



AGENDA – 110TH FRC MEETING

Date: 25 June 2024

Time: 09:30 – 16:00

Location: Level 8, 697 Collins Street, Docklands – Melbourne Productivity Commission office

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 secretariat@frc.gov.au detailing:

- Name
- Affiliation
- Contact details

Registered attendees will be emailed Microsoft Teams meeting details by 24 June 2024.

Item	Report by	Time
PUBLIC SESSION		
1. Introduction		09:30
A. Acknowledgement of country B. Attendees and apologies C. Declarations of interest D. New FRC appointments	Chair	
2. Matters for noting / action		09:35
A. Minutes of previous meeting – 19 March 2024 B. Action items	Chair Chair/Secretariat	
3. Environmental scan		09:45
A. Member reflections B. Stakeholder reports		
4. Oversight of Australian Standards (Accounting and Auditing) per ASIC Act s 225(1) to (2A)		10:15
A. Australian Accounting Standards Board 1. Financial reporting update 2. Sustainability reporting update B. Auditing and Assurance Standards Board 1. Financial auditing and assurance update 2. Sustainability assurance update	Keith Kendall Doug Niven	
Morning tea		11:00
5. Monitoring and influencing international developments per ASIC Act s 225(2)(e) to (2)(f) and s 225(2A)(f) to (2A)(g)		11:15

Item	Report by	Time
A. XRB Update	Michele Embling	
B. International developments (including recent media releases) 1. IAASB update	FRC	
6. Public Sector Advisory Group per ASIC Act s 225(2)(g), (2)(h)(i) and s 225(2A)(g) and (2A)(h)(i)	Amy Fox	11:45
7. Treasury consultations/Government processes	Chair Tom Dickson	
A. Regulation of accounting, auditing and consulting firms in Australia	Deepti Paton	12:00
B. Tax Regulator Information Gathering Powers Review	Bart Hoyle	
C. Update on future institutional arrangements for standard-setting (combination of FRC, AASB and AUASB)	Kim Demarte	
D. Senate report on <i>Management and assurance of integrity by consulting services</i>	Chair	
Lunch		13:00
8. Other business		13:30
A. Nominations Committee [per s 225(2)(a) and s 225(2A)(a)]	FRC Nominations Committee Chair	
B. Correspondence received and sent	Chair	
C. Key action items summary	Secretariat	
9. Next meeting	Chair	13:45
19 September 2024 – Melbourne		
PRIVATE SESSION		
10. Matters for private session		13:55
Meeting close		16:00



ATTENDEES AND APOLOGIES

DESCRIPTION

The attendees and apologies for this meeting are listed below.

ACTION

- For noting.

Participant – FRC Members	Organisation
Andrew Mills	Chair
Keith Kendall	AASB Chair
Doug Niven	AUASB Chair
Rachel Grimes	Digital Finance CRC
Pru Bennett	Brunswick Group
Emma Herd	EY

Guests	Organisation
Amy Fox	Department of Finance
Alison White	Deloitte
Michele Embling	XRB
Tom Dickson	Treasury
Deepti Paton	Treasury
Bart Hoyle	Treasury
Kim Demarte	Treasury
Claire LaBouchardiere	ASIC
Luci Tucker	ASIC
Shane Barbeti	ASIC
Anne Waters	Office of the AUASB
Thea Eszenyi	ASIC
Justin Williams	AASB
April Mackenzie	XRB

Observers	Organisation
Michelle Zhang	Treasury
Zoe Irwin	Treasury
Jesse Chen	Treasury
Abed Ayyash	Treasury
Christie Yang	Treasury



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 18 June 2024

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
Mr Andrew Mills	Member, Tax and Transfer Policy Institute Advisory Board Graduate member, Australian Institute of Company Directors Chartered Tax Advisor, The Tax Institute Member, CPA Australia Fellow, Australian Institute of Governance Executive Committee Member, International Fiscal Association Australia Branch	Chair, Cemeteries and Crematoria NSW Principal Fellow/Associate Professor, University of Melbourne Law School Chair and Commissioner, NSW Independent Planning Commission Chair, Public Rulings Advisory Panel, Queensland Revenue Office Member, External Reporting Board (NZ)	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 QANTAS Chairmans Lounge and Virgin Beyond Lounge Membership
Dr Keith Kendall	Member, New Zealand Accounting Standards Board Fellow, CPA Australia Graduate, Australian Institute of Company Directors Member, The Tax Institute Member, Chartered Accountants Australia and New Zealand Member, Law Institute of Victoria	Chair and CEO, Australian Accounting Standards Board Treasurer, Samuel Griffith Society Member, Investment Committee, Royal Historical Society of Victoria 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 Doug Niven	Fellow, Chartered Accountants Australia and New Zealand Member, New Zealand Auditing and Assurance Standards Board	Chair and CEO, Auditing and Assurance Standards Board Member, IAASB and IESBA Stakeholder Advisory Council	

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
Ms Emma Herd	<p>Member, Queensland Land Restoration Fund Investment Panel</p> <p>Member, Green Building Council of Australia (GBCA) Green Star Advisory Committee</p> <p>Co-Chair, Australian Sustainable Finance Institute Taxonomy Technical Expert Group (ASFI TTEG)</p>	<p>Director, EMLH Pty Ltd</p> <p>Partner, Climate Change and Sustainability Services, Ernst and Young Oceania</p>	<p>Former CEO of Investor Group on Climate Change</p> <p>Former Environment Commissioner with the Greater Cities Commission</p> <p>Former Head of Sustainability and Executive Director at Westpac Institutional Bank</p> <p>Former Board Member, Carbon Market Institute</p>
Ms Pru Bennett	<p>Fellow Institute of Chartered Accountants</p> <p>Graduate Member Australian Institute of Company Directors</p> <p>Chair National Foundation for Australia China Relations</p> <p>Director UN Global Compact Network Australia</p> <p>Council Member Asian Corporate Governance Association</p> <p>Member Singapore Institute of Company Directors</p> <p>Member of the Monetary Authority of Singapore's Corporate Governance Advisory Council</p> <p>Member of Deakin University Integrated Reporting Centre Advisory Board</p>	<p>Partner Brunswick Group</p> <p>Member of the Advisory Council for Oasis Capital Hong Kong</p> <p>Member of the Sustainability Advisory Council for Link REIT</p>	<p>Director of Bened Pty Limited</p> <p>Director of Milliam Pty Limited</p> <p>Director of Brunswick Advisory Pty Limited</p>

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
	Board member Asian Investor Group on Climate Change		
Ms Rachel Grimes AM	Graduate, Australian Institute of Company Directors Fellow, Chartered Accountants Australia and New Zealand (CAANZ), Fellow, Certified Practising Accountant Australia (CPAA) Fellow, Institute of Practising Accountant (IPA)	Director, Hub24 Limited Director, Australian Payments Plus Limited Director of the Accounting Professional Standards and Ethics Board (APESB) Director and Deputy Chair of Digital Finance Co-operative Research Centre (DFCRC) Director, Loreto Ministries Limited Chair of Surfing Australia Finance and Risk Committee Director, Angus Knight Pty Ltd	Director of 1972 Investments Limited (Holds one property and some Australian ASX listed shares by family) Trustee of P Grimes Employee Provident Fund (Family SMSF owns Aust and International managed funds and listed shares)



MINUTES OF PREVIOUS MEETING

DESCRIPTION

Attached are the minutes from the FRC meeting held on 19 March 2024, which were approved out of session and have been published on the FRC website.

Action items are summarised in item 8C of these minutes.

ACTION

- For noting.

MINUTES

DATE: Tuesday 19 March 2024
TIME: 9:30am – 1:40pm
LOCATION: Treasury’s Sydney Office and Microsoft Teams

ITEM	AGENDA ITEM																												
	PUBLIC SESSION																												
1./1.A	Introduction																												
	<p>The Chair began with an acknowledgement of country and welcomed all attendees to the meeting.</p> <p>The Chair also acknowledged Tracey Carroll’s final meeting with the FRC and thanked Tracey for her significant contributions to the FRC as the Deputy Chair, PSAG Chair and representative of the public sector.</p>																												
1.B	ATTENDEES AND APOLOGIES																												
	<table border="1"> <thead> <tr> <th>Members in attendance:</th> <th>Observers:</th> </tr> </thead> <tbody> <tr> <td>Andrew Mills (Chair)</td> <td>Zoe Irwin (Treasury)</td> </tr> <tr> <td>Dr Keith Kendall (AASB Chair)</td> <td>Jesse Chen (Treasury)</td> </tr> <tr> <td>Suzanne Bell</td> <td>Abed Ayyash (Treasury)</td> </tr> <tr> <td>Rachel Grimes</td> <td>Cooper Tym (Treasury)</td> </tr> <tr> <td>Michele Embling (XRB Chair) - virtual from 11:30am</td> <td>Kim De Marte (Treasury)</td> </tr> <tr> <td>Tracey Carroll</td> <td>Anne Waters (AUASB)</td> </tr> <tr> <td>Pru Bennett</td> <td>Matthew Zappulla (AUASB)</td> </tr> <tr> <td>Doug Niven (AUASB Chair)</td> <td>Thea Eszenyi (ASIC)</td> </tr> <tr> <td>Apologies:</td> <td>John Ngiam (CA ANZ)</td> </tr> <tr> <td>Emma Herd</td> <td>Tiffany Tan (CPA)</td> </tr> <tr> <td>Guests:</td> <td></td> </tr> <tr> <td>April Mackenzie (XRB) - virtual</td> <td></td> </tr> <tr> <td>Justin Williams (AASB/AUASB)</td> <td></td> </tr> </tbody> </table>	Members in attendance:	Observers:	Andrew Mills (Chair)	Zoe Irwin (Treasury)	Dr Keith Kendall (AASB Chair)	Jesse Chen (Treasury)	Suzanne Bell	Abed Ayyash (Treasury)	Rachel Grimes	Cooper Tym (Treasury)	Michele Embling (XRB Chair) - virtual from 11:30am	Kim De Marte (Treasury)	Tracey Carroll	Anne Waters (AUASB)	Pru Bennett	Matthew Zappulla (AUASB)	Doug Niven (AUASB Chair)	Thea Eszenyi (ASIC)	Apologies:	John Ngiam (CA ANZ)	Emma Herd	Tiffany Tan (CPA)	Guests:		April Mackenzie (XRB) - virtual		Justin Williams (AASB/AUASB)	
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1.C	Declarations of Interest																												
	n/a																												

2.	MATTERS FOR NOTING / ACTION
2.A	Minutes of previous meeting – 28 November 2023
	Members noted the minutes from the FRC meeting on 28 November 2023 which had been approved out-of-session.
2.B	Matters Arising
	<p>Members reviewed the Matters Arising list and confirmed items that had been actioned and noted those for discussion at the meeting and in progress.</p> <p>The FRC Chair noted a letter the FRC intends to send to Jobs and Skills Australia on Friday 22 March regarding current accountant and auditor shortages in Australia.</p> <p>Action item</p> <ul style="list-style-type: none"> • FRC Secretariat to update the Matters Arising document. • FRC Secretariat to circulate the JSA letter to FRC members for comment by COB 21 March.
3.	ENVIRONMENTAL SCAN
3.A	Members Reflections
	<p>Members commented on contemporary matters in the financial sector including the recent Senate Inquiries being a prevalent issue in the sector.</p> <p>The FRC also discussed the FRC’s role in governance, the changes with PwC and the newly appointed state Auditors-General.</p>
3.B	Stakeholder Reports
	<p>Members noted the reports submitted by stakeholders and discussed the key themes including sustainability reporting and the challenges it presents for professionals, internationalisation of the 77 SASB standards, and talent attraction and retention.</p> <p>Action Item</p> <ul style="list-style-type: none"> • The FRC Secretariat to circulate the PwC Stakeholder Report with members once it has been received.
4.	OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING)
4.A	AASB Report
	<p>Keith Kendall provided a verbal update of the AASB’s sustainability reporting, stakeholder consultation processes and strategic focus.</p> <ul style="list-style-type: none"> • Currently reviewing 120 written submissions and over 200 survey responses to the sustainability consultations. <ul style="list-style-type: none"> – Comprehensive report of stakeholder feedback in June.

