narratives; and
- Reluctance to place more information and ability to use it in the hands of government.

Other barriers include the capacity of stakeholders to utilise the data, with time required to build systems in an Australian market once the investment becomes worthwhile.

Digital reporting has many merits, including increasing opportunities for data analysis in the public interest.

We believe there are opportunities to learn from previous experiences of digitalisation, such as Standard Business Reporting in Australia and the recent UK rollout of mandated digital reporting. They point to the benefits of a staged and targeted approach. The advantages of building and testing systems using a small population of reporting corporations are obvious in terms of reducing the exposure to difficulties of future adopters.

In the Australian context, the smaller scale of the market participants means it does not take long to work down a list of entities ranked by size to find those who will have significant issues in finding skilled staff and adapting their reporting systems. We encourage consideration of limiting the pool of entities for any mandatory adoption, for example to those who already have mandated digital reporting in foreign jurisdictions, or entities with substantial existing regulatory reporting and a broader set of potential users such as financial institutions. Piloting a transition to digital reporting on such a basis would help the local development of talent pools, applications, and regulatory experiences. It could also clarify the demand for data, which could inform decisions on which entities should be included in further expansion of mandatory reporting.



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.

- IPA's digital transformation and education transformation are proceeding with key milestones having been reached, including the launch of the member firm returns relating to AML-CTF requirements in the UK. This will be launched in Australia in due course in accordance with domestic regulations.



23 NOVEMBER 2022

STAKEHOLDER REPORT: AUSTRALIAN BUSINESS REPORTING LEADERS FORUM

FOR ATTENTION OF FRC

- **INTEGRATED REPORTING - INCREASED PROMINENCE UNDER IFRS FOUNDATION OWNERSHIP – IMPORTANT FOR FRC TO BE DIRECTLY CONNECTED AS IR DEVELOPMENT WORK AND OUTREACH IS OCCURRING ONE STEP REMOVED FROM IASB AND ISSB STANDARD-SETTING PROCESSES**
 - AASB is well connected with the ISSB and its standard setting process, so it can make appropriate judgements in relation to using ISSB standards as a global baseline for Australia’s sustainability disclosure standards
 - However, neither the FRC nor AASB appears well connected to the IFRS Foundation’s process in relation to integrated reporting and the Integrated Reporting Framework in the context of the Foundation’s stated commitment to the future of the Integrated Reporting Framework (and Integrated Thinking Principles) as one of its core resources
 - The IFRS Foundation is expected to continue to deliver on its commitment to use the Integrated Reporting Framework in its technical and standard-setting activities in 2023. Likely areas where the IFRS Foundation will seek input from key stakeholders includes the prioritisation of a joint IASB-ISSB project on connectivity that has the potential to align the Integrated Reporting Framework and Management Commentary.
 - This is a matter for the FRC under section 225 of the ASIC Act¹ given that integrated reporting within IFRS Foundation is being dealt with one step removed from IASB and ISSB standard setting processes.
- **INTEGRATED REPORTING ASSURANCE – IMPORTANCE OF IAASB AND ISSB HAVING A FULL AWARENESS OF RAPIDLY EMERGING PRACTICE AROUND THE WORLD TOWARDS A MORE INTEGRATED APPROACH TO ASSURANCE IN ADVANCE OF ISSA 5000.**
 - The AUASB has achieved connectivity to the IAASB’s sustainability assurance project through the Chair of the AUASB being a member of the IAASB and its Sustainability Assurance Task Force.
 - However, as with integrated reporting being dealt with one step removed from IASB / ISSB individual standard setting processes, the IAASB appears to be only indirectly connected to processes surrounding integrated reporting and the Integrated Reporting Framework in the IFRS Foundation, and so integrated reporting assurance as an important component of sustainability assurance – this needs to be a key focus of IAASB and AUASB.
 - The IFRS Foundation has an advisory connection to IAASB’s sustainability assurance project via its project reference group.
 - Strong momentum has built around the world for a more integrated approach to assurance, and Australia needs to be a part of this as the IAASB moves towards issuing an exposure draft on sustainability assurance standard, ISSA 5000, in Q3 2023.
 - Whether the IAASB deals with the intricacies of integrated reporting assurance - focused on *evaluation* of the description of *The Business* in an integrated report and the Basis of Preparation and Presentation contained therein² - remains to be seen.
 - The FRC needs to be more connected with ASX Corporate Governance Council (CGC), which has led way on promoting a more integrated approach to establishing the credibility of corporate reports, other than audited financial reports, under Recommendation 4.3 of ASX Corporate Governance Principles and Recommendations (‘Recommendation 4.3’).
 - The FRC needs to ensure that Australia is well-equipped for integrated reporting assurance to be in the mainstream of the Australian corporate reporting system, in tandem with Australian Equivalents of ISSB standards being adopted.
- **DEAKIN INTEGRATED REPORTING CENTRE - DIRECT CONNECTIONS TO INTEGRATED REPORTING WORKSTREAMS IN IFRS FOUNDATION & IAASB**
 - We reiterate the four recommendations in our August report, including that the FRC should appoint the Deakin Integrated Reporting Centre (DIRC) / BRLF as a formalised advisory body to each of the FRC and joint AASB / AUASB Sustainability Advisory Panel in relation to integrated reporting, the Integrated Reporting Framework and integrated reporting assurance; and that the in the short term the FRC issue guidance to market participants on matters raised in this report, anchored on the IFRS Foundation’s strong encouragement for the continued adoption of integrated reporting.
 - There is a strong case for this to go further given the DIRC’s direct connections to the integrated reporting channels of the IFRS Foundation and IAASB, given the role integrated reporting and integrated reporting assurance will play in the near future given commitments of the IFRS Foundation and IAASB via membership of the Reference Group for the sustainability assurance project.
 - The FRC, in collaborating with CGC and DIRC, can oversee strong integration between integrated reporting and integrated reporting assurance in Australia as core components of corporate reporting eco-system, complementing local adoption of international standards of the ISSB and IAASB.



KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- Close alignment achieved with IFRS Foundation, particularly its integrated reporting activities, through members of the Deakin Integrated Reporting Centre (DIRC) being members of the:
 - IFRS Foundation's Connectivity and Integrated Reporting Team (CIRT), which is overseen by a joint committee of the IASB and ISSB ('joint integrated reporting committee');
 - Integrated Reporting and Connectivity Council (IRCC), a newly formed advisory body to the IFRS Foundation Trustees and the joint integrated reporting committee.
- Close alignment achieved with the IAASB's sustainability reporting assurance project through the Deakin Integrated Reporting Centre being a member of that project's reference group
- Consideration of the Australian implications of these developments such that the FRC and other key participants in the Australian corporate reporting eco-system can be kept up to date, as reported on in this report

SPECIFIC QUESTIONS FOR STAKEHOLDER - CURRENT REPORTING REQUIREMENTS, CORPORATE RISKS, AND DIGITAL REPORTING

Given recent developments in relation to casino inquiries and cyber-attacks:

1. Gaps in current legislative or regulatory requirements for financial reporting: This report focuses on integrated reporting and integrated reporting assurance. Both of these matters will be important for the purposes of integrated reporting – for example:
 - the casino inquiries are strongly linked to the social and relationship capital of the casino operators³, the corporate governance responsibilities of boards of directors including reporting on governance matters being an important component of integrated reporting;
 - management of cyber risks being an important aspect of governance and the organisation's business model, both important components of integrated reporting.The matters set out in the rest of this report therefore have direct relevance to Australian legislative and regulatory requirements in relation to integrated reporting⁴.
2. Gaps in current legislative or regulatory requirements for assurance of corporate reporting: The same is true in relation to integrated reporting assurance - an organisation's intellectual capital⁵ is critical to the management of cyber risk. In relation to cyber-attacks there are potentially three million SOC reports around the world⁶.
3. Other relevant matters to bring to FRC's attention in relation to cyber and casino inquiries: N/A.

