



AGENDA – 111TH FRC MEETING

Date: 19 September 2024

Time: 09:30 – 16:00

Location: Level 16, 530 Collins Street MELBOURNE VIC 3000 AUSTRALIA

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 16 September 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 – 25 June 2024 B. Action items	Chair Chair/Secretariat	
3. Environmental scan		09:45
A. Member reflections B. Stakeholder reports	All Secretariat	
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 B. International developments (including recent media releases)	April Mackenzie 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. Professional development pathways	Andrew Conway Prof Philomena Leung (Institute of Public Accountants)	12:00
Lunch		12:30
8. Other business		13:30
A. Nominations Committee [per s 225(2)(a) and s 225(2A)(a)] B. Correspondence received and sent C. Key action items summary	Rachel Grimes Chair Secretariat	
9. Next meeting	Chair	13:45
4 December 2024 – Sydney		
PRIVATE SESSION		
10. Matters for private session		13:55
Meeting close		16:00

OUR PURPOSE

The FRC oversees the effectiveness of the financial reporting framework in Australia. Its key functions include:

- the oversight of the accounting and auditing standards setting processes for the public and private sectors;
- providing strategic advice in relation to the quality of audits conducted by Australian auditors; and
- advising the Minister on these and related matters to the extent that they affect the financial reporting framework in Australia.

The FRC also monitors the development of international accounting and auditing standards, furthers the development of a single set of accounting and auditing standards for worldwide use and promotes the adoption of these standards.



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
Amy Fox	Department of Finance
Alison White	Deloitte

Guests	Organisation
April Mackenzie	XRB
Claire LaBouchardiere	ASIC
Luci Tucker	ASIC
Shane Barbetti	ASIC
Anne Waters	Office of the AUASB
Justin Williams	AASB
Andrew Conway	Institute of Public Accountants
Prof Philomena Leung	Institute of Public Accountants
Tom Dickson	Treasury

Observers	Organisation
Mitchell Buckingham	Treasury
Jesse Chen	Treasury
Christie Yang	Treasury
Abed Ayyash	Treasury
Adam Foda	Treasury

Apologies	Organisation
Michele Embling	XRB
Thea Eszenyi	ASIC



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 10 September 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, The Board of Taxation 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 Finance Director, Rugby Victoria	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	Chair and CEO, Auditing and Assurance Standards Board	

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

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
Ms Amy Fox	Member, CPA Australia, Member, CA ANZ, Member, AICD	Nil	Nil
Ms Alison White	Deloitte	Partner, Assurance & Advisory; National Leader: Accounting & Corporate Reporting	Member, Property Council of Australia National Roundtable Member, Board of Advice of The University of Sydney – Discipline of Accounting, Governance and Regulation



ITEM 1D

19 SEPTEMBER 2024

NEW FRC APPOINTMENTS

The FRC welcomes the appointments of Ms Amy Fox and Ms Alison White as part-time members of the Financial Reporting Council (FRC) who commenced on 28 June 2024.

Alison White



Alison is the leader of the Accounting & Corporate Reporting team in Deloitte's Audit and Assurance division. She has over 25 years' audit and accounting advisory experience in Australia, Hong Kong, and South Africa, specializing in the resolution of complex accounting issues.

Alison served as a member of the Australian Accounting Standards Board (AASB) and has recently completed her six-year term as the deputy chair. She is also a member of the Fair Value and Business Combinations Project Advisory Panels of the AASB.

She is also a member of the Deloitte Global Expert Advisory Panel on Leases and the Property Council of Australia's National Accounting Roundtable.



Amy Fox



Amy is a First Assistant Secretary of the Financial Analysis, Reporting and Management Division at the Department of Finance. She has over two decades of experience in various roles including as Assistant Secretary at the Department of Agriculture, Fisheries and Forestry, Regional Councilor for the Australian Capital Territory at the Institute of Chartered Accountants Australia New Zealand, and a consultant for the World Bank.

Amy holds a Master of Business Administration from Deakin University, and she is an admitted member of the Certified Practicing Accountants (CPA) and advanced as a fellow of the Institute of Chartered Accountants Australia New Zealand. Additionally, she is a graduate of the Australian Institute of Company Directors.



MINUTES OF PREVIOUS MEETING

DESCRIPTION

Attached are the minutes from the FRC meeting held on 25 June 2024, which have been published on the FRC website.

ACTION

- For noting.