	<ul style="list-style-type: none"> – Aim is 1 July adoption. [Since the meeting, the Government has announced a new proposed start date of 1 January 2025] • The AASB has received comments about the perceived departure from the international standards and has been addressing the feedback. • Renewed funding has allowed for additional resources and more prioritisation on different topics such as the public sector. <ul style="list-style-type: none"> – Recently hired a new sustainability staff member.
4.B	AUASB Report
	<p>Doug Niven provided a verbal update of the AUASB’s work on less-complex entities (LCE), sustainability consultations and timelines for implementation and education.</p> <ul style="list-style-type: none"> • AUASB received strong feedback regarding the LCE international standards and decided not to adopt the international standard in Australia. • Fraud exposure draft was released in February. • Consultation paper on sustainability assurance will be issued shortly. Timeline: <ul style="list-style-type: none"> – Comments due by 3 May 2024. – Exposure draft to be issued in July/August 2024. – ISSA 5000 is not expected to be released until September 2024.
5.	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
5.A	XRB Update
	<p>April Mackenzie provided a verbal update of the XRB’s current priorities including sustainability, alignment with international standards and transition planning.</p> <ul style="list-style-type: none"> • The New Zealand XRB intends to adopt the LCE international standards after receiving positive feedback from stakeholders. • The XRB is in the process of finalising the recruitment process for the Chair of the Sustainability Reporting Board. • The XRB is continuing to issue guidance on sustainability reporting. <ul style="list-style-type: none"> – Several reports have been filed, including mandatory climate reporting statements. • A multi-year evaluation of the climate standards is underway which will be a three-year project. • Material is being developed in New Zealand on transitional planning.

	<ul style="list-style-type: none"> – Waiting for the UK to issue documentation on the matter. The next announcement about the Transition Planning Taskforce is set to be 9 April 2024.
5.B	International Developments
	<p>Members noted the information attached in the meeting pack.</p> <ul style="list-style-type: none"> • Members discussed changes in corporate behaviour in response to emerging sustainability reporting standards and Scope 3 targets aligned with a net zero emissions goal by 2050. • April Mackenzie (XRB) discussed transitional planning in relation to emerging sustainability reporting requirements, and New Zealand is developing material to support the transition. <ul style="list-style-type: none"> – New Zealand is awaiting documentation from the UK Transitional Planning Taskforce before it issues guidance material.
6.	Public Sector Advisory Group
	<p>The PSAG Chair, Tracey Carroll, provided a verbal update of information collected from the public sector in Australia including:</p> <ul style="list-style-type: none"> • Australasian Council of Auditors-General (ACAG) and Heads of Treasury Accounting and Reporting Advisory Committee (HoTARAC) stakeholder reports. • Review of the government statistical framework by the ABS is anticipated from 2027 onwards. • IFRS 18 and the presentation of financial statements. • Importance of public sector reporting. <p>The PSAG Chair thanked the FRC members and the Secretariat for their work within the public sector group and wished them all the best for ongoing and future objectives.</p>
7.	Funding International Bodies
	<p>The FRC discussed the current funding arrangements, the changes and impact of sustainability, and considered the approach to future funding to international bodies.</p> <ul style="list-style-type: none"> • Treasury explained the due process for funding international bodies including budget cycles and a review of the quantum of funding. • The FRC considered Australia’s position at the forefront of mandatory reporting of S1 and S2 and the potential for an increase in future funding due to the nature of sustainability reporting and the work IFRS and the ISSB are doing with standards. • The FRC agreed to recommend funding IFRS \$1 million for the coming year. • The FRC agreed to write to IFRS and the Australian Government regarding future funding. <p>Action Items</p>

	<ul style="list-style-type: none"> FRC to write letters to IFRS and the Government regarding future funding.
8.	Other Business
8.A	Nominations Committee
	The Chair congratulated Rachel Grimes AM on her appointment as Chair of the Nominations Committee.
8.B	Correspondence received and sent
	Members noted the correspondence sent to the Treasurer, including the letter on the PJC recommendations.
8.C	Key Action Items Summary
	<p>Action Items</p> <ul style="list-style-type: none"> The FRC Secretariat to circulate the PwC Stakeholder Report with members once it has been received. FRC to write letters to IFRS and the Government regarding future funding.
10.	Next Meeting
	Next meeting will be held on 25 June at the Melbourne Treasury Office.
	Public Session closed at 1:40pm



ITEM 2B
25 JUNE 2024

ACTION ITEMS

DESCRIPTION

Attached are the action items from the FRC meeting held on 19 March 2024.

Actions items have been separated between ongoing action items and action items with deadlines.

ACTION

For noting.

ACTION ITEMS

19 MARCH 2024 ACTION ITEMS

Number	ISSUE	Action required	Owners	Status
1.	OVERSIGHT OF AASB AND AUASB	The AASB and AUASB to draft initial/preliminary thought leadership documents about the scope of reporting and assurance requirements, including emerging issues and investor expectations.	AASB and AUASB	On hold – the AASB and AUASB are currently focusing on developing new domestic sustainability standards.
2.	TALENT ATTRACTION AND RETENTION	Draft and circulate a brief out-of-session to seek funding for an academic to gather evidence on FRC members’ anecdotal experiences, and to research strategies regarding talent management in other jurisdictions.	FRC Secretariat	In progress

ONGOING MATTERS

Number	Issue	Action required	Owners	Status
1.	STAKEHOLDER ENGAGEMENT	FRC members to use stakeholder engagement to identify people with skills to be a AUASB and AASB candidate.	FRC	Ongoing

ACTION ITEMS

Number	Issue	Action required	Owners	Status
		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	FRC	<p>Ongoing – FRC to continue sending out Stakeholder Report requests and the FRC Chair to continue meeting with stakeholders.</p> <p>Note that the next set of Stakeholder Reports will be prepared for the June 2024 quarterly.</p>
2.	INTERNATIONAL NOMINATIONS	Explore whether identified candidates for international roles should be put forward for nomination.	FRC Secretariat	In progress
3.	OTHER	FRC Secretariat to circulate relevant media clippings about financial reporting and audit to all FRC members.	FRC Secretariat	Ongoing



ITEM 3A
25 JUNE 2024

MEMBER REFLECTIONS

DESCRIPTION

Members to update the FRC with contemporary and relevant matters from their fields of expertise including domestic and international events that may impact the Australian financial space.

ACTION

For discussion.



STAKEHOLDER REPORTS

DESCRIPTION

On 14 May 2024, the FRC Secretariat sent specific questions targeted at governance (available at **Attachment A**) to some stakeholders and sent the standard stakeholder report template to others.

Stakeholder responses can be found at **Attachment B**.

Stakeholder meetings

As part of the FRC's engagement with the financial reporting sector, the FRC Chair has annual meetings with stakeholders to discuss current objectives, challenges, and possible improvements.

The most prevalent theme to emerge from these discussions relates to sustainability and climate reporting. Other key themes include sustainable finance and the potential for litigation over climate reporting, as well as the availability of staff and resourcing, especially around sustainability and audit quality. Stakeholders noted the need for consistency in regulation and standards in the auditing sector as significant challenge for auditors:

Stakeholder meetings and additional key themes can be found at **Attachment C**.

ACTION

- The FRC to discuss the reports provided by stakeholders.
- FRC Chair to provide a verbal update of meetings with stakeholders.

STAKEHOLDER REPORT:

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

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.

SPECIFIC QUESTIONS FOR STAKEHOLDERS

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.

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?*
 - *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

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.

STAKEHOLDER REPORT: AUSTRALASIAN COUNCIL OF AUDITORS- GENERAL

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

- Development of climate reporting frameworks in each jurisdiction as well as reporting and assurance standards developments. ACAG submitted a response to the AASB Exposure Draft on Climate Reporting. These developments will have a significant impact on ACAG member organisations.
- Concern raised that the transition seems rushed for preparers and auditors. There is a risk of expectation gaps being created with users of the reports and also risks to the development of quality reports.
- Resourcing challenges are still impacting on the audit profession and the need to create new skills (eg for assurance of climate reporting) may create a risk to quality which needs to be managed. There is a view that more needs to be done to attract people to the profession.
- ACAG would like to get an understanding of the views of the FRC on the anticipated risks and benefits from merging the FRC, AASB and AUASB and the role of the FRC in delivering the merger.
- Review and prioritisation of public sector financial reporting framework project by the AASB to address inconsistency in reporting and assurance requirements across different jurisdictions in Australia and to achieve financial reporting that is clear, objective and comparable, balancing user needs and preparer costs.

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.

- Audit offices continue to work with Departments of Treasury / Finance on climate reporting and assurance in their jurisdictions.

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.

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

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

- According to the [2024-25 Budget](#), the Government will extend the current charity transitional reporting arrangement for a further 5 years. This reduces red tape by allowing the ACNC Commissioner to accept financial reports prepared for other regulators. This extension will benefit charities registered with Office of the Registrar of Indigenous Corporations, non-government schools, and cooperatives.

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.

- Minor updates were made to the [National Standard Chart of Accounts](#) in May 2024. We consulted with various stakeholders, including the Australian Accounting Standards Board and state and territory regulators.
- We released our [compliance and enforcement focus 2024-25](#).
- We finalised our review of 250 charity financial reports for the 2022 Annual Information Statement reporting period. We will publish our findings soon.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?*
 - *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

According to the [Treasury's policy position statement](#), charities registered with the ACNC are not subject to mandatory climate-related financial disclosures. However, some charities may choose to voluntarily adopt this standard as best practice.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

- We updated our audit and review report templates to align with amendments to AASB 101 *Presentation of Financial Statements* which require entities to disclose their material accounting policy information.
- We published our submission to Exposure Draft 2 of the International Non-Profit Accounting Guidance (INPAG).

STAKEHOLDER REPORT: AUSTRALIAN COUNCIL OF SUPERANNUATION INVESTORS

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

- Development of mandatory climate reporting requirements (reporting standard and auditing consultation) – the adaptation of standards designed for issuers of capital to a broader set of preparers has triggered significant work

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.

- Considering the draft climate and sustainability reporting standards from both a user and preparer perspective
- Discussing the need for guidance to support robust climate reporting
- Discussing appropriate 'end state' audit requirements – with a view that there should be policy consultations on appropriate 'end state' requirements (many members query whether reasonable assurance over all aspects of the sustainability report is necessary).
- Discussing the need for guidance (or standards) to be developed on how to consistently incorporate climate risk (and other relevant climate considerations) into valuation models.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*

ACSI has made submissions to each consultation and has had (or is proposing to have) meetings with the relevant team members to provide our views on the development of both reporting and auditing standards, as well as guidance. Our members have a unique perspective as they will be both users and preparers of reports.

- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?*
 - *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

There seems to be some confusion in the market around 'end state' auditing requirements. The proposed s301A of the Corporations Act 2001 in the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 would propose an audit of the sustainability report containing the climate information, and we understand that the AUASB has been tasked with developing the auditing standard. As indicated above, our view is that the policy development process would benefit from further consultation on what the appropriate end state should be.