¹ As quoted in the August 2022 BRLF stakeholder report to the FRC.

² which includes details as to how the description of *The Business* has been prepared, the frameworks and standards used, and metrics and associated disclosures have been selected, irrespective of whether they have been required by the standards used or are otherwise self-determined

³ One of the six capitals of the integrated reporting framework

⁴ With the Integrated Reporting Framework now being part of the resources of the IFRS Foundation, integrated reporting and the framework have become core components of the financial reporting system.

⁵ Another of the six capitals under the integrated reporting framework

⁶ A SOC report is generated by an independent audit of a company's information security systems. It is a comprehensive review of what the company does to secure the information it works with.



Digital financial reporting: barriers and/or potential opportunities to implement digital financial reporting? Digital reporting should be viewed in the context of all corporate reporting, including integrated reporting and other forms of sustainability-related financial disclosures, rather than financial reporting under IFRS alone. A greater return on investment in digital reporting should be available if a whole-of-system approach addressing all forms of corporate reporting is taken.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

The focus of this report is on integrated reporting and the Integrated Reporting Framework, a major item on the IFRS Foundation’s agenda over the next six months, and integrated reporting assurance, which needs to be a core component of the IAASB’s sustainability assurance project. Integrated reporting is more directly and immediately relevant to the FRC’s objectives under 225 of the ASIC Act than to those of the AASB and AUASB. However, the FRC does not have a direct link to the integrated reporting activities of the IFRS Foundation.

Integrated reporting is most commonly adopted at the individual jurisdictional level pursuant to legislation, regulation or as a matter of good governance through ‘if not, why not?’ corporate governance codes or general market practice, rather than through reporting standards. In Australia the ASX Corporate Governance Council has taken the lead on integrated reporting and integrated reporting assurance through Recommendation 4.3.

We observe that there is no apparent reciprocal membership or observer status between the FRC and ASX Corporate Governance Council⁷. We recommend that the FRC strengthen its connectivity with the ASX Corporate Governance Council given that the Council has taken a leading position on broader corporate reporting in the 4th Edition of its Corporate Governance Principles and Recommendations in 2019⁸.

Australia is very well positioned with the IFRS Foundation through the Deakin University Integrated Reporting Centre and BRLF to more directly and frequently collaborate with the FRC on a matter of fundamental importance to the global corporate reporting system – integrated reporting and integrated reporting assurance - that will require FRC action in 2023. Australian participation in the IFRS Foundation’s integrated reporting bodies through the DIRC and BRLF is as follows:

| | Integrated Reporting & Connectivity Council* | Connectivity and Integrated Reporting Team (CIRT) | IAASB Sustainability Assurance Project | DIRC Involvement |
|---------------|--|---|---|--|
| John Stanhope | Member | | | Chair of DIRC Advisory Board |
| Michael Bray | | Responsible for: <ul style="list-style-type: none"> market guidance on promoting continued adoption of Integrated Reporting Framework given IFRS Foundation announcement | Member of Sustainability Assurance Project Reference Group Provided initial drafting for IAASB of integrated reporting assurance | Director of Industry Engagement and Thought Leadership |

⁷ We note that Sue Lloyd, Vice-Chair of the ISSB, and Michael Bray met with Elizabeth Johnstone, Chair of the ASX Corporate Governance Council, during Sue’s Australian visit in July 2022. Elizabeth requested, and we provided, a draft briefing note for Elizabeth to consider distributing to Council members before the next meeting of the Council. Among other things we noted, ““A lot can be achieved in 2023 through the ASX CGC together with FRC issuing market guidance before end 2022 on what is possible *now* - in the period before ISSB standards are introduced / mandated in Australia and the IFRS Foundation develops a conceptual framework based on the Integrated Reporting Framework and building on the Management Commentary Practice Statement and ISSB General Requirements Standard.”