MINUTES

DATE: Tuesday 25 June 2024

TIME: 09:30 – 13:15

LOCATION: Level 8, 697 Collins Street, Docklands – Melbourne Productivity Commission office and Microsoft Teams

ITEM	AGENDA ITEM	
PUBLIC SESSION		
1	INTRODUCTION	
1A	The Chair began with an acknowledgement of country and welcomed all attendees to the meeting.	
1B	ATTENDEES AND APOLOGIES	
	Members in attendance:	Observers:
	Andrew Mills (Chair)	Zoe Irwin (Treasury) - virtual
	Dr Keith Kendall (AASB Chair)	Jesse Chen (Treasury)
	Doug Niven (AUASB Chair)	Abed Ayyash (Treasury)
	Rachel Grimes	Christie Yang (Treasury)
	Emma Herd	
	Pru Bennett	
	Guests:	Apologies:
	Amy Fox (Department of Finance)	April Mackenzie (XRB)
	Alison White (Deloitte) – virtual – attended for agenda 1-3	Clair LaBouchardiere (ASIC)
	Tom Dickson (Treasury) - virtual	Shane Barbetti (ASIC)
	Deepti Paton (Treasury) - virtual	Michelle Zhang (Treasury)
	Kim De Marte (Treasury)	
	Bart Hoyle (Treasury) - virtual	
	Michele Embling (XRB Chair) - virtual	
	Thea Eszenyi (ASIC) - virtual	
	Justin Williams (AASB)	
	Anne Waters (AUASB)	
	Luci Tucker (ASIC)	
	John Ngiam (CA ANZ) - virtual	
	Tiffany Tan (CPA) - virtual	

1C	DECLARATIONS OF INTEREST
	Members declared no conflicts of interest.
2	MATTERS FOR NOTING / ACTION
2A	MINUTES OF PREVIOUS MEETING – 19 MARCH 2023
	Minutes from the previous meeting were reviewed and approved by members without any further comments.
2B	ACTION ITEMS
	<p>Members reviewed the Action Items list and confirmed items that had been actioned and noted those for discussion at the meeting and in progress.</p> <p>Members noted that an action item for the AASB and AUASB to draft thought leadership documents on the scope of reporting and assurance requirements will be placed on hold as the boards are focusing resources on developing and delivering new sustainability standards for Australia.</p> <p>Members also noted that the Professional Accounting Bodies (PABs) are leading research on talent attraction and retention in the accounting and auditing professions.</p>
3	ENVIRONMENTAL SCAN
3A	MEMBERS REFLECTIONS
	<p>Members commented on contemporary matters including the transition plans for financial reporting obligations and disclosures. Concerns were raised about the additional reporting burdens and the need for harmonisation with international standards.</p> <p>The FRC Chair also discussed the FRC’s role in governance of firms in supporting quality in audit. It was noted that, for example, PwC has implemented significant governance changes, including proposing to appoint three independent directors. Other firms have or are moving in a similar direction.</p>
3B	STAKEHOLDER REPORTS
	Members noted the stakeholder reports submitted by stakeholders and the Chair’s report of stakeholder engagement. Members discussed the key themes including sustainability reporting, particularly on the need for appropriate timeframes for implementation, controls, and assurance. Other themes included consistency with international standards, cultural challenges within the auditing and accounting professions, and talent retention and attraction issues around sustainability and audit quality.
4	OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING)
4A	AASB REPORT

	<p>Keith Kendall provided a verbal update of the AASB’s sustainability reporting, feedback from stakeholder consultations and strategic focus.</p> <ul style="list-style-type: none"> • The AASB is finalising sustainability reporting standards, with an aspirational target for August 2024. There is a focus on developing Tier 3 Not-for-Profit Standards. • Feedback from stakeholder consultations indicated the need for alignment with International Sustainability Standards Board (ISSB) standards. • Australia is the first country to adopt ISSB standards, while Japan and Korean are still in Exposure Draft phase. • There remain specific concerns about measurements beyond financial reports and the integration of renewable energy. <p>Action Item</p> <ul style="list-style-type: none"> • AASB to report back on its comment letters to the ISSB regarding renewable energy reporting standards.
4B	AUASB REPORT
	<p>Doug Niven provided a verbal update of the AUASB’s work on financial auditing, assurance, and sustainability consultations.</p> <ul style="list-style-type: none"> • AUASB received supportive feedback from consultation paper on sustainability assurance. <ul style="list-style-type: none"> - The consultation process ended on 3 May and the AUASB received 29 submissions. - The AUASB agreed on a proposed phased introduction model for an exposure draft. - The AUASB will discuss the development of an Exposure Draft of a local pronouncement to supplement the international standard in its July meeting. - The proposed International Standard on Sustainability Assurance (ISSA 5000) is expected to be released in September 2024. -
5	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
5A	XRB UPDATE
	<p>The Chair of the New Zealand External Reporting Board (XRB), Michele Embling, provided a verbal update of the XRB’s current priorities including sustainability reporting strategy.</p> <ul style="list-style-type: none"> • Noted that a growing demand for sustainability reporting and the XRB is planning to consult on sustainability reporting strategy next year. • The XRB has established a separate Sustainability Standards Board and has appointed the first three members, including the Chair. Further members will be appointed over the coming months including an Australian member.