We understand the implication that the use of the word in the Bill 'audit' means reasonable assurance and that the Bill would have used 'review' for limited assurance. We have suggested that intention be clarified with Treasury as there remains the possibility that this technical interpretation was not necessarily intended.

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.

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STAKEHOLDER REPORT: AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

APRA continues to monitor progress being made with respect to the sustainability disclosures and related assurance requirements by the Standard Setting Boards. This engagement supports the Government's broader Agenda in relation to climate disclosures as outlined in its [policy statement](#).

APRA has suggested that the AASB standards should align with the ISSB standards as much as possible and limit any modifications to enhance interoperability and connectivity with financial (and regulatory) reporting.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

APRA actively engages with the AASB and AUASB on areas of mutual interest. This includes projects relating to financial instruments, insurance and sustainability.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?

APRA has engaged with the AUASB on its consultation relating to the level of assurance associated with climate and sustainability disclosures. APRA has also engaged with the International Ethics Standards Board on its ethical requirements relating to sustainability related assurance engagements.

APRA has made a submission to the AASB on Australian Sustainability Reporting Standards as there is a need for a globally accepted and comparable set of disclosures for investors and regulators.

Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?

Please see above. A globally accepted set of disclosures for APRA regulated entities is important to facilitate comparability. Deviations from the ISSB standards could potentially

reduce comparability, conflicts with guidance issued by regulatory standard setters and increase regulatory burden.

Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?

APRA has some concerns about the AASB's proposed local modifications to the ISSB standards. These deviations would reduce consistency, comparability and reliability of sustainability related financial and regulatory 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.

The chair of the FRC met with the APRA Chair on 8 May. The primary topics discussed were audit quality and sustainability. APRA provided a brief summary of its involvement on audit quality in recent years which had primarily been through its involvement with the Basel Committee and its engagement with ASIC.

STAKEHOLDER REPORT: CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

KEY ISSUES/DEVELOPMENTS

- CA ANZ has been reviewing and engaging with members and stakeholders to develop input for Treasury's consultation, Response to PwC – regulation of accounting, auditing and consulting firms in Australia, in addition to continuing to engage with the two parliamentary Committees inquiring into relevant matters.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- We have delivered our annual two-day virtual Accounting and Audit Conferences to over 3,000 delegates, aimed particularly at small to medium sized practices, focusing on audit quality, financial reporting, and sustainability.
- CA ANZ has [raised concerns](#) around the significant impact the Climate Reporting Bill's audit requirements will have on SMEs and SMPs despite government anticipating 95 per cent will have no material climate risks or opportunities. A [recent survey](#) of CA ANZ members found that 88 per cent do not support the introduction of these requirements for Group 3 entities, 84 per cent don't believe these entities will be ready in time, and 90 per cent don't believe the entities will be willing to support or even pay for these audits. The survey has been reported by various news outlets in addition to being raised at a Parliamentary Inquiry focused on the Bill.
- CA ANZ responded to the [AASB ED SR1 consultation](#) expressing significant concerns at the deviation from the ISSB Standards and the AASB's own standard setting framework. As noted above, we are concerned about the adverse cost to benefit ratio for many Group 3 entities and their users of climate-related disclosures and recommend the AASB considers developing a simplified disclosure regime for smaller unlisted entities.
- Advocacy spanning multiple years has culminated in a clearer and simpler pathway for UK auditors to become a Registered Company Auditor in Australia. ASIC and the UK Financial Reporting Council (FRC) have signed a Memorandum of Understanding (MoU) on [reciprocal arrangements](#) for the mutual recognition of auditors. The MoU recognises and leverages the reciprocal membership arrangements that CA ANZ has with the ICAEW, ICAS, CAI and ACCA.
- CA ANZ and ACCA have released a new joint research report; [Attract, Retain, Engage: Insights and Recommendations for Audit Talent Success](#), which reveals persistent challenges facing the auditing profession in its battle to attract and retain talent. More than 6,500 finance professionals across the globe provided their insights via surveys and a series of roundtables. More than half of the survey respondents were Gen Y/Millennials aged 25-42, with 37% current auditors, 33% former auditors and the rest considering audit as a future career.
- CA ANZ, in collaboration with the University of Melbourne and the University of Queensland, has released a [research report](#) which examines the frequency and nature of reporting key audit matters (KAMs) in ASX listed companies that issued financial

statements in 2023 (balance dates between 31 December 2022 and 30 September 2023).

- As part of a research program developed by CA ANZ, CPA Australia, and the AFAANZ Audit and Assurance Special Interest Group the following two research reports have been published:
 - [Talent in the accounting and auditing profession – how to attract and retain next generation of graduates into accounting and auditing](#), by Professor Nives Botica Redmayne, Dr Dimu Ehalaiye, Dr Fawad Ahmad and Associate Professor Warwick Stent at the Massey University, and Associate Professor Amanda White at the University of Technology Sydney (UTS).
 - [Audit Market Structure and Competition in Australia from 2019-2022](#), by Dr Sarowar Hossain and Professor Gary Monroe at the University of New South Wales.

SPECIFIC QUESTIONS FOR STAKEHOLDER

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
 - We are a proactive advocate for the international standards (ISSB, IAASB, IESBA) through regular connections with regulators, standard setters and government agencies in Australia, New Zealand and internationally. For sustainability reporting, we advocate for the adoption of an overarching sustainability reporting framework rather than a piecemeal approach.
 - Globally, we convene and contribute to activities relating to raising awareness of and advocating for sustainability reporting and assurance with other professional accounting bodies via the [Global Accounting Alliance](#), [Chartered Accountants Worldwide](#) and as a founding member of the [Accounting for Sustainability Accounting Bodies Network](#).
 - Locally, we convene and contribute to activities through our connections with peak bodies within Australia and New Zealand as well as industry leaders and as co-chair of the Australia/New Zealand Chapter of the Professional Bodies Climate Action Charter.
 - One of our team is a member of the IESBA Sustainability Task Force – working to develop ethical and independence standards for sustainability that is both profession and framework neutral.
 - We lodge submissions to consultations on developments related to sustainability reporting and assurance, including:
 - [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024 \[Provisions\] – Schedule 4 Sustainability Reporting](#)
 - [AASB ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-Related Financial Information](#)
 - [AUASB Consultation Paper on Assurance over Climate and Other Sustainability Information](#)

- [IESBA ED International Ethics Standards for Sustainability Reporting and Assurance](#)
 - [Treasury Climate-Related Financial Disclosure: Exposure Draft Legislation](#)
 - [IAASB ED ISSA 5000 General Requirements for Sustainability Assurance Engagements](#)
 - [ISSB Consultation on Agenda Priorities](#)
- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepared, review or use the sustainability report appropriately?*
 - Currently, in CA ANZ's Graduate Diploma of Chartered Accounting (GradDipCA), (our foundational professional qualification the CA Program) candidates can select an elective '[Sustainability for Accountants](#)'. This elective specifically includes learning material related to the sustainability.
 - We have developed micro-courses which incorporate learning material covering sustainability reporting and assurance; [sustainability essentials](#), [sustainability reporting](#), [sustainable supply chain management](#), [assessing climate-related risks and opportunities](#) and [sustainability assurance](#). Other micro-courses are also in development relating to climate reporting and sustainable communications.
 - We have established a [Community for CAs](#) relating to sustainability and are [running a series of webinars](#) to build awareness and understanding within the membership of sustainability-related risks and opportunities including [one specifically focused on sustainability and climate disclosures](#).
 - We have incorporated sustainability reporting into our broader conference programs to support capacity building within the membership including our Accounting and Audit Conference, Sustainability Conference, Sustainability Seminar, NFP Conference and Climate Disclosures Seminar.
 - We have centralised our resources for members relating to climate and climate-related disclosures on our [climate landing page](#).
 - We are developing and publishing guidance information for members to increase their understanding of sustainability and support the implementation of climate-related disclosures and the ISSB Standards. To date these have included [Carbon Accounting Frequently Asked Questions \(FAQs\)](#), a series of [ISSB getting started guides](#), and a [carbon software accounting guide](#).
 - We also contributed to several global resources including; [IFAC GHG accounting paper](#), [GAA CNCA report](#) and [A4S guides](#), and [CAW sustainability hub resources](#).
 - We have also published sustainability playbooks for members to support those in [small and medium sized entities](#) and [not-for-profit organisations](#) become more sustainable and move towards more resilient business models and also one on [sustainability assurance](#).
 - *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*
 - We consider our members have the relevant skills to undertake work in this space and many are already doing so. However, there is an urgent need to increase the capacity of the profession in sustainability reporting and therefore for more of our members to

develop the necessary capabilities in this space. Whilst we are providing the resources to support our members in this space, there is a gap in their available time and resources.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- We facilitated input from members and completed several submissions including: IESBA ED Using the Work of an External Expert, IFR4NPO INPAG ED 2, IASB ED Financial Instruments with Characteristics of Equity, IAASB ED PIE – Track 2, and the Core Skills Occupation List.
- CA ANZ hosted Gabriela Figueiredo Dias, IESBA Chair, for a breakfast event with members and recorded an episode of CA ANZ's **podcast** Small Firm, Big Impact. We also met with Tom Seidenstein, IAASB Chair, during his visit, and provided facilities for an event.

STAKEHOLDER REPORT: AUSTRALIAN BUSINESS REPORTING LEADERS FORUM (BRLF¹)

KEY ISSUES/DEVELOPMENTS

Momentum behind the work of the International Sustainability Standards Board (ISSB) continues to build. Around 20 jurisdictions are currently considering plans to adopt or otherwise use ISSB Standards in their regulatory frameworks.

Given the landscape continues to evolve rapidly, three key updates since our last report:

1. Future priorities of ISSB

In response to market feedback, the ISSB's primary focus over the next two years will be on supporting the implementation of IFRS S1 and IFRS S2, including through [educational materials](#) and [capacity building](#) work.

The ISSB will also be working to enhance the SASB Standards and commencing [two new research projects](#) about risks and opportunities related to nature and to human capital.

While the IFRS Foundation will not be commencing a project on integration in reporting at this time, both the ISSB and IASB continue to support the use of the Integrated Reporting Framework as a resource that drives high-quality corporate reporting and a cohesive information package for investors.

The Connectivity and Integrated Reporting team at the IFRS Foundation has continued to work on demonstrating how integrated reports are an ideal location for disclosures under IFRS Sustainability Disclosure Standards S1 and S2. We reported on this matter to the FRC in our previous report.

2. Navigating between ESRS and ISSB Standards

The IFRS Foundation remains committed to helping companies meet the information needs of capital markets through a streamlined and cost-effective approach.

The IFRS Foundation and EFRAG have [published interoperability guidance](#) to reduce complexity, fragmentation and duplication for companies by setting out how a company can apply both ISSB Standards and ESRS. The guidance includes detailed analysis of the alignment in climate-related disclosures.

As many companies around the world are mandated to disclose sustainability-related information through ISSB Standards and ESRS, this guidance supports the efficient disclosure of sustainability-related information that means companies will be better able to collect and govern decision-useful data once, avoiding duplication of efforts.

The new guidance may be useful input for the FRC as it thinks about interoperability of the ISSB standards and the coming Australian Sustainability Reporting Standards.

3. ISSB Taxonomy published

¹ Providing the Secretariat for the BRLF continues to be a key strategic initiative for the outreach activities of the Deakin University Integrated Reporting Centre (DIRC). This report focuses on submissions and advocacy by the DIRC, which are informed by discussions at BRLF events.