⁸ In August 2022, the Deakin Integrated Reporting Centre issued a report on first time disclosures under Recommendation 4.3 by the ASX 300 in 2021. It found significant room for improvement, and contained recommendations for preparers, academia, the professional accounting bodies, and the ASX Corporate Governance Council itself on the need to strengthen Recommendation 4.3, and the ASX to more closely monitor the quality of Recommendation 4.3 disclosures.



| | Integrated Reporting & Connectivity Council* | Connectivity and Integrated Reporting Team (CIRT) | IAASB Sustainability Assurance Project | DIRC Involvement |
|---|--|---|--|-------------------------------|
| | | <ul style="list-style-type: none"> assurance integration Australia within the context of the IFRS Foundation Asia Oceania Office (based in Japan) regional integrated reporting committees[∞] / communities intangibles[‡] | (Example 10) for Extended External Reporting Assurance Guidance. | |
| Liz Prescott | | Responsible for the Integrated Thinking Principles | | Member of DIRC Advisory Board |
| Other Australians on IRCC: Pru Bennett, Jane Diplock, Simon Grant and Ian Mackintosh | | | | |
| *Advisory body to IFRS Foundation Trustees and Connectivity and Integrated Reporting Team | | | | |
| ‡Michael Bray’s membership of the IAASB’s Sustainability Assurance Project’s Reference Group facilitates his assurance integration role within the IFRS Foundation’s Connectivity and Integrated Reporting Team | | | | |
| ∞BRLF is an IFRS Foundation Regional Integrated Reporting Community | | | | |

A more formal relationship between the FRC and the DIRC would make the FRC more closely resemble the IFRS Foundation and advance the case for an Australian IFRS Foundation Trustee with deep integrated reporting experience being appointed in due course. In addition, the DIRC would be delighted to work more closely with the FRC in driving integrated reporting and integrated reporting assurance in Australia, and getting closer to the ASX Corporate Governance Council through the DIRC’s research and education work streams.

We also recommend that the relationship of the DIRC to the FRC be formalised in the short term, and that the FRC membership be expanded to accommodate deep integrated reporting experience, and integrated reporting assurance experience (to facilitate reporting and assurance integration) as soon as possible.

25 May IFRS Foundation Integrated Reporting Announcement

The main public announcement from the IFRS Foundation about the future of integrated reporting and the Integrated Reporting Framework after the consolidation of the Value Reporting Foundation into the IFRS Foundation on 1 August 2022 was the joint announcement by the chairs of the IASB and ISSB on 25 May 2022 (link: [IFRS - Integrated Reporting—articulating a future path](#)):

Statement by Andreas Barckow, Chair of the IASB, and Emmanuel Faber, Chair of the ISSB:

We are convinced that the Integrated Reporting Framework drives high-quality corporate reporting and connectivity between financial statements and sustainability-related financial disclosures which improves the quality of information provided to investors. Therefore, we strongly encourage continued use of the Integrated Reporting Framework and the Integrated Thinking Principles underpinning it.

Integrated Reporting Framework

The IFRS Foundation has made a commitment to the long-term future of the Integrated Reporting Framework under its ownership:

- as the framework to guide market participants in continuing to prepare integrated reports in the short term, as recommended in the 25 May announcement;
- as a framework to support connectivity between the standard setting work of the IASB and ISSB, enhanced by the potential to achieve greater alignment between Management Commentary and



the Integrated Reporting Framework and connected to the requirements of ISSB standard S1 and other standards, in the medium term; and

- as a key ingredient for an overarching framework for corporate reporting that the chairs of both boards (IASB and ISSB) have committed to develop in the longer term.

Communication to the market and building on the existing Integrated Reporting Framework

Two integrated reporting-related IFRS Foundation consultations will take place over the next 3-6 months and the exposure draft of the IAASB's sustainability reporting standard is due in the third quarter of 2023.