	<ul style="list-style-type: none"> Michele announced that April Mackenzie will retire by the end of 2024.
5B	INTERNATIONAL DEVELOPMENTS
	<p>Members noted the information attached in the meeting pack.</p> <ul style="list-style-type: none"> FRC Chair thanked Bill Edge, an Australian member of the IAASB, for his written update on the activities of the IAASB.
6	PUBLIC SECTOR ADVISORY GROUP
	<ul style="list-style-type: none"> FRC Chair introduced Amy Fox as the new Public Sector Advisory Group (PSAG) Chair. Amy noted the recent PSAG meeting held on 11 June and discussed the key themes of the PSAG meeting: <ul style="list-style-type: none"> Internal governance arrangements to adopt sustainability reporting and assurance standards. Gaps in expertise and skills around sustainability reporting. Challenges in talent attraction in accounting profession, especially with entry-level jobs and high school leavers.
7	TREASURY CONSULTATIONS/GOVERNMENT PROCESSES
	<p>A. Regulation of accounting, auditing and consulting firms in Australia</p> <p>Members noted the consultation paper released by Treasury on 3 May 2024 in relation to the regulation of accounting, auditing and consulting firms in Australia.</p> <p>Deepti Paton, as a representative of Treasury, provided a verbal update on the status of the consultation process.</p> <p>B. Tax Regulator Information Gathering Powers Review</p> <p>Members noted the consultation paper released by Treasury on 3 May 2024 in relation to the tax regulator information gathering powers. Bart Hoyle, as a representative of Treasury, provided a verbal update on the status of the consultation process.</p> <p>C. Update on future institutional arrangements for standard-setting (combination of FRC, AASB and AUASB)</p> <p>Kim Demarte, as a representative of Treasury, provided a verbal update on future institutional arrangements for standard-setting following the merger of the FRC, AASB and AUASB.</p> <p>D. Senate report on <i>Management and assurance of integrity by consulting services</i></p> <p>Members noted the Senate report without any further comments.</p>
8	OTHER BUSINESS
8A	NOMINATIONS COMMITTEE

	<p>Rachel Grimes AM, as Chair of the Nominations Committee, noted that there have been many calls for nominations to international boards and there needs to be support for appropriate candidates to get ongoing roles on boards.</p> <p>The AASB Chair, Keith Kendall, provided two draft letters for members approval:</p> <ul style="list-style-type: none"> - Endorsement letter for the nomination of Ms Merran Kelsall AO as Chair of the IFRS Advisory Council. - Endorsement letter for Dr Keith Kendall as Australian representative on the Accounting Standards Advisory Forum (ASAF). <p>Members supported the draft letters.</p>
8B	CORRESPONDENCE RECEIVED AND SENT
	Members noted the correspondence sent.
8C	KEY ACTION ITEMS SUMMARY
	<p>Action Items</p> <ul style="list-style-type: none"> • AASB to report back on its comment letters to the IASB regarding renewable energy reporting standards. • Nomination Committee to consider the scope of the Nominations Committee Charter to include international nominations. • FRC Secretariat to work with the FRC Chair to finalise a letter endorsing the nomination of Ms Merran Kelsall AO as Chair of the IFRS Advisory Council and another letter endorsing Dr Keith Kendall as an Australian representative on the ASAF.
9	NEXT MEETING
	Next meeting will be held on 19 September at the Melbourne Treasury Office.
	Public session closed at 13:15.



ITEM 2B

19 SEPTEMBER 2024

ACTION ITEMS

DESCRIPTION

Attached are the action items from the FRC meeting held on 25 June 2024.

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

ACTION

- For noting.

ACTION ITEMS

25 JUNE 2024 ACTION ITEMS

Number	ISSUE	Action required	Owners	Status
1.	NOMINATIONS COMMITTEE	FRC Secretariat to work with the FRC Chair to finalise a letter endorsing the nomination of Ms Merran Kelsall AO as Chair of the IFRS Advisory Council and another letter endorsing Dr Keith Kendall as an Australian representative on the ASAF.	FRC Secretariat	Completed
2.	OVERSIGHT OF AASB AND AUASB	AASB to report back on its comment letters to the IASB regarding renewable energy reporting standards.	AASB	In progress
3.	NOMINATIONS COMMITTEE	Nomination Committee to consider the scope of the Nominations Committee Charter to include international nominations.	Nominations Committee	In progress

ACTION ITEMS

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
		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	Ongoing – FRC to continue sending out Stakeholder Report requests and the FRC Chair to continue meeting with stakeholders. Note that the next set of Stakeholder Reports will be prepared for the June 2024 quarterly.
2.	INTERNATIONAL NOMINATIONS	Explore whether identified candidates for international roles should be put forward for nomination.	FRC Secretariat	In progress

ACTION ITEMS

Number	Issue	Action required	Owners	Status
3.	OTHER	FRC Secretariat to circulate relevant media clippings about financial reporting and audit to all FRC members.	FRC Secretariat	Ongoing



ITEM 3A

19 SEPTEMBER 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.

For discussion is a paper (**Attachment A**) on the recommendations and Government responses to Parliamentary Joint Committee (PJC) inquiries relevant to financial reporting.