The ISSB has published the ISSB Taxonomy, which will enable investors and other capital providers to analyse sustainability-related financial disclosures efficiently.

Use of the ISSB Taxonomy by companies will enable investors to search, extract and compare sustainability-related financial disclosures as the ISSB advances its global baseline of standards.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Key activities relevant to FRC's objectives undertaken by DIRC / BRLF since last reporting period:

Our March 2024 quarter report to the FRC highlighted the importance of integrated reports as an ideal location for disclosures under the coming Australian equivalents to IFRS Sustainability Disclosure Standards S1 and S2, and the importance of the FRC taking a key role in promoting this opportunity pursuant to progressing achievement of the core objectives of the Australian Financial Reporting System as set out in section 224 of the ASIC Act.

Consultation on Proposed 5th Edition of ASX Corporate Governance Principles and Recommendations

Since the BRLF's last stakeholder report to the FRC, the Deakin Integrated Reporting Centre made its submission to the ASX Corporate Governance Council on the proposed 5th Edition of the ASX Corporate Governance Principles & Recommendations. Dealing with the recommendations made in this submission are within the control of the ASX Corporate Governance Council except for one, and it is the most significant recommendation. This recommendation relates to needed short- and longer-term reform of the Australian corporate / financial reporting system as defined by the ASIC Act in 2021 and is therefore directly related to the role of the FRC as defined by section 225 of that Act.

We noted that:

"The ASX Corporate Governance Principles and Recommendations play a key role in driving best practice in corporate governance in advance of legislation, regulation and standards, although arguably they are a form of quasi-regulation through the links between the ASX and ASIC in section 792 of the Corporations Act. They create the opportunity to go beyond the proposed 'climate-only' Sustainability Report and Australian Sustainability Reporting Standards to the 'climate first' approach contained in Government policy and which will be required to achieve international alignment with IFRS Sustainability Disclosure Standards and satisfy international investors. We believe that integrated reporting is the ideal mechanism for bridging the gap. This theme permeates our submission."

The key recommendation in the submission referred to above, which is of relevance to the FRC in terms of its responsibilities under the ASIC Act, was as follows:

"We believe that the FRC should take a lead role in addressing the hiatus of integrated reporting in Australia as a contribution to Australia progressing towards the core objects set out in section 224 of the ASIC Act, as progressing integrated reporting is not at least at this stage a matter for standard-setters. We believe that pursuing such a strategy would be an ideal exercise of the FRC's powers under section 225(1)(g) of the ASIC Act."

DIRC Research on Recommendation 4.3 Disclosures

The submission was backed by specific evidence from research conducted by the Deakin Integrated Reporting Centre in support of our recommendation. The DIRC has done a detailed analysis of disclosures by the ASX 300 under Recommendation 4.3 of the ASX Corporate Governance Principles and Recommendations, introduced in the 4th Edition in 2019², for the first two years for which the recommendation was effective, 2021 and 2022.

Recommendation 4.3 was a very significant enhancement in the 4th Edition. The DIRC and KPMG had advocated for it heavily for in the lead up to the 4th Edition being published. Recommendation 4.3 requires listed entities to disclose their processes to ensure the integrity of all corporate reports other than audited financial reports, a matter of significant importance to investors and important for ensuring confidence in Australian capital markets.

Periodic corporate reports were defined in the 4th Edition to include integrated reports defined in terms of the International Integrated Reporting Framework, and noted that this Framework can be used to prepare Operating & Financial Reviews pursuant to ASIC's RG 247.

We undertook this research in the context of the final Recommendation 4.3 in the 4th Edition. Notwithstanding its importance, we believed that Recommendation 4.3 would not be strong enough to drive the desired corporate governance action; and we felt that the ASX and ASIC did not have the specialist resources required to effectively monitor and enforce Recommendation 4.3 disclosures. On this basis, we offered to both the ASX and ASIC to outsource monitoring activities in the early years of Recommendation 4.3 disclosures. Our offer was not taken up.

Research Findings

Our headline finding in relation to 2021 and 2022 Recommendation 4.3 disclosures was that there was '**significant room for improvement**' in terms of the disclosures themselves and the rigour of disclosed integrity-enhancing processes implemented to support informed investor decision-making. There was no change in this finding from 2021 to 2022.

In relation to the:

- effectiveness of communication, only 27% (26% in 2021) of ASX 300 entities were found to have made comprehensive entity-specific disclosure. 35% (32% in 2021) provided no entity-specific disclosures and 38% (42% in 2021) provided limited entity-specific disclosures. This goes against the intent and substance of the ASX Corporate Governance Principles and Recommendations.
- disclosure of integrity-enhancing mechanisms, 15% (26% in 2021) of entities provided no information about the specific mechanisms adopted – either there was no identifiable disclosure, or it was not possible to identify the mechanism from what were boilerplate statements. A further 25% (22% in 2021) noted that they used internal controls (eg management reviews) and made no disclosure about either board reviews or external assurance.

² 'A Comparative Review of the First Two Years of ASX Corporate Governance Recommendation 4.3 Disclosures by Australian Large Listed Entities: Mechanisms to Enhance the Integrity of Corporate Reporting, Lum, PJ, Tan, E, Carey, P, Simnett, R, Bray, M. June 2023. This and other recent submissions by the DIRC can be found at [Deakin Integrated Reporting Centre | Deakin](#)

Our preliminary findings for 2023 indicate some improvement, but there is still a long way to go. The changes achieved have been too slow and not enough.

These findings indicate that our views on release of the 4th Edition have been validated, to the detriment of investors and achievement of section 224 of the ASIC Act.

Recommendation 4.3 Needs Strengthening in 5th Edition

Given its importance to investor decision making, not only must Recommendation 4.3 be strengthened in the 5th Edition, the Australian corporate reporting system itself needs to be strengthened in the interests of investor decision making. Our submission explains how the 5th Edition could fill an immediate gap in the system by requiring the preparation of integrated reports to underlie Recommendation 4.3 disclosures in advance of any standards relating to integrated reporting and longer term change to the ASIC Act.

Integrated reports will provide a strong basis in support of disclosures made as to the integrity of corporate reports under Recommendation 4.3, noting that those reports will include a statement from the board of directors attesting to the fairness of the integrated report and its adherence to the Integrated Reporting Framework, and will be a suitable basis for independent external assurance.

The proposed climate disclosure legislation, which proposes to mandate a sustainability report and climate statement be included within annual reports, introduces a complication. However, as the DIRC said in its submission to Treasury on the proposed legislation, it will be possible to include an integrated report within the sustainability report (or prepare the sustainability report in accordance with the International Integrated Reporting Framework)³.

We believe that the FRC has a key role to play in this area matter, and the DIRC can assist the FRC. We recommend that the FRC:

- Refer this matter to the Minister (the Treasurer) under section 225 of the ASIC Act:
 - In the short term
 - requesting that the Minister remind the ASX and ASIC of their responsibilities in relation to monitoring and where appropriate enforcing effective adherence to Recommendation 4.3; and
 - instructing ASIC to update its Regulatory Guide 247 on operating and financial reviews to strongly embrace integrated reporting as set out in our submission, so that Australia can achieve the benefits achieved by jurisdictions which have successfully adopted integrated reporting – in terms of confidence in capital markets, international competitiveness and cost of capital.
 - in the longer term, the ASIC Act be updated to recognise the important role of the ASX Corporate Governance Council in the Australian corporate reporting system.
- The FRC could commission the Deakin Integrated Reporting Centre to analyse the drivers of success with integrated reporting adoption in jurisdictions which have achieved widespread and growing momentum for integrated reporting adoption

³ Submission also located at [Deakin Integrated Reporting Centre | Deakin](#). This submission demonstrates that by consolidating the OFR and other information within the integrated / sustainability report, it will be possible to *reduce* the number of reports and *volume* of information reported, instead of adding to the number of reports included in annual reports. This could be of appeal to the FRC.

including Japan, France, Brazil, Turkey and South Africa, and build on these models in Australia.

- The Deakin Integrated Reporting Centre would also appreciate the FRC's support in renewing our offer to the ASX and ASIC, which we made in our 5th Edition submission.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Other activities not covered above which are relevant to the FRC's objectives undertaken by DIRC / BRLF since the last reporting period:

The DIRC with the Deakin Law School hosted a forum, 'Embracing Integrated Thinking: Enhancing Organisational Governance through Integrating Sustainability, including Climate and Other Environmental Disclosures', on 22 April 2024.

This event connected the key integrated reporting themes of integrated thinking, governance, sustainability and integrated reports. The forum was well attended and well received by attendees, who included the FRC Chair, Andrew Mills, and FRC member, Doug Niven.

Speakers included ASIC Chair, Joe Longo, Alison Kitchen (Chair, NAB audit committee and Business Council of Australia board member), John Stanhope (Chancellor, Deakin University and Chair, Port of Melbourne), Stephen Woodhill (CEO of the Group of 100), Kate Griffiths (Head of Policy and Advocacy at the Australian Council of Superannuation Investors) and Jonathan Labrey (Chief Connectivity and Integrated Reporting Officer, IFRS Foundation).

A transcript of proceedings is available on request.

STAKEHOLDER REPORT: FINANCIAL SERVICES COUNCIL

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

- FSC funds management and superannuation members are impacted by Climate-related financial disclosures as reporting entities.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

- The FSC is engaging on behalf of its members with the AASB on its exposure drafts: ASRS 1 General Requirements for Disclosure of Climate-related Financial Information and ASRS 2 Climate-related Financial Disclosures. The FSC is particularly interested in the Standards being as clear and implementable as possible for funds management and superannuation businesses.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?

- As outlined above, the FSC is engaging with the AASB on its draft sustainability reporting standards. Funds management and superannuation businesses have a unique structure which means that applying the draft standards is not always straightforward. They are reporting entities at both the corporate entity level (Responsible Entity or Registrable Superannuation Entity Licensee) and the underlying fund level (Managed Investment Scheme or Registrable Superannuation Entity). Further, fund managers may be external managers to an underlying MIS or RSE under an unrelated corporate entity.

Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepared, review or use the sustainability report appropriately? Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?

FSC members are seeking clarity in the sustainability reporting standards in the following areas which present barriers in complying confidently with the draft reporting requirements. We submit these could be addressed by the AASB standards or ASIC guidance. Addressing these concerns clearly will help to facilitate readily understandable obligations:

- Financed emissions reporting obligations: Specifically, clarification is needed for fund managers who are engaged to manage the money of a fund that is under an unrelated RE or RSEL under an investment management agreement. Clarification is also needed where an MIS or RSE invests directly in another MIS whose units are issued by another RE.
- Choice-based investment platforms: For choice-based platform providers, clarity is needed around the applicability of the reporting requirements to platforms. Platforms do not undertake investment decisions with regard to the investment options on their platform, so cannot be characterised as engaging in ‘asset management’. Our view is that they are engaged in ‘asset administration’ rather than ‘asset management’. Accordingly, our view is that it should be expressly clearly by the AASB standards that platforms which do not provide their own asset management services, but are merely asset administrators, are excluded from certain requirements such as reporting on underlying scope 3 emissions of investee companies (which would be reported on by the relevant RE of the investment option).
- Requirements at the entity and the fund level: The standards should allow for consolidated reporting at an RSEL and RE level:
 - Entity or RE/RSEL level: The focus at the entity level would be on the climate-related risks and opportunities to fees earned and any impact on assets under management. Certain disclosures which would be consistent across the entity and all its underlying funds could include the scenario analysis applied, transition plan, governance, risks and opportunities.
 - Fund or MIS/RSE level: The focus at the fund level would be on the climate-related risks and opportunities to the value of portfolio companies/value of the total assets under management and the returns paid to members/investors. Disclosures specific to the underlying fund could focus on portfolio metrics, for example, reporting on the scope 1, and 2 emissions of portfolio companies.
- We are supportive of the balanced approach taken by the standards with regard to forward-looking disclosures but would welcome further guidance on situations where it would be appropriate to determine that there is ‘undue cost or effort’ and situations where it would be appropriate to use estimates. It is important to maintain a pragmatic and flexible approach to scope 3 emissions. For fund managers and superannuation funds, it should be appropriate to rely on data where the underlying investee company has disclosed their scope 1 and 2 emissions under a mandatory regime. Where investee companies fall out of the regime, are in a jurisdiction that does not have mandatory disclosure requirements, or have not reported information due to falling under a different reporting period, it should be appropriate to rely on estimates and it should be considered undue cost or effort to seek data exhaustively that covers every underlying investee company if they do not fall under a mandatory reporting regime.
- Further guidance on ‘materiality’ would be welcome.