It will be critically important that the FRC is fully prepared to respond to these consultations / exposure draft as Australia is a leading integrated reporting jurisdiction and a leader in integrated reporting assurance. The IFRS Foundation will be looking to Australia as an important source of submissions and exposure draft responses:

- **Integrated reporting consultation.** This will be an opportunity for the FRC and Australian market participants to help shape the future direction of integrated reporting and the Integrated Reporting Framework with an aim of them being fit-for-purpose in Australia.
- **ISSB agenda consultation.** This will be an opportunity for the FRC and Australian market participants to help shape the future direction of integrated reporting and the Integrated Reporting Framework with an aim of them being fit-for-purpose in Australia.

Reporting on intangibles is an important ingredient of integrated reporting, and the integrated thinking principles are an important driver of an organisation getting the most out of its intangibles. The FRC may like to include in its submission the importance of including intangibles as a priority.

The ISSB's future agenda consultation will likely contain questions relevant to the future of integrated reporting and will be issued over the next 3-6 months and the exposure draft of the IAASB's sustainability reporting standard is due in the third quarter of 2023.

- **Final ISSB standards S1 and S2.** These standards, particularly the general requirements standard, will be an important building block towards integrated reporting given that one of the ingredients for the standard will be the TCFD Recommendations, which require a partial description of The Business. An integrated report will be the ideal report in which to include S1 disclosures.
- **Overarching framework for corporate reporting.** The IFRS Foundation project on an overarching conceptual framework for corporate reporting will come later. In the meantime, the chairs of both the IASB and ISSB have committed to this as the long-term vision.

The FRC should signal its position on these matters to Australian market participants as early as possible, encouraging them to make submissions.

The Integrated Reporting Council

The former IRCC Council has transformed into the new **Integrated Reporting and Connectivity Council (IRCC)**. The IRCC met for the first time on 10 November 2022. Agenda items included a progress report from the IASB and ISSB, an education and information session on management commentary and S1 and breakout group discussions in messaging and advice about re-enforcing market messaging about continued adoption of integrated reporting.

During breakout sessions, Council members from around the world expressed strong advocacy for integrated reporting, the importance of the integrated report, integrated reporting assurance, and the importance of the upcoming IFRS Foundation consultations regarding integrated reporting.



Given that the FRC, AASB and AUASB are not directly represented on the IFRS Foundation Trustees, integrated reporting committee of the two boards or within the CIRT, the FRC does not have a direct line to the IRCC or indeed the IFRS Foundation in relation to integrated reporting, a gap that will probably not be resolved through quarterly BRLF stakeholder reports to the FRC. The FRC's connectivity to the IFRS Foundation is largely through its two standard setting boards, the IASB and ISSB, who will be mainly concerned about the role of the Integrated Reporting Framework in achieving connectivity between IASB and ISSB standards.

Implications of Announcement and Current and Planned Integrated Reporting Activities for FRC

Much has happened on integrated reporting in the IFRS Foundation since that May announcement without that activity being actively promoted in the market. The FRC may not be fully aware of this work through its AASB and AUASB connections with the IASB, ISSB and IAASB, or of the near-term implications of these integrated reporting-related activities for the FRC. These matters are likely to require FRC attention outside of its meeting cycle (where the DIRC gets its opportunity to report to the FRC), as the IFRS Foundation's work on integrated reporting gathers pace via the IFRS Foundation's Connectivity and Integrated Reporting Team rather than individually by its two standard setting boards.

The FRC in conjunction with the ASX Corporate Governance Council are best placed to advise Australian market participants about the status and future of integrated reporting and the Integrated Reporting Framework in Australia, as brought to the attention of the FRC in our August 2022 report. KPMG's recent report on ASX corporate reporting for the year to 30 June 2022 spoke about a number of 'no regrets investments'. Preparing an integrated report with reference to the Integrated Reporting Framework in 2023 will be a no regrets investment for Australian companies given the IFRS Foundation's commitment to the long term future of integrated reporting, building on the existing Integrated Reporting Framework.