ACTION

- FRC to note contemporary and relevant matters.
- FRC to discuss Government responses to PJC inquiries

Government responses to Parliamentary Joint Committee (PJC) inquiries

Regulation of auditing in Australia (2019)

Complete: final report tabled November 2020

On 1 August 2019, the Senate referred an inquiry into the regulation of auditing in Australia to the PJC.

The terms of reference included the relationship between auditing and consulting services, conflicts of interest, competition, audit quality, the role of audit in detecting fraud and misconduct and the effectiveness of regulation.

This inquiry made 10 recommendations in its interim report (February 2020) to the Government, ASIC, FRC and APESB. These recommendations related to audit quality, threats to auditor independence, better meeting financial report users' needs, and digital reporting.

The final report (November 2020) reaffirmed these recommendations, but caveated that the timeline for implementing recommendations 7 (mandating auditor tendering) and 9 (mandating internal controls framework for financial reporting) may no longer be appropriate due to the economic impacts of COVID-19.

Summary of recommendations

Audit quality

1. ASIC to review the manner in which it publicly reports its Audit Inspection Program findings, and based on this review, to develop and implement a revised framework for reporting its inspection findings – with a focus on transparency and relative severity of identified audit deficiencies.
2. Government to require ASIC to publish all future individual audit firm inspection reports on its website after ASIC has implemented Recommendation 1.

Auditor independence

3. FRC, in partnership with ASIC, oversee the consultation, development and introduction under Australian standards of:
 - defined categories and associated fee disclosure requirements in relation to audit and non-audit services; and
 - a list of non-audit services that audit firms are explicitly prohibited from providing to an audited entity.

4. Government to amend the *Corporations Act 2001* (Corporations Act) to expand an auditor's independence declaration to confirm no prohibited non-audit services have been provided.
5. APESB to consider revising APES 110 Code of Ethics to include a safeguard regarding the incentivisation of audit partners to provide non-audit services to an audited entity.
6. FRC to oversee revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports.
7. Government to amend the Corporations Act to implement a mandatory auditor tendering regime for the audit of entities' financial reports.

Meeting user expectations

8. FRC to oversee a formal review into the sufficiency and effectiveness of reporting requirements under Australian standards in relation to the prevention and detection of fraud, and management's assessment of going concern.
9. Government to amend Corporations Act so audited entities must establish an internal controls framework for financial reporting, and that such amendments should also additionally require:
 - management to evaluate and annually report on the effectiveness of the entity's internal control framework
 - the external auditor to report on management's assessment of the entity's internal control framework.

Digital reporting

10. Government to take appropriate action to make digital financial reporting standard practice.

Government response

In May 2024, the Government **noted** the 10 recommendations, however it considered that a substantive response was no longer appropriate given the passage of time since the report was tabled.

Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry (2023)

In progress

On 22 June 2023, the PJC on Corporations and Financial Services resolved to commence an inquiry into recent allegations of and responses to misconduct in the Australian operations of the major accounting, audit, and consultancy firms.

Written submissions were accepted until 31 August 2023, and the PJC intends to report to Parliament by December 2024.

The terms of reference include:

1. the structures of global and national professional services firms;
2. the extent to which governance obligations applying to a professional services firm may vary depending on the structure adopted (eg, partnership, company, trust);
3. mechanisms available to governments, government departments, statutory authorities, professional standards bodies, regulators, and non-government clients to monitor and sanction misconduct and poor performance.



STAKEHOLDER REPORTS

DESCRIPTION

On 5 August 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 C**.

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 B**.

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 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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor's perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*

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.

ATTACHMENT B

Topics covered at stakeholder meetings include:

Current Objectives/Developments

1. Views on the proposed merger of the FRC, AASB and AUASB
2. Views on the regulation of accounting firms in Australia/ASIC role.
3. Have you made, or are you proposing to make, any changes in governance to enhance transparency and accountability within your organisation in response to recent events?
4. What activities are being undertaken in relation to recent developments in sustainability reporting and assurance?
 - Resourcing for sustainability reporting and assurance

Current challenges

1. Possible improvements for financial reporting and auditing
2. Resourcing/staffing for sustainability reporting

Key themes

- Expectation gaps
 - There is a recognised expectation gap where relevant stakeholders (ie, investors, financial report users etc) expect auditors to perform beyond their defined roles.
 - Need to educate stakeholders and address expectation gaps by enhancing understanding of auditor responsibilities, including differentiating between the roles of external and internal auditors.
- Whistleblower protection
 - Need for stronger whistleblower protections (eg, proposed establishment of a Whistleblower Protection Authority) and independent governance in larger firms.
- Regulatory framework
 - Stakeholders advocate for a more consistent regulatory framework including harmonised disciplinary standards and potentially a harmonised regulatory approach aligning rules across professions to enhance regulatory effectiveness.
- Artificial Intelligence (AI)
 - There is a push to use AI to assist converting complex financial information into actionable insights for retail investors.
 - AI had been used in reporting and analysing with caution.
- Education and talent attraction/retention
 - There is a focus on addressing the challenges of attracting new talent to the profession by highlighting the evolving role of auditors and the skills required, including the impact of AI.