- Further industry-based guidance would aid in comparable disclosures which would boost investor confidence and usability of the data. Particularly guidance on scope 3 reporting, boundaries and calculation of estimates for specific industries. As industry based guidance matures globally, the AASB should adopt these for the Australian context.

STAKEHOLDER REPORT: INSTITUTE OF PUBLIC ACCOUNTANTS

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

IPA has been involved in consultation and submissions with the following:

FINANCIAL REPORTING

- Enactment of Treasury Law Amendment (Financial Market Infrastructure and Other Measures Bill) 2024 – Schedule 4–Sustainability Reporting.
- Issuance of AASB Australian Sustainability Reporting Standards (ASRS) 1 *General Requirements for Disclosure of Climate-related Financial Information* and ASRS 2 *Climate-related Financial Disclosures*.
- Development of AASB Not-for-Profit Private Sector Financial Reporting Framework for Tier 3 small entities.

AUDIT AND ASSURANCE

- AUASB Consultation Paper on *Assurance over Climate and Other Sustainability Information*.

ETHICS

- IESBA Exposure Draft *Using the Work of an External Expert*.
- IESBA *Code of Ethics for Professional Accountants (including International Independence Standards)* and the proposed introduction of *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards)* (IESSA).

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.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?*

- *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

- Refer above.
- IPA continues to actively contribute to the developments of Treasury, AASB, AUASB and APESB/IESBA relating to sustainability reporting, including lodging submissions, participating in outreach forums and meetings.
- IPA continues to advocate for sustainability reporting/climate-related financial disclosure standards that are proportionate to the complexity of our members in the small-to-medium enterprise sector, such as reducing and/or simplifying the area of disclosures required of SMEs and their assurance.
- IPA continues to update our members through publications and the development of education sessions and tools. IPA has developed a sustainability micro credential in partnership with various universities and educational institutions. In addition, the Sustainability Futures Challenge in partnership with the United Nations and Monash University will be offered again this year.

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 continues to be involved with the Parliamentary Joint Committee (PJC) and Senate Committee inquiries into matters relating to PwC. We were called to give evidence again to the PJC inquiry on 8 May and were required to respond to further questions on notice. IPA is also involved in the Treasury and TPB consultations relating to this matter.
- IPA participated in the Australian visit of the IESBA Chair, including hosting a member event.

STAKEHOLDER REPORT: PWC

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

The key focus area impacting our organisation continues to be the evolution of sustainability reporting. We are also working through the audit requirements for the new Consolidated Entity Disclosure Statement to be included in financial reports of public companies.

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 in discussions with other audit firms and the AUASB regarding the audit requirements for the new Consolidated Entity Disclosure Statement requirement for public companies as part of their financial report. Guidance and training is being provided to the audit practice.
- In March 2024, we responded to the AASB Exposure Draft ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate – related Financial Information. We continue to expand our team to deliver services to our clients.
- In May 2024, we responded to the AUASB's Consultation Paper 'Assurance over Climate and Other Sustainability Information'. We are awaiting the release of ISSA 5000 *General Requirements for Sustainability Assurance engagements* and the anticipated adoption in Australia which is expected towards the end of 2024, as well as any pronouncements the AUASB chooses to release.
- The timelines for mandatory assurance have changed multiple times over the last quarter and we look forward to these being finalised.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*

PwC continues to provide a range of services (both consulting-type services and assurance) to a range of clients in relation to sustainability reporting.

- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?*

PwC Australia has continued to prepare for future reporting requirements. These include:

- Continued involvement with PwC global networks of Corporate Reporting Specialists and Assurance Quality representatives, in order to enhance risk management policies and assurance methodology.
 - Expanding our ESG Assurance team to deliver services to our clients
 - Continued refinement of reporting templates, tools and guidance to deliver these engagements at the highest quality.
 - Enhancing training in ESG assurance to both our core ESG Assurance and broader Assurance practitioners.
- *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

No key challenges have been identified when performing recent reporting and assurance engagements.

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.

- No other activities noted.

STAKEHOLDER REPORT: HoTARAC

Heads of Treasuries Accounting and Reporting Advisory Committee (HoTARAC) is an intergovernmental committee that advises Australian Heads of Treasuries (HoTs) on accounting and reporting issues. The Committee comprises the senior accounting policy representatives from all Australian States, Territories and the Australian Government.

An important role of HoTARAC is to contribute to the development of accounting standards for the public sector. Such standards are independently set and have the potential to change the calculation of budget aggregates, including budget deficits. They may also introduce new disclosure requirements for public sector financial reports.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- HoTARAC will continue to make formal submissions to standard setters on proposals that would have a significant impact on the public sector, noting that the AASB is limiting the accounting projects on its work plan due to the commitment to issue climate-reporting standards.
- Since 1 July 2023, HoTARAC has made the following submissions to standard-setters on matters of relevance to the public sector:
 - Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information [AASB ED SR1]
 - IASB Request for Information on Post-implementation Review of IFRS 9 Financial Instruments – Impairment [AASB ITC 52]
 - IASB Request for Information on Post-implementation Review of IFRS 15 Revenue from Contracts with Customers [IASB]
 - IASB Request for Information on Post-implementation Review of IFRS 15 Revenue from Contracts with Customers [AASB ITC 53]
 - Post-implementation Review IFRS 15 Revenue from Contracts with Customers [IASB]
- HoTARAC jurisdictions continue to report that the shortage of qualified accountants is affecting the ability to recruit, particularly for specialist jobs requiring experience. We continue to review how we can support financial and reporting capabilities in the public sector.
- A review of the government statistical framework by the Australian Bureau of Statistics (ABS) is anticipated from 2027 onwards. ABS staff have been invited to the September/October HoTARAC meeting to discuss the current ABS work program on revisions to the statistical framework. HoTARAC will consider how revisions impact financial reports produced by government in accordance with AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- HoTARAC intends to engage the AASB directly on proposed *AASB 18 Presentation and Disclosure in Financial Statements* (AASB 18) to identify amendments that may be required for the not-for-profit and public sector.
 - HoTARAC are concerned that the existing *IFRS 18 Presentation and Disclosure in Financial Statements* would not be consistent with *AASB 1049 Whole of Government and General Government Sector Financial Reporting*. AASB 1049 requires harmonisation with ABS statistical principles articulated in the *Government Financial Statistics (ABS GFS Manual⁴)* published by the ABS.
- AASB's post-implementation reviews of the public sector suite of standards, will be an ongoing focus for HoTARAC, including:
 - The AASB post-implementation review of *AASB 1059: Service Concession Arrangements: Grantors*, remains under consideration since the previous advice to the FRC in the first quarter of 2024.
 - *AASB 1058 Income of Not-for-Profit entities, AASB 1050 Administered Items, AASB 1052 Disaggregated Disclosures, AASB 1055 Budgetary Reporting* etc.

⁴ AUSTRALIAN SYSTEM OF GOVERNMENT FINANCE STATISTICS: CONCEPTS, SOURCES AND METHODS, 2015

STAKEHOLDER REPORT: EY

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

- Ongoing scrutiny of the accounting, auditing and consulting profession
- Developments in climate reporting and assurance
- Emergence of technologies, including AI

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.

- Ongoing development of a response to the Treasury Consultation Paper -Regulation of Accounting, Auditing and Consulting
- Response to the AuASB Consultation Paper on Climate Assurance. Within this response we supported the local adoption of ISSA5000 and emphasized that, other than in respect of the assurance phasing, any local pronouncement should be in the form of guidance only.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
 - 1) Assessment of resource requirements, based upon the assurance phasing proposed by the AuASB, in its consultation paper.
 - 2) Delivery of training to our assurance executives, including subject matter training.
 - 3) Held a number of client roundtables to upskill them on requirements and matters to consider as they prepare for these new requirements.
- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?*
 - *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

The key barrier to resourcing for this work is that the standards are still fluid, including ASRS1, ISSA5000 and the equivalent local pronouncement. Similarly, many clients are not getting prepared until there is more clarity on final requirements.

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.

- Assessment of disclosure and assurance requirements with respect to the Consolidated Entity Disclosure Requirements, including feedback to the AuASB with respect to the proposed bulletin authored by the Chair of the AuASB.

STAKEHOLDER REPORT: AUSTRALIAN SHAREHOLDERS' ASSOCIATION

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

We launched our focus issues for the coming year at our recent investment conference.

Fair Treatment of Shareholders

- **Equitable Capital Raisings:** Retail shareholders should receive fair and equitable treatment in all capital raisings.
- **Communication Preferences:** Companies should respect shareholders' preferences for postal or electronic distribution of communications.
- **Hybrid Shareholder Meetings:** Meetings should be held in a hybrid format, enabling both physical and online participation to ensure more voices are heard. Virtual-only meetings are deemed inadequate.
- **Analyst Market Briefings:** Retail shareholders should be invited to analyst market briefings, which should be recorded and made available on the company website.

Building Better Oversight – Directors and Boards

- **Board Skills Matrix:** Boards should comprise directors with diverse skills necessary to fulfill the company's strategic plan. These skills should be communicated in a board skills matrix included in the Annual Report to assist shareholders in making informed voting decisions.
- **Director Commitment:** Directors should avoid overcommitting to multiple boards, ensuring they have sufficient time and attention for each role.
- **Cyber and Data Risk Management:** Boards are expected actively to oversee the company's efforts in managing and communicating cyber and data risks to shareholders, fostering a resilient corporate culture.

Driving Sustainable Practices and Improving ESG Strategy

- **ESG Disclosure:** Companies should disclose sufficient sustainability and ESG strategy information for shareholders to make informed investment decisions. Companies are expected to be on track to meet imminent climate disclosure requirements.
- **Resource Efficiency and Greenwashing Prevention:** The ASA will monitor companies regarding resource efficiency, prevention of greenwashing, and the impact of remuneration plans on promoting a genuinely sustainable culture.

Advocating for Transparent and Appropriate Remuneration

- **Remuneration Transparency:** A company's remuneration report should be transparent and understandable for retail investors, showing a logical relationship between rewards, financial performance, and corporate governance.
- **Comparative Analysis:** The ASA will assess the reasonableness of remuneration by comparing it with similar companies.
- **Long-term Performance Hurdles:** The ASA prefers executive remuneration hurdles that measure long-term performance over at least four years.

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.

ASA representatives attended 23 AGMs during the mini-AGM season. Three of the companies, Scentre Group, Karoon Energy Ltd and Sigma Healthcare, received strikes against their remuneration reports.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

- What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?