Sustainability Reporting, including Integrated Reporting, Assurance Developments

The importance of properly embedding assurance as a core component of the global corporate reporting eco-system, including the IAASB keeping pace with the IFRS Foundation regarding sustainability assurance, has now been recognised.

IFAC's annual sustainability assurance benchmarking assurance reports attest to the strong momentum for assurance of ESG metrics and related disclosures including in relation to underlying internal controls.

Similarly to reporting developments, the FRC will have been well briefed on the IAASB's sustainability assurance project, with an exposure draft, ISSA 5000, expected in the third quarter of 2023, and a final standard expected in 2025. Critically important is that ISSA 5000 will be framework and practitioner-neutral. That is, it will cover all forms of extended external reporting, including integrated reporting (refer Example 10 of the IAASB's 2021 Extended External Assurance Guidance for an integrated reporting assurance example).

It will be critically important for ISSA 5000 to provide a balanced coverage of the breadth of such forms of extended external reporting and the extent to which practice has evolved around the world. That is, ISSA 5000 will need to extend to:

Internal control assurance

IFAC releases an annual benchmarking study on sustainability assurance practice around the world, and variations in practice in across individual jurisdictions. To date the study has focused on assurance of ESG metrics and associated disclosures, and internal controls underlying those metrics rather than where assertions about internal control are the subject matter for assurance.



Internal control assurance other than in relation to financial reporting (for example, SoX in the USA) and ESG disclosures extends far further and there is significant practical experience.

Rapidly evolving trend to more integrated reporting approach to assurance

A more integrated approach to assurance with integrated reporting assurance being the likely end game is rapidly developing based on a variety of drivers in around the world which will hopefully result in widespread integrated reporting assurance – that is, where the assurance report expresses a conclusion on whether an integrated report has been prepared in accordance with the integrated reporting framework, including the Basis of Preparation and Presentation contained therein⁹:

- **Brazil.** The Brazilian securities regulator in 2021 mandated both integrated reporting and independent integrated reporting assurance under the Brazilian equivalent of ISAE 3000.
Brazilian companies are coming to grips with this mandate. Of the 717 companies subject to this mandate, 64 to date have issued an integrated report. Of these, 33 have obtained limited assurance from a registered company auditor under ISAE 3000 as required by the mandate. A further 15 companies had their integrated reports assured by other auditors.
- **The EU.** The EU's CSRD has a minimum assurance component – that the financial statements auditor state whether the required non-financial report has been provided. It is up to individual jurisdictions whether they go beyond this minimum. Some have – France, Italy and Spain require independent assurance on the partial description of *The Business*¹⁰ in the non-financial statement.
- **Latent driver towards integrated reporting assurance.** ISA 720 provides a driver for integrated reporting assurance, which is not widely appreciated. As integrated reports within annual reports containing audited financial statements become more common (or the Integrated Reporting Framework is used as the basis on which to prepare operating and financial reviews¹¹, the financial statements auditor will be required to at least read and consider the integrated report or integrated report equivalent under ISA 720¹².
- **Market practice.** While the Netherlands have a similar requirement to those of France, Italy and Spain, a trend is developing for banks (eg ABN AMRO and Rabobank) to obtain integrated reporting assurance in terms of adherence to the Integrated Reporting Framework.
- **Other instances of integrated reporting assurance.** Instances of integrated reporting assurance have emerged for banks, wealth managers, life insurance companies, pharmaceutical companies, property developers and member-based organisations in Australia, Sri Lanka, the Netherlands, India, and the UK, where companies have obtained integrated reporting assurance on a voluntary basis from major accounting firms. 13 such instances are known, with Australia

⁹ It is important to note that internal control assurance will be embedded within integrated reporting assurance. The reporting process will always be a material business process which needs to be described as part of the description of *The Business* (the business model) in the integrated report. The same is true of all other material business processes, including the governance, strategic management, materiality determination and stakeholder management processes.