- Exploration of alternative pathways to the profession and promoting the importance of a strong foundational program.
- There is a focus on addressing the evolving expectations of young professionals by offering faster promotions, broader diversity initiatives, and alternative pathways to certification.

Stakeholder	Date	Attendees
IPA	1 August 2024	Andrew Mills (FRC Chair) Michelle Zhang (FRC Secretariat) Andrew Conway - (CEO)
ACNC	1 August 2024	Andrew Mills (FRC Chair) Michelle Zhang (FRC Secretariat) Tim Liu (Acting Assistant Commissioner of ACNC)
EY	14 August 2024	Andrew Mills (FRC Chair) Christie Yang (FRC Secretariat) Christopher George (Partner) Yifei Zhang (Associate Director, Asia-Pacific Public Policy)
KPMG	14 August 2024	Andrew Mills (FRC Chair) Christie Yang (FRC Secretariat) Andrew Yates (CEO) Julian McPherson (National Managing Partner – Audit & Assurance)
Australian Shareholders' Association	28 August 2024	Andrew Mills (FRC Chair) Alison White (FRC member) Christie Yang (FRC Secretariat) Rachel Waterhouse (CEO)

		Fiona Balzer (Head of Policy and Advocacy)
Accounting Professional & Ethical Standards Board	28 August 2024	<p>Andrew Mills (FRC Chair)</p> <p>Alison White (FRC member)</p> <p>Christie Yang (FRC Secretariat)</p> <p>Nancy Milne (Chair)</p> <p>Channa Wijesinghe (CEO)</p>
Chartered Accountants Australia and New Zealand	28 August 2024	<p>Andrew Mills (FRC Chair)</p> <p>Alison White (FRC member)</p> <p>Christie Yang (FRC Secretariat)</p> <p>Ainslie van Onselen (CEO)</p> <p>Vanessa Chapman (GE, GC, CA)</p> <p>Cimon Grant (GEA, ID)</p> <p>Amir Ghandar (ARL)</p>

ATTACHMENT C

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 submitted that the AASB standards should align with the ISSB standards as much as possible and that any modifications should be limited to enhance interoperability and connectivity with financial (and regulatory) reporting. At its recent meeting, the AASB has decided to largely align with the ISSB standards except for the requirements relating to industry specific disclosures and SASB standards. APRA encourages the AASB to continue to examine whether further alignment should be undertaken in the future to ensure that Australia is compliant with Task Force on Climate-related Financial Disclosures (TCFD) disclosure principles.

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. APRA's position is largely aligned with the submissions from numerous stakeholders that have encouraged Australian entities to follow ISSB standards, which the

AASB has largely agreed to do in its redeliberation of its ASRS proposals. APRA will monitor sustainability related disclosures across some of its regulated entities once the standards come into effect.

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?

APRA intends to review the disclosures of some of its regulated entities once the new sustainability standards come into effect. Connectivity between climate-related financial risks, financial statements and the prudential framework is an emerging area of focus for APRA.

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

N/A.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

N/A.

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.

- We are anticipating the legislative amendments outlined in the 2024-25 Budget, which propose extending the current charity transitional reporting arrangement for an additional 5 years. This extension aims to reduce red tape by allowing the ACNC Commissioner to accept financial reports prepared for other regulators. It will benefit charities registered with the 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.

- We have published our findings from reviewing 250 charities' Annual Information Statements and financial reports for the 2022 reporting period. While most charities provide accurate financial information, we identified that improvements are needed in reporting key management personnel remuneration, a new reporting requirement for large charities.
- The 2024 Annual Information Statement is set to be launched in September, with no new additional reporting elements following the new reporting requirement of disclosing related party transactions from 2023.

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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor's perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*

From a charity regulator perspective, we regularly liaise with the Australian Accounting Standards Board and the Australian Auditing and Assurance Standards Board to discuss updates and various aspects of standards relevant to the charity sector, including the upcoming Exposure Draft on *General Purpose Financial Statements for Not-for-Profit Private Sector Tier 3 Entities*.

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 ACNC published the 10th Edition of the Charities Report and companion interactive Data Explorer, which analyse the information we received from charities in the 2022 Annual Information Statements submitted to the ACNC.

- The Productivity Commission's inquiry report into philanthropic giving, tabled in Parliament in July 2024, includes recommendations with reporting implications that the Government is considering the recommendations and findings.