ASA supported the attached media release in conjunction with other peak bodies. It called for the bill to be passed to align climate-related disclosures in Australia to the international standards set by the International Sustainability Standards Board (ISSB). Retail shareholders require credible and comparable information to aid their investment decisions and the passing of the bill will assist companies to compete for capital on international markets.

- Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?
 - *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

Retail shareholders will benefit from the maturing of reporting over the coming years, but confidence can be shaken in the early phases as reporting practices and expectations evolve. Preparers and assurers appear to be aware of the challenge that has been set.

Our members are calling for guidance on what good reporting looks like, guidance that is difficult to provide in the pre-evolutionary phase.

STAKEHOLDER REPORT: DELOITTE

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

- [Insert]

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

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SPECIFIC QUESTIONS FOR STAKEHOLDER

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

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
 1. Deloitte is investing heavily by developing our people and a library of resources.
 - a. We continue to take actions as a global network to address the climate challenge. All our Australian auditors are receiving training on how to factor climate into our audit approach taking industry-based guidance further into account.
 - b. Furthermore over the next 12 to 18 months auditors are being trained on IFRS S1 and S2 including an overview of the proposed Australian Sustainability Reporting Standards Exposure Draft (ASRS ED) and the Deloitte assurance methodology (currently based on ASAE 3000). Further training will be developed and delivered for proposed International Standard for Sustainability Assurance (ISSA) 5000 once issued.
 2. We continue to work proactively with professional bodies, regulators, standard setters, investors and audited entities to encourage meaningful reporting and accountable business behaviours. We have responded most recently to the AUASB consultation relating to the assurance phasing providing feedback that takes a balanced view on supporting the transformation and transition to sustainability and climate reporting whilst being mindful of the skills, capability and time needed to ensure data produced and reported by clients is able to be assured. We are expecting a number of companies to see the value in voluntarily engaging with auditors to provide assurance ahead of mandated timelines.
 3. We are represented at the Australian Accounting Standard Board (AASB) Sustainability Reporting Advisory Panel.

4. We have re-organised our business in Deloitte Australia with consideration of our market offering and climate and sustainability assurance offering which is a client-led issue and underpins enablement offerings such as data, technology and controls.
 5. We have leveraged our global network to extract valuable guidance, practice aides and capability or SME collaboration where we need to showcase interoperability of the European Corporate Sustainability Reporting Directive (CSRD), US Securities and Exchange Commission (SEC) Rules and standards issued by the International Sustainability Standards Board (ISSB).
 6. We continue to support implementation of digital solutions to enhance the client experience in preparing for climate and sustainability reporting through the development of AI-powered solutions that perform disclosure gap assessments.
- *Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?*
 - *Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?*

We will answer from the perspective of how our clients are taking actions to prepare, review or use sustainability reports.

1. We currently still see a large proportion of clients cautious on the time, resource and cost investment in preparing for the reporting. Multinationals are grappling with understanding how to leverage their network to avoid duplicative costs and finding synergies. The deviation of the proposed ASRS ED has complicated this and the interoperability with European Sustainability Reporting Standards (ESRS) or SEC Rules is being explored and understood as an additional challenge.
2. The clients that are in a medium to high maturity of preparation have embarked on undertaking gap assessments over their current sustainability disclosures and reporting processes against ASRS ED or IFRS S1 and S2. These clients are also revisiting their ESG Materiality Assessments with ISSB/ASRS in mind rather than Global Reporting Initiative (GRI) Standard for example.
3. For organisations with a low sustainability maturity, for example having no current sustainability related reporting or disclosures, are undertaking gap assessments on risk management processes, governance processes, internal processes and controls supporting emission data collection. Assurance readiness assessments over scope 1 and 2 emissions and climate governance is supporting clients to understand the areas of improvement that will be necessary should limited assurance be needed over scope 1 and 2 emissions or governance disclosures in the first year of reporting according to the AUASB assurance phasing examples. Clients are turning their minds to systems for both data collection and reporting as well as disclosures.
4. Clients who have previously followed Task Force on Climate-related Financial Disclosures (TCFD) and have more established ESG teams are starting to consider the complexity of climate scenario analysis to revisit the information they use to inform the risk assessment process and climate strategy.
5. The change management aspect within the organisation is also a fundamental shift in how our clients are needing to organise themselves, integrate teams across the business such that

the climate consideration becomes ingrained in the fabric of the business model and decision making.

6. Training considerations are being actively considered to uplift Boards and management teams.

The key barriers clients are identifying are the capability and capacity gaps within their teams and within the market as all businesses are competing for the same resources. Costs of transformation to climate reporting are an added pressure whilst business are needing to contain costs due to inflation and interest rate pressures. The uncertainty of preparing for an intended effective date on draft legislation and draft standards is challenging when Boards are managing multiple priorities, especially when other priorities have more certainty.

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.

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STAKEHOLDER REPORT: CPA

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting your organisation.

- CPA Australia continues to be involved in providing input to the two Parliamentary inquiries (Senate Finance and Public Administration References Committee inquiry into management and assurance of integrity by consulting services, and the Parliamentary Joint Committee on Corporations and Financial Services (PJC) inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry).
- We are currently in the process of drafting our response to the Treasury's consultation paper on the Regulation of Accounting, Auditing, and Consulting Firms in Australia. This response will address key issues and provide our responses to questions that seek to establish the direction of regulatory reform.

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.

- Audit and assurance:
 - CPA Australia's submission to the International Auditing and Assurance Standards Board (IAASB) on its Proposed IAS 240 *The Auditor's Responsibilities Relating to Fraud in An Audit of Financial Statements (ED-240)*.
 - CPA Australia's joint submission to the Auditing and Assurance Standards Board (AUASB) on its Consultation Paper - Assurance over Climate and Other Sustainability Information.
 - CPA Australia's joint submission to the Treasury on the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024: Schedule 4 – Sustainability Reporting
 - CPA Australia's joint submission to the Australian Prudential Regulation Authority (APRA) for the Consultation on superannuation prudential framework – consequential audit updates.
 - CPA Australia's submission to the International Ethics Standards Board for Accountants (IESBA) on the *Proposed International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA)* and Other Revisions to the Code Relating to Sustainability Assurance and Reporting.
 - CPA Australia's submission to the International Ethics Standards Board for Accountants (IESBA) on the Using the Work of an External Expert.
- Financial reporting:
 - CPA Australia's joint submission to the International Public Sector Accounting Standards Board (IPSASB) on its Consultation Paper, [IPSASB Exposure Draft 88 Arrangements Conveying Rights over Assets](#).
 - CPA Australia's joint submission to the International Accounting Standards Board (IASB) on its Consultation Paper [IASB Exposure Draft: Financial Instruments with Characteristics of Equity—Proposed amendments to IAS 32, IFRS 7 and IAS 1](#)

- CPA Australia’s joint submission to the International Financial Reporting For Non Profit Organisations (IFR4NPO) on its Consultation Paper, [International Non-Profit Accounting Guidance Exposure Draft Part 2](#)
- Sustainability and climate reporting:
 - CPA Australia’s joint submission to the Commonwealth Treasury’s Consultation on Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024: Schedule 4 – Sustainability Reporting

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?

- Please refer to key activities/matters relevant to the FRC objective section.
- Additionally, we have also published an article in CPA Australia’s InTheBlack magazine on *ISSA 5000: What accountants need to know*.
- Hybrid event with the IESBA Chair on “Sustainability and Ethics”

Does this include any actions you are taking to ensure your organisation/your organisation’s members is/are prepare, review or use the sustainability report appropriately?

- Additionally, CPA Australia also hosted a [webinar](#) to unpack the requirements of IFRS S1 and S2 for the Australian market.
- CPA Australia will be producing a series of guidance documents that will support members in their understanding of climate-related risks and opportunities in the first instance. These will be covered in the Q3 and Q4 FRC reports.

Are there any key barriers your organisation/your organisation’s members have identified when engaging with the recent reporting and assurance requirements?

- Our members are concerned about the continued trend of increasing the length of auditing standards or the Code of Ethics (e.g., proposals in ED-240 and the IESBA’s recent proposals to add Sustainability to the Code of Ethics), including where certain sections are circular and repetitive. This could make the standards challenging to understand and apply due to its length and detail.
- We are aware of the lack of suitable capacity across sustainability reporting and assurance. Our members are also aware that the reporting can only provide useful information to decision-makers to the extent that sustainability is embedded as part of the DNA of organisations. To this end we are concerned about the lack of understanding around the operationalising of sustainability, and moreover the role that management accountants can and indeed should play in this space.

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.

- CPA Australia hosted activities organised with the Chair of the International Ethics Standards Board for Accountants, Gabriela Figueiredo Dias
 - Hybrid event on the IESBA project on “Sustainability and Ethics”
 - Hybrid event on the IESBA project on “Firm Culture and Governance”

STAKEHOLDER REPORT: KPMG

KEY ISSUES/DEVELOPMENTS

In this section, please insert the key issues and external developments currently impacting our organisation.

Ongoing Government inquiries into the professional services industry:

- KPMG Australia has been participating in the Senate Finance and Public Administration References Committee's Inquiry into the management and assurance of integrity by consulting services and the *Parliamentary; the Joint Committee on Corporations and Financial Services Inquiry into Structural Challenges in the Audit, Assurance and Consultancy Industry and a NSW Parliamentary Inquiry into Consulting Services*. As part of these inquiries we have made extensive written submissions and appeared at a number of public hearings. KPMG recognises the important work being done by the Committees and appreciates the opportunity to work with policy makers to put in place further measures to restore trust in the profession.
- At our appearances and in our submissions to the Inquiry's we have outlined a number of reforms for consideration. KPMG is supportive of a government review into whether ASIC should have an extended regulatory role over our profession. We are open to what this would look like and would work constructively with government and regulators on this matter.
- In addition, KPMG welcomed the recent commitment from the Federal Government that announced a number of measures directed at the audit, assurance and consulting sector and strongly supports this package of reforms as a significant, sensible and constructive step forward in restoring trust in our profession. KPMG supported a number of these recommendations during the Parliamentary Committee process and we are currently considering our response to Treasury's consultation paper into the *Regulation of accounting, auditing and consulting firms in Australia*.

Other external developments impacting the sector:

- Increasing cyber security threats pose a risk to the broader industry and economy, as firms seek to keep up with best practice.
- Continuing advancements in AI technology: It is necessary to assess risks associated with new technologies and ensure that our protections and systems keep pace. We are working in a range of ways with industry bodies, clients and also within our own Firm, to ensure we help lead the way in this evolving space.
- We note there is currently a second public consultation on proposed reforms to Australia's AML/CTF regime, extending it to "Tranche 2" entities. This would include lawyers, accountants, trust and company service providers, real estate agents and

dealers in precious metals and stones – with quite broad potential applications that require appropriate consideration.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

The FRC's purpose is to serve the public interest by setting high standards of corporate governance, reporting and audit and by holding to account those responsible for delivering them. KPMG Australia conducts many activities relevant to the FRC's purpose including:

- Core work in the auditing and accounting fields with a range of listed and unlisted organisations;
- Contribution to public and regulatory discourse including submissions to government and regulatory body inquiries on a range of matters impacting capital markets; and
- Regular engagement with regulatory bodies and professional associations including the Accounting Professional & Ethical Standards Board (APESB) and Chartered Accountants Australia and New Zealand (CA ANZ) on relevant standards that impact the audit, assurance and accounting sectors.

Please refer above for a summary of certain of our Firm's activities regarding public policy developments.