¹⁰ A brief description of the business model; policies, processes and outcomes in relation to environmental, social and employee matters, respect for human rights, anti-corruption and bribery; principal risks in these areas and how managed

¹¹ Or strategic reports in the UK or MD&As in the USA). In relation to Australian OFRs, as to naming the report an 'integrated report', the 'Operating and Financial Review' (OFR) is a term used by ASIC in its Regulatory Guide 247 to describe the information it believes is needed to meet the requirements of section 299A of the Corporations Act. Companies can equally meet the requirements of s299A by calling the report an 'integrated report' (noting in the Basis of Preparation and Presentation that the report was previously called the OFR, and that the integrated report meets and exceeds the guidance in RG247) or noting in the Basis of Preparation and Presentation that the OFR has been prepared using or in accordance with the Integrated Reporting Framework.

¹² The importance of the responsibilities of financial statement auditors for other information in annual reports containing audited financial reports was highlighted by the 2019 decision in the *Autonomy* case in the UK, when the auditors were found to have breached ISA 720 in relation to integrated reporting-like disclosures in *Autonomy's* annual report.



having the most (Dexus, Cbus and CPA Australia). Almost all instances around the world have been delivered by the major accounting firms under ISAE 3000.

As a matter of enhancing the credibility of such reports, companies may ask their auditors to go further and audit that report for adherence to the Integrated Reporting Framework to add to its credibility in the eyes of its investors. This would be consistent with Recommendation 4.3 of the ASX Corporate Governance Principles and Recommendations.

Companies may be more comfortable in taking this step towards integrated reporting assurance when the exposure draft of ISSA 5000 is issued in 2023.

It will be critical for the IAASB to have a deep understanding of the depth and breadth of the above developments as it proceeds with its sustainability assurance project. Australia has representation on the IAASB Sustainability Assurance Project's Reference Group through the Deakin Integrated Reporting Centre (Michael Bray, through his assurance integration role within the IFRS Foundation).

Within that reference group, we will focus on the importance of ISSA 5000 including standards / guidance on the evaluation of the descriptions of *The Business* and Basis of Preparation and Presentation, including the selection of metrics (**evaluation-based procedures** relating to business judgements and forward-looking statements); as well as the metrics themselves and internal controls underlying them (**measurement-based procedures**). We will also bring greater depth of information about the market practices referred to above to the IAASB through the reference group.

Michael Bray works closely with the International Federation of Accountants on integrated reporting assurance, with a focus on IFAC's integrated reporting assurance series. To date, instalments in that series have dealt with the nature of integrated reporting assurance; the responsibility of the board of directors for the integrity of the integrated report and underlying reporting process; the assistance that internal audit can provide the board in discharging that responsibility; and how this can establish a strong foundation for independent integrated reporting assurance. The next instalment in the series will discuss the value of integrated reporting assurance to investors.

Implications for the FRC

Australia is a leading jurisdiction for integrated reporting assurance. The FRC should ensure it is equipped to emphasise integrated reporting assurance in its submission on the IAASB's exposure draft, and encourage Australian market participants to obtain integrated reporting assurance as soon as possible, referencing Recommendation 4.3.

It will be important for the FRC to have such an understanding of the market trends discussed above in assurance; and the importance of adequate coverage of evaluation assurance procedures. The AUASB may need to provide its own standard or supplementary guidance if such is not provided in ISSA 5000.

Again, the DIRC and BRLF are well-placed to assist the FRC in relation to integrated reporting assurance and integration of assurance with underlying corporate reporting such that assurance becomes a core component of the Australian corporate reporting eco-system on a timely basis.

Michael Bray recently spoke at the Global Accounting Alliance Conference¹³ on these matters, with a focus on integrated reporting assurance given his role within the IFRS Foundation's Connectivity and Integrated Reporting Team, particularly for assurance integration. He has also recently spoken to the IFAC-hosted Forum of Firms and at the Good Governance Academy¹⁴ on this topic. The FRC may like to be associated in some way with these bodies.