STAKEHOLDER REPORT: CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

KEY ISSUES/DEVELOPMENTS

- The regulation of the accounting profession remains a key focus for CA ANZ, and it has provided extensive input to help inform relevant parliamentary inquiries and government consultation. This has included providing evidence at public hearings and in submissions.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- CA ANZ released preliminary findings from the sixth annual CA ANZ retail investor confidence survey – gauging the views and sentiments of more than 1,500 shareholders. Confidence in audited financial statements remained rock solid around 90%, and auditors remain at the top of the list of intermediaries retail investors trust to help protect their interests.
- CA ANZ has published the results of its 2024 Chartered Accountants IFRS Survey. This is the fourth time CA ANZ has surveyed Chartered Accountants on various aspects of reporting. This quantitative research is designed to understand member views and the impacts of IFRS Accounting Standards and related reporting.
- In collaboration with the University of Melbourne and the University of Queensland, CA ANZ has published its fourth annual benchmark and research insight reports on the financial performance and position of Australian listed entities. The reports aim to provide directors, preparers, and auditors with valuable data to compare an entity's performance with industry peers.
- CA ANZ has published a package of year end resources including Reporting Essential Guides and Assurance Essential Guides. These publications highlight the impact of the key reporting and assurance developments for this reporting season, as well as regulatory focus areas. Following that, a complimentary webinar with regulatory, standards and audit quality updates for 30 June period ends had over 1,600 registrants.

SPECIFIC QUESTIONS FOR STAKEHOLDER

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - Auditor remuneration disclosures – There is effectively no disaggregation required of remuneration for non-audit services in Australia except by listed companies, for which the categories are not specified. The Parliamentary Joint Committee on Corporations and Financial Services recommended in its final report on the Inquiry into the Regulation of Auditing in Australia the introduction of defined categories and associated fee disclosure requirements in relation to audit and non-audit services (recommendation 3). The New Zealand External Reporting Board (XRB) has already made amendments to its accounting standards to require greater disaggregation of non-audit services. The AASB considered this issue in Research Report 15: Review of Auditor Remuneration Disclosure Requirements (February 2021).
 - Going concern disclosures – There is disparity between the auditing and accounting standards requirements in relation to going concern. ASA 570.19 essentially prescribes

disclosure requirements that are not in the accounting standards. The New Zealand External Reporting Board (XRB) has already made amendments to its accounting standards to align the going concern disclosure requirements with the auditing standards. The AASB recognised this issue in its staff paper Going Concern Disclosures: A Case for International Standard Setting (October 2021).

- Consolidated Entity Disclosure Statement (CEDS) – The introduction of this new requirement during the financial year caused disruption early in the 2024 reporting season. Necessary guidance was finalised by the regulator and standards setters after year end, the legislation introduced new terminology, and statements by the government suggested new approaches not consistent with existing legally binding reporting and audit frameworks and standards (e.g. auditors to “disregard” materiality). This appears to indicate an opportunity for the FRC and standard setters to play a role working with the government on new policies like this earlier on in the process, to help translate the policy objectives in a way that is consistent or at least compatible with the existing legal and standards frameworks.
 - Proportionality and scalability – There is demand for a Tier 3 accounting standard for for-profit entities (akin to the forthcoming Tier 3 for NFPs), especially when faced with issues like IFRS 16 and consolidation.
 - Following the issuance of the standards for mandatory climate-related disclosures, the AASB should consider guidance on simplified disclosures for non-listed and not-for-profit entities at the smaller end of the threshold.
- *From an investor’s perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*
- Whilst there is a current focus on mandatory climate-related disclosures, climate change is just one consideration for investors and organisations for long-term sustainability. We note the recent Treasury sustainable finance roadmap includes information on nature-related disclosures. When mandatory sustainability disclosures are expanded beyond climate-related disclosures, it is important that the requirements take a holistic approach and a broad sustainability reporting framework is implemented. This should include incorporating other relevant information reported by companies to other government departments including gender pay gap reporting, payment times reporting, tax transparency reporting and modern slavery statements as well as new areas such as nature. This will enable entities to ensure they report on material issues to their organisation to inform investors.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- We facilitated input from members and completed several submissions including: the Treasury Consultation on the Regulation of accounting, auditing and consulting firms in Australia, IASB ED Business Combinations, AUASB CP Assurance over Climate and Other Sustainability Information, IESBA ED: International Ethics Standards for Sustainability Reporting and Assurance, IAASB ED: ISA 240 Fraud, IES revisions.

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 continues to be involved in the 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 S1 *General Requirements for Disclosure of Climate-related Financial Information* and S2 *Climate-related Financial Disclosures*.
- Development of AASB Not-for-Profit Private Sector Financial Reporting Framework for Tier 3 small entities.