SPECIFIC QUESTIONS FOR STAKEHOLDER

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

1. What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?
2. Does this include any actions you are taking to ensure your organisation/your organisation's members is/are prepare, review or use the sustainability report appropriately?
3. Are there any key barriers your organisation/your organisation's members have identified when engaging with the recent reporting and assurance requirements?

KPMG Australia is taking several actions to ensure its organisation and stakeholders are prepared to engage with the recent requirements in relation to sustainability reporting and assurance, including:

- Having a mature and sizeable Climate Change & Sustainability team that works with organisations to manage the risks and opportunities associated with climate change and sustainability matters, and to enhance all aspects of reporting and communication. The team also provides assurance services over climate and other sustainability-related disclosures to enhance the credibility of reported information.
- Offering services to help organisations understand and identify the material issues that have the most impact on their business, develop performance monitoring and evaluation frameworks, design and implement robust governance models and processes for collecting and reporting information, or provide assurance over market disclosures.
- We have responded to the Australian Treasury’s consultation paper on mandatory climate-related financial disclosures where the firm welcomed the essential alignment of the Australian proposals to the International Sustainability Standards Board (ISSB) approach.
- Contributing to a global project to form a submission to the IAASB on the proposed ISSA 5000.
- Participating in roundtables hosted by the AUASB and CAANZ/CPA Australia on the proposed ISSA 5000.
- We have responded to AUASB’s Consultation Paper on Assurance over Climate and Other Sustainability Information.
- Hosting internal and external webinars on the ISSB Sustainability Disclosure Standards, discussing the changes and their impact on the Australian sustainability-related disclosures landscape. The webinars covered an overview of the developments in international sustainability reporting standards, the implications of the Treasury proposals for Australian entities, and a roadmap of activities to consider as organisations prepare to report. In addition to this, KPMG Australia also offers regular Accounting and Reporting Webinars that provide timely insight into the changing world of accounting, including sustainability standards.
- Conducting internal training on the draft disclosure standards and the expected mandatory assurance requirements currently being contemplated by the AUASB. We will continue to stay engaged on the “roadmap to assurance” and any draft pronouncements being considered by the AUASB.

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.

- KPMG is actively engaged in a variety of activities related to technology, specifically in the areas of cyber, privacy, and AI on which we have provided further detail in prior submissions.

The topics covered at these meetings include:

Current Objectives/Developments

- A. Key activities undertaken.
 - 1. Views on the proposed merger of the FRC, AASB and AUASB:
 - Concerns of losing technical competencies by merging
 - 2. Cyber Security, privacy, AI
 - 3. Views on the regulation of accounting firms in Australia/ASIC role.

On 3 May 2024, Treasury released the consultation paper on *Response to PwC – regulation of accounting, auditing and consulting firms in Australia*.
 - 4. What activities are being undertaken in relation to recent developments in sustainability reporting and assurance?
 - 5. What activities are being undertaken to address conflicts of interest?

Current challenges

- A. Governance changes in reaction to recent events with the Big 4.
- B. Possible improvements for financial reporting and auditing
- C. Resourcing/staffing for sustainability reporting

Additional Key Themes

- Need for consistency in regulation and standards in the auditing sector as significant challenge for auditors:
 - Focus on the quality of audits
- Need for educating clients on new sustainability reporting standards:
 - Many companies are not fully prepared for sustainability reporting standards, despite ongoing efforts and no resistance to these changes.
- Discussion on sustainable finance and the potential for litigation over environmental projections.
- Availability of staff and resourcing would be a challenge, especially around sustainability and audit quality.
- Talent attraction and retention:
 - Remote working has proven effective especially with employees based in countries like India, Philippines, and South Africa.
 - Work-life balance on staff retention is a critical issue.
 - Diversity in the workforce

- recognising the need for different skills combined with an assurance mindset.
- Technology
 - The use of AI is being cautious in auditing and reporting.
 - AI has been used in data analysis.

Stakeholder	Date	Attendees
PwC	18 March 2024	Andrew Mills (FRC Chair) Susan (Sue) Horlin – (Partner, Assurance) Jesse Chen (FRC Secretariat)
G100	25 March 2024	Andrew Mills (FRC Chair) Stephen Woodhill (CEO) Jesse Chen (FRC Secretariat)
Grant Thornton	3 April 2024	Andrew Mills (FRC Chair) Nicole Bradley (National Managing Partner for Audit) Jesse Chen (FRC Secretariat)
William Buck	3 April 2024	Andrew Mills (FRC Chair) Leo Tutt (Director, Audit & Assurance) Jesse Chen (FRC Secretariat)
EY	3 April 2024	Andrew Mills (FRC Chair) Shawn Maher (EY Global Vice Chair, Public Policy) Jesse Chen (FRC Secretariat)
ASFA	3 April 2024	Andrew Mills (FRC Chair) Mary Delahunty (CEO) Jesse Chen (FRC Secretariat)

Deloitte	1 May 2024	Andrew Mills (FRC Chair) Adam Powick (CEO) Joanne Gorton (Managing Partner, Audit & Assurance) Jesse Chen (FRC Secretariat)
CPA Australia	7 May 2024	Andrew Mills (FRC Chair) Chris Freeland AM (CEO) Elinor Kasapidis (Head of Policy and Advocacy) Jesse Chen (FRC Secretariat)
APRA	8 May 2024	Andrew Mills (FRC Chair) John Lonsdale (APRA Chair) Brandon Khoo (Executive Lead - Supervision Practice) Jesse Chen (FRC Secretariat) Christie Yang (FRC Secretariat)
RSM	23 May 2024	Andrew Mills (FRC Chair) Gen Stenhouse (RSM National Head of Audit & Assurance) Zoe Irwin (FRC Secretariat)
ASFI	23 May 2024	Andrew Mills (FRC Chair) Purdie Bowden (Program Lead for Policy and Sustainable Finance Solutions) Zoe Irwin (FRC Secretariat)
ANAO	23 May 2024	Andrew Mills (FRC Chair) Jane Meade (ANAO Group Executive Director) Zoe Irwin (FRC Secretariat)



Item 4A
25 June 2024

AASB CHAIR REPORT

DESCRIPTION

The AASB Chair's Report covering the key activities undertaken during March – May 2024.

ACTION

For noting.



Item 4B 25 June 2024

AUASB CHAIR REPORT

DESCRIPTION

The AUASB Chair's Report covering the key activities undertaken during March – June 2024.

ACTION

- Chair to report.



ITEM 5A
25 JUNE 2024

XRB UPDATE

DESCRIPTION

Report provided by Chair of the XRB, Michele Embling.

ACTION

- To note



INTERNATIONAL DEVELOPMENTS

DESCRIPTION

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

Attachment B provides an update on the activities of the International Auditing and Assurance Standards Board (IAASB) from an Australian member of the IAASB, Bill Edge.

ACTION

- For noting.

RECENT MEDIA RELEASES

- The International Accounting Standards Board (IASB) completed its work to improve the usefulness of information presented and disclosed in financial statements. The new Standard, IFRS 18 *Presentation and Disclosure in Financial Statements*, will give investors more transparent and comparable information about companies' financial performance, thereby enabling better investment decisions.

Sustainability

- Almost 90 per cent of auditors who responded to a new survey from peak accounting body Chartered Accountants ANZ (CA ANZ) do not support the Government's requirements to implement mandatory Climate reporting and assurance on Group 3 Firms.
- CA ANZ says several initiatives announced as part of Federal Budget are important steps in providing the sector the resourcing and focus it needs as we transition to a sustainable future.

Artificial Intelligence

- Three-quarters of Australian companies are using or piloting Artificial Intelligence (AI) in financial reporting – and in three years' time the number will be 100 percent, according to a KPMG International survey.
- The latest EY CEO Outlook Pulse Survey reveals that Australia's current approach to AI development places it behind other nations, with a reliance on imported innovations. To provide certainty to organisations on how they can progress adoption of AI, there is a pressing need for flexible regulations that can address inherent AI risks, such as bias and errors.

The Big 4

- KPMG Australia Chairman Martin Sheppard today announced the Board has extended the term of Chief Executive Officer Andrew Yates for three years to 30 June 2027.
- The Board of Deloitte Australia has announced the appointment of John Greig as the firm's new Chair, effective 1 June 2024.
- The PwC Australia partnership has voted to elect six new members of its Governance Board who will fulfil important leadership roles as the firm continues to make progress on its Commitments to Change.

IAASB REPORT

The IAASB has recently released its Strategy and Work Plan for 2024-2027 which is aimed at enhancing consistency and quality of audit and assurance standards worldwide and reflects the crucial role of audit and assurance in fostering trust in the world's economies.

Key highlights of the Strategy include:

- Completing priority audit and assurance projects, with emphasis on fraud, going concern, and sustainability assurance.
- Commencing new initiatives and projects, including focusing on supporting the adoption and implementation on our overarching standard for sustainability assurance engagements, establishing an IAASB Technology Position, and conducting post-implementation reviews, as well as standard setting on, among other topics, audit evidence and risk response, materiality, and reviews of interim financial information.
- Collaborating with official stakeholders across the external reporting ecosystem, including the International Ethics Standards Board for Accountants (IESBA), regulators, and standard setters, in addition to other stakeholders.
- Engaging with regulatory and standard-setting partners to strengthen trust in markets globally.
- Further implementing the Monitoring Group's recommendations to enhance independence and accountability in standard setting.

The AUASB's legislative mandate includes participating and contributing to the development of a single set of auditing standards for worldwide use, and Australia is 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 Australia influences 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. Driving this influence is Bill Edge who is a member of the International Auditing and Assurance Standards Board reflecting the strong role our region plays contributing to the global auditing standard process. Bill is assisted by AUASB Deputy Technical Director, Ms Rene Herman, who acts as IAASB Technical Advisor

A high level summary of current IAASB projects is outlined in the table below:

Monitoring Group Reform	<p>The Monitoring Group, which is the oversight body for the IAASB and IESBA, published its recommendations to strengthen international audit and ethics standard-setting in July 2020.</p> <p>Key recommendations were:</p> <ul style="list-style-type: none">○ Achieve an independent multistakeholder standard-setting system;○ Reinforce the consideration of public interest; and
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	<ul style="list-style-type: none"> ○ Foster the development of timely, high quality standards <p>Sustainable long-term multistakeholder funding mechanism is key to ensure that all stakeholders in the financial reporting ecosystem who benefit from a single set of high-quality international auditing and ethics standards contribute to support long-term financial stability of the standard-setting system. The Australian Government has commenced supporting this reform based on a proposal by the FRC.</p> <p>Implementation of the reforms at the IAASB is well underway but some elements could still take time and will require changes at the IAASB Board and Staff levels (e.g., the Board’s multi stakeholder composition and adoption of a staff-driven model), as well as in how the PIOB exercises oversight over the IAASB’s activities.</p> <p>In addition, the clear trend to maintaining workstreams and undertaking projects in both the traditional area of audits and reviews of financial statements, and sustainability and other assurance engagements, introduces a different dynamic for the work program and skills required at the Board and Staff levels.</p> <p>The IAASB Chair visited Australia in March 2024 to discuss progress of the IAASB with key Australian stakeholders.</p>
Sustainability Assurance	<p>In September 2022, following engagement with key stakeholders and recognising the strong support of the International Organization of Securities Commissions (IOSCO), the IAASB commenced work to develop a new overarching standard for assurance on sustainability reporting, Sustainability Assurance 5000, <i>General Requirements for Sustainability Assurance Engagements</i> (ISSA 5000).</p> <p>ISSA 5000 is being developed to be responsive to the public interest need for a timely standard to support the consistent performance of quality sustainability assurance engagements; suitable across all sustainability topics and reporting frameworks; and implementable by all assurance practitioners. The intent of ISSA 5000 is to provide a global baseline for sustainability assurance engagements and to be the foundation for a future suite of ISSAs that will be developed over time to meet practitioners’ and stakeholder needs. It covers all elements of an engagement from planning to completion.</p> <p>In June 2023, the IAASB approved an exposure draft (ED) of ISSA 5000 (ED-5000). ED-5000 which covered both limited and reasonable assurance engagements and was premised on application of the provisions of the IESBA Code and ISQM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding. The ED closed on 1 December 2023. An extensive global outreach program was conducted during the comment period, comprising informational webinars, roundtables, meetings with key stakeholders and presentations at seminars and events, both in person and virtual. A round table lead by IAASB members was held in Sydney on October 2023.</p> <p>The IAASB’s Sustainability Assurance Task Force (of which Bill Edge was a member) and staff identified 14 areas that generated the most significant comments from stakeholders and represented the main themes that emerged from stakeholder feedback. The IAASB is working through these areas and intends to approve a final standard in September 2024.</p>
Going Concern	<p>Corporate failures across the globe in recent years have highlighted the topic of going concern as a key topic to be addressed in the public interest and led to stakeholder demands for enhanced transparency on going concern. Conditions,</p>