¹³ A global alliance of the world's major chartered accounting bodies. CAANZ is the Australian member.

¹⁴ An academy established by Professor Mervyn King in South Africa



NOMINATIONS COMMITTEE

DESCRIPTION

Recruitment Update

On 13 October 2022 the FRC Nominations Committee interviewed the candidates that it shortlisted on 7 September 2022 to fill vacancies on both the AASB and AUASB.

On 31 October 2022, the Nominations Committee circulated an out-of-session FRC resolution to FRC members endorsing 5 candidates for appointment on to the AASB and AUASB (3 prospective appointees for the AASB and 2 for the AUASB). On 3 November 2022, the FRC made the resolution to appoint the 5 candidates.

Amended Nominations Committee Charter

On 10 November 2022, the FRC agreed to clarify clause 3, point 6, of its Charter, via an out-of-session resolution. As amended, the Charter clarifies that for AASB and AUASB members to be reappointed for a second time, or to be reappointed for a third term, they do not need to be re-interviewed.

The amendments provide clarity regarding when a member is required to undergo an open interview process. Once an individual has been selected as a member of the AASB/AUASB they may be reappointed for up to two extensions without an open interview process provided the existing satisfactory performance requirements are met. Further, the statement “Large firm members of the AASB must re-apply through an open interview process to be reappointed for a second term” has been removed to be consistent with the streamlined approach for reappointment of members.

The amended Charter, as agreed to by the FRC, is at **Attachment A**.

Appointment of Nominations Committee Chair

On 10 November 2022, the FRC also agreed to appoint Suzanne Bell as the Chair of the FRC Nominations Committee.

The FRC Chair to provide a verbal report.

ACTION

- The FRC Chair to provide a verbal report.



ATTACHMENT A

AMENDED NOMINATIONS COMMITTEE CHARTER

INITIAL WORDING FOR CLAUSE 3, POINT 6:

'recommend appointments to the AASB and/or AUASB for a maximum of 3 years with the possibility of extension for a further 2 terms. For members to be reappointed for the third time they must re-apply through an open interview process. Appointment for a second term may occur without a further FRC interview, provided the peer review results and Chair feedback are satisfactory. Large firm members of the AASB must re-apply through an open interview process to be reappointed for a second term.'

PROPOSED AMENDED VERSION

'recommend appointments to the AASB and/or AUASB for a term of 3 years with the possibility of extension for a further 2 terms. Once a member has served 3 terms, to be reappointed they must re-apply through an open interview process. Appointment for a second and third term may occur without a further interview, provided the peer review results and Chair feedback are satisfactory.'



ITEM 14B

23 NOVEMBER 2022

CORRESPONDENCE RECEIVED AND SENT

DESCRIPTION

At its 8 September 2022 meeting, the FRC agreed to write to the Minister to advise him about the talent shortage in the accounting and auditing professions.

In November 2022, the FRC Chair wrote to the Minister advising him of this issue and informing him of the National Skills Commission's recent decision to remove accountants from the Skills Priority List. The letter further notifies the Minister that the FRC intends to engage with the National Skills Commission's Skills Priority List consultation process.

The FRC will also write to ASIC and the CEOs of the professional accounting bodies notifying them that it will commence a refresh of its *Auditor Disciplinary Processes: Review*.

ACTION

- For the FRC Chair to provide a verbal update.



ITEM 14C

23 NOVEMBER 2022

KEY ACTION ITEMS SUMMARY

DESCRIPTION

FRC Chair and Secretariat to provide a brief initial summary of the action items arising from the 23 November 2022 meeting.

The FRC Secretariat will circulate an action items list to FRC members following the finalisation of the 23 November 2022 meeting minutes.

ACTION

- For the FRC to note.



ITEM 15

23 NOVEMBER 2022

NEXT MEETING AND CLOSE

DESCRIPTION

Next meeting date is 8 March 2023 in Sydney, followed by 5 July 2023.

ACTION

- FRC Secretariat to identify suitable future meeting dates.