AUDIT AND ASSURANCE

- AUASB Exposure Draft on Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001.
- AUASB Exposure Draft on Assurance on Australian Sustainability Information.

ETHICS

- IFAC IESBA Submission – International Ethics Standards for Sustainability Assurance (including International Independence Standards) (IESSA) and Other Revisions to the Code Relating to Sustainability Assurance and Reporting
- Appointment as a member of the APESB Sustainability Taskforce to assist in determining how the IESBA professional and ethical standards relating to sustainability pronouncements can be applied in Australia.

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, and 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.

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 in the regulation of the accounting profession with submissions to:

- Treasury Consultation Paper – Regulation of Accounting, Auditing and Consulting Firms in Australia.
- PJC Inquiry – Questions on Notice following giving evidence: Inquiry on Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry.
- Anti-Money Laundering Consultation Papers: Reforming Australia's anti-money laundering and counter-terrorism financing regime.
- PJC Inquiry – Law Enforcement on Anti-Money Laundering and Counter-Terrorism Financing Tranche 2 Readiness.

STAKEHOLDER REPORT: AUSTRALIAN INSTITUTE OF COMPANY DIRECTORS

KEY ISSUES/DEVELOPMENTS

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

- **Sustainability reporting and assurance**, including the preparedness for boards for the forthcoming introduction of mandatory climate reporting and the increasing uptake of nature reporting;
- **Cyber security and data governance**, including the Australian Cyber Security Strategy and the recommendations of the Privacy Act review;
- **Artificial intelligence (AI) governance**;
- **Other non-financial reporting obligations**, including modern slavery reporting, workplace sexual harassment and gender pay gap reporting;
- **Audit quality issues**;
- **Continuous disclosure obligations**, noting the independent review into the 2021 reforms (which reintroduced a fault element into the continuous disclosure law) and the recent Government response; and
- **Cumulative regulatory complexity and burden** and impact on directors.

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.

- **Mandatory climate reporting**: Making a submission to, and appearing at, the Senate Economic Committee's Inquiry hearing on the Climate Reporting Bill, issuing a Joint Industry Body Statement supporting the Climate Reporting Bill and supporting director preparedness for mandatory climate reporting including through the AICD climate governance short course, eLearning course and the issue of articles and webinars (see the 19 June 2024 webinar and article summarising key insights).
- **Sustainability assurance**: Making a submission to the Auditing and Assurance Standards Board (AUASB)'s consultation on assurance over climate and other sustainability information.
- **Financial reporting and audit quality issues**: Making a submission to Treasury's consultation into the regulation of accounting, auditing and consulting firms in Australia which was informed by two roundtables of Audit Committee Chair/members and Treasury.
- **Other non-financial reporting**: Continuing to lift awareness of nature and biodiversity reporting, modern slavery reporting, workplace sexual harassment and gender pay gap reporting, including through engagement with AICD Policy Committees.

- **ASX Corporate Governance Principles revision:** Making a submission to the consultation on the Draft Fifth Edition ASX Corporate Governance Principles and Recommendations (the AICD is a long-standing and active member of the Council).
- **Artificial Intelligence (AI) governance:** On 11 June 2024, the AICD, in partnership with the Human Technology Institute (HTI), issued the AI governance for Directors resource suite aimed at lifting AI governance practices for directors and boards looking to, or currently deploying AI. In May 2024, the AICD also made a submission to the Senate Select Committee on Adopting Artificial Intelligence’s Inquiry into the opportunities and impacts for Australia arising out of the uptake of AI technologies.

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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor’s perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*
- **Mandatory climate reporting:** The AICD is concerned that the compliance burden for Group 3 and Not-for-Profit (NFP) entities is not commensurate with their climate impact or the information needs of their users. Whilst the Bill was under consultation, the AICD had advocated for the lifting of the Group 3 reporting thresholds and the exclusion of NFPs. In the absence of this (given the Bill has been passed by the Senate without adjustment to Group thresholds), we consider that Group 3 and NFP entities should be subject to simplified climate reporting standards, similar to the simplified financial accounting standards applying to Tier 2 financial reporting entities. Lessons could be gleaned from international jurisdictions such as the European Union (EU) and Malaysia which have taken this approach.
- **Assurance of mandatory climate reporting:** In circumstances where Treasury has estimated that the vast majority (95%) of Group 3 entities will face no material risks or opportunities,¹ we are concerned about the cost and compliance burden of the requirement to have the Group 3 statement of no material climate risks or opportunities subject to a full audit. We recommend this requirement be substituted for a review or similar mechanism that will provide for some external assurance without significant and unnecessary expense.

In addition, from our engagement with directors, there is a lack of understanding of key aspects of climate assurance which may require additional guidance and/or education, including:

- how assurance providers will assure forward-looking climate disclosures and what information they will require from organisations to do so;
- the difference between limited v. reasonable assurance in the climate assurance context;

¹ See page 26 of Treasury’s Policy Impact Analysis.