	<p>such as war and the global pandemic, have also caused heightened risks focusing attention on the challenges and issues pertaining to the auditor’s responsibilities and work related to management’s assessment of an entity’s ability to continue as a going concern, and the reporting thereof.</p> <p>In early 2020, the IAASB commenced information-gathering and research activities on going concern in an audit of financial statements, which included the development of a Discussion Paper (DP). In relation to going concern specifically, the objective of the consultation was to obtain feedback about the issues and challenges in applying the extant standard in light of the changing environment, jurisdictional developments and evolving public expectations, including whether more informative communication about going concern with those charged with governance and in the auditor’s report was appropriate or needed.</p> <p>Based on feedback received on that Discussion Paper, in March 2022, the IAASB approved a project proposal to undertake certain targeted actions to revise the Going Concern standard (ISA 570). The project objectives that supported the public interest, included strengthening the auditor’s evaluation of management’s assessment of going concern, including reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism; and enhanced transparency through the auditor’s report and with those charged with governance with respect to the auditor’s responsibilities and work related to going concern where appropriate.</p> <p>Many stakeholders expressed concern that the IASB does not have this topic on their agenda to drive reporting behaviour and the IAASB has therefore included matters relevant to preparers in the ED.</p> <p>In April 2023, the IAASB issued an Exposure Draft (ED) on a revised Going Concern. The ED closed on 24 August 2023. Seventy-eight written responses were received from a broad range of stakeholders from all geographical regions. In March 2024, the Going Concern Task Force provided the IAASB with a high-level overview of the stakeholder feedback. The IAASB is now working through stakeholder feedback. A revised final standard is targeted to be issued by the IAASB in December 2024.</p>
<p>Fraud</p>	<p>High quality audits contribute to the efficiency of capital markets and financial stability. The public interest is best served when participants in the financial reporting system have confidence in audits of financial statements. However, corporate failures and scandals across the globe in recent years have brought the topic of fraud to the forefront and led to questions from stakeholders about the role and responsibilities of the auditor relating to fraud in an audit of financial statements.</p> <p>In early 2020, the IAASB commenced information-gathering and research activities on fraud in an audit of financial statements, which included the development of a Discussion Paper (DP). In relation to fraud specifically, the objective of the consultation was to obtain perspectives from stakeholders across the financial reporting ecosystem on whether the existing Fraud standard needed to be updated to reflect the evolving external reporting landscape, and, if so, in what areas.</p> <p>Based on feedback received on that Discussion Paper, in December 2021, the IAASB approved a project proposal to undertake certain targeted actions to revise the <i>Auditor’s Responsibility to Consider Fraud and Error in an Audit of</i></p>

	<p><i>Financial Statements</i> standard (ISA 240). The project objectives that supported the public interest included, clarifying the role and responsibilities of the auditor for fraud in an audit of financial statements, reinforcing the importance, throughout the audit, of the appropriate exercise of professional scepticism and enhancing transparency on fraud-related procedures where appropriate.</p> <p>In February 2023, the IAASB issued an Exposure Draft on a revised Fraud standard. The Exposure Draft is still open for comment. A revised final standard is targeted to be issued by the IAASB in March 2025</p>
Integrated Project on audit evidence and risk response	<p>The IAASB is pursuing an integrated and more strategic approach for addressing issues relating to audit evidence and risk response.</p> <p>Many stakeholders called for revisions to the Audit Evidence standard (ISA 500) to be more ambitious with respect to relevant audit evidence- and technology-related matters. Stakeholders, particularly from regulatory authorities, indicated the need to more inclusively consider and concurrently address revisions to Audit Evidence and Identifying and Assessing the Risks of Material Misstatement through understanding the Entity and Its Environment (ISA 315). Stakeholders highlighted that both standards address aspects of the auditor obtaining sufficient appropriate audit evidence and evaluating whether sufficient appropriate audit evidence has been obtained. Stakeholders described the need to evaluate the revisions together to determine whether we are meeting public interest objectives effectively.</p> <p>The IAASB’s integrated project will deal with the ‘reference framework’ aspects relating to judgments about sufficient appropriate audit evidence (the Audit Evidence standard) and the ‘performance’ aspects of the auditor’s responsibility to design and perform audit procedures to obtain sufficient appropriate audit evidence (the Identifying and Assessing the Risks of Material Misstatement through understanding the Entity and Its Environment standard).</p> <p>The IAASB will consider the impact of technology as informed by the IAASB establishing a position on addressing the impact of technology (see below).</p>
Technology	<p>The IAASB’s Technology Position initiative is currently underway and is a strategically important initiative for the IAASB. The initiative involves developing a position that will guide the Board’s activities during their 2024-2027 Work Plan period relating to the impact of technology.</p>
Other Matters/Topics	<p>The following initiatives are also included in the IAASB’s Work Plan for 2024-2027:</p> <ul style="list-style-type: none"> ○ Revising the standard on <u>Review of Interim Financial Information</u> (ISRE 2410) including modernising the standard and addressing specific issues and challenges identified (e.g., considering relevant concepts and principles in the ISAs that may have implications for the review engagement, such as going concern considerations and communication of key audit matters). ○ Revising the standard on <u>Materiality in Planning and Performing an Audit</u> (ISA 320) to address issues and challenges related to consistency of determination and application of materiality and performance materiality. While recognising that the auditor’s consideration of materiality is a matter of professional judgment, there is a need to address variability in

	<p>judgments by different auditors in similar circumstances, including that diversity results in different levels of work effort.</p> <ul style="list-style-type: none">○ Implementation support and other actions related to <u>ISSA 5000</u> focusing on, for example, supplemental guidance that address specific topics, first-time implementation guidance and other non-authoritative materials will be undertaken in parallel with the standard-setting activities to develop ISSA 5000.○ Additional standard setting related to <u>sustainability</u> consistent with the Board's commitment to establish a bespoke suite of standards on sustainability assurance over time.○ <u>Post implementation reviews</u> of recently issued standards (ISA 315 <i>Identifying and Assessing the Risks of Material Misstatement through understanding the Entity and Its Environment</i> and ISA 540 <i>Auditing Accounting Estimates and Related Disclosures</i>). Post-implementation reviews of new or revised standards are only considered after a significant period of global adoption and implementation of a standard (i.e., 3–5 years). This allows sufficient time for a new or revised standard to be properly embedded in practice and for internal and external monitoring purposes, in the context of global adoption across jurisdictions.
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ITEM 6

25 JUNE 2024

PUBLIC SECTOR ADVISORY GROUP

DESCRIPTION

Chair of the PSAG, Amy Fox, to provide a verbal update about the PSAG meeting on 11 June 2024.

ACTION

- FRC to note the PSAG update.



TREASURY CONSULTATION PAPERS

RESPONSE TO PWC – REGULATION OF ACCOUNTING, AUDITING AND CONSULTING FIRMS IN AUSTRALIA

Consultation period: 3 May 2024 – 28 June 2024

This consultation paper seeks stakeholder views in relation to the regulation of accounting, auditing and consulting firms in Australia. Issues for stakeholder consideration include:

- the adequacy of prescribed governance requirements for large partnerships;
- the adequacy of current professional standards, regulations and laws (including those relating to independence and the management of conflicts of interest);
- whether the transparency requirements for accounting, auditing and consulting firms are sufficient;
- the adequacy of regulatory enforcement capabilities and standard setting;
- the protection of whistleblowers; and
- competition/resilience in the audit sector.

RESPONSE TO PWC – TAX REGULATOR INFORMATION GATHERING POWERS REVIEW

Consultation period: 3 May 2024 – 31 May 2024

The consultation seeks views on whether the Australian Taxation Office's (ATO) formal information gathering powers are fit for purpose to enable the ATO to perform its role effectively, and to support law enforcement agencies to investigate serious criminal offences perpetrated against the tax and superannuation systems.

The paper also considers a recommendation of the 2019 Independent Review of the Tax Practitioners Board and Tax Agent Services Act 2009 that the limitations on the Tax Practitioners Board (TPB) gathering information prior to commencing a formal review be removed.

ACTION

- FRC to discuss.



NOMINATIONS COMMITTEE

DESCRIPTION

On 31 December 2024, the current terms of 3 members from the AUASB and 3 members from the AASB will end. Under the *FRC Nominations Committee Charter*, in all cases these members may be reappointed for a second and third term without a further interview, provided the peer review results and Chair feedback are satisfactory.

The Nominations Committee will meet by the end of July to discuss and agree whether all members will be reappointed or whether a recruitment process will be run for some or all the members. If an external recruitment process was required, it would need to commence in August to conclude in advance of the expiry date.

AASB

- Klynton Hankin - 2nd term
- Tracey Barker - 1st term
- Joanne Lonergan - 1st term

AUASB

- Paul Rogers - 2nd term
- Sean Osborn - 1st term
- James Grant - 2nd term

ACTION

- Nominations Committee Chair, Rachel Grimes, to provide a verbal update.



CORRESPONDENCE

DESCRIPTION

On 22 March 2024, the FRC wrote to Jobs and Skills Australia (JSA) to support the accounting and auditing sector's claims of shortages within the profession in efforts to have accountants listed as 'in shortage' on the Skills Priority List.

On 3 May 2024, the FRC Chair wrote to the Chair of the Nominating Committee endorsing Liza Maimone for appointment as an International Financial Reporting Standards (IFRS) Trustee.

On 6 May 2024, the FRC Chair wrote to IFRS in response to their request for an increase in future funding. This letter informed IFRS of the FRC's recommendation in the March quarterly meeting for the Australian Government to make a further \$1 million payment to IFRS in 2024/25.

ACTION

- For noting.



ITEM 8C
25 JUNE 2024

KEY ACTION ITEMS SUMMARY

DESCRIPTION

FRC Chair and Secretariat to provide a summary of the action items arising from the 25 June 2024 meeting.

The FRC Secretariat will circulate an action items list to FRC members following the finalisation of the meeting minutes.

ACTION

- For the FRC to note.



ITEM 9

25 JUNE 2024

NEXT MEETING

DESCRIPTION

Next meeting will be on 19 September 2024 in the Melbourne Treasury office on Level 16, 530 Collins Street.

ACTION

- For noting.