- what climate assurance does and does not do. For instance, the practical difference between assurance over the appropriateness v. effectiveness of climate disclosures (the former is proposed to fall within the ambit of climate assurance whilst the latter is not);
- the role of the auditor in identifying greenwashing and how this is brought to the attention of directors and management; and
- what is required of organisations to meet pre-conditions of climate assurance.

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.

In addition to the activities detailed above:

- In April 2024, the AICD issued the revised Third Edition NFP Governance Principles, which relevantly includes principles on risk management (Principle 4) and effective performance and accountability (Principle 5).
- On 26 July 2024, the AICD made a submission to the Australian Competition and Consumer Commission (ACCC) on its draft guidance on sustainability collaborations. Director feedback is that the current rigidity of Australia's competition law is a significant impediment to sustainability collaborations. We consider this to be an important area for future legal reform.
- On 16 August 2024, the AICD, in partnership with the Insurance Council of Australia and Herbert Smith Freehills, released a climate target-setting resource for boards. This is the latest director resource under the banner of the Climate Governance Initiative (CGI) Australia. CGI Australia is hosted by the AICD and is the Australian chapter of a global World Economic Forum initiative aimed at lifting board climate governance.

STAKEHOLDER REPORT: KPMG

KEY ISSUES/DEVELOPMENTS

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

KPMG Australia has been participating in a number of parliamentary inquiries relating to the audit, assurance, and consulting sector. In addition, Treasury released an Issues Paper that commenced a review into the regulation of accounting, auditing, and consulting firms in Australia. As part of these processes, we have made extensive written submissions and appeared at a number of public hearings.

KPMG appreciates the opportunity to work with policymakers to put in place further measures to restore trust in the profession. Our recommendations have included:

- The release of government guidance and expectations around independent directors, given the increasing role they will play across the professional services sector;
- Implementation of a Large Partnership Governance Code and support for a review of partnership law by the Australian Law Reform Commission. The review should consider regulatory models in overseas jurisdictions, like the United Kingdom’s Limited Liability Partnership model;
- The mandate of clearer disclosure of ‘financial statement audit,’ ‘other assurance and audit-related services,’ and ‘non-audit services’ in company annual reports, and specify the nature of any non-audit and assurance services provided. In addition, non-audit services (excluding other assurance and audit-related services) could be capped for ASX300 listed companies;
- The requirement for explicit disclosure of auditor tenure in company annual reports;
- Support for ASIC’s inspection findings to be graded and individual firm inspection reports released on the ASIC website;
- Support for consistent frameworks for financial assurance within large partnerships, potentially through assurance of information in a firm’s Transparency report; and
- Extended oversight by ASIC in relation to the firm, not just the individual, this would bring us in line with oversight models in other jurisdictions.

Other external developments impacting the sector include:

- Increasing cybersecurity 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. For example, KPMG has developed KymChat and KPMG Clara AI chat—private versions of ChatGPT—available for use by our people.
- Other regulatory developments include the future application of Australia’s anti-money laundering and counter-terrorism financing (AML/CTF) regime to lawyers, accountants, trust and company service providers, and ongoing reform of regulations that apply to the firm and our people as registered tax agents including the revised Tax Agent Services (Code of Professional Conduct).

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), the Australian Prudential Regulatory Authority (APRA), and Chartered Accountants Australia and New Zealand (CA ANZ) on relevant standards that impact the audit, assurance, and accounting sectors.

Since the last reporting period, we have continued to engage with government and stakeholders on policy developments such as those noted above and made submissions to:

- Treasury's Issues Paper Review into the regulation of accounting, auditing, and consulting firms in Australia;
- Treasury's consultation paper on mandatory climate-related financial disclosures and AUASB's Consultation Paper on Assurance over Climate and Other Sustainability Information;
- Provided a response to Treasury's tax-related consultations including Strengthening the foreign resident capital gains tax regime, Payment Times Reporting Rules amendments, TPB registration review, critical minerals and hydrogen production tax incentive consultations, and Tax regulator information gathering powers review;
- Responses to migration-related consultations including the Draft Core Skills Occupation List and the Review of the points test discussion paper—where KPMG outlined the critical need for climate-related assurers to be recognized in the external auditor occupation category;
- Proposed fifth edition of the Corporate Governance Council Principles and Recommendations where KPMG supported the recommendation that related to the proposed disclosure of an entity's auditor tenure;
- Contributed to a global project to form a submission to the IAASB on the proposed ISSA 5000 and participated in roundtables hosted by the AUASB and CAANZ/CPA Australia on the proposed ISSA 5000; and
- Provided a response to the Tax Laws Amendment (Incentivising Food Donations to Charitable Organisations) Bill 2024 Inquiry in line with KPMG's report Australian National Food Donation Tax Incentive Implementation Analysis.

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. Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations? From an investor's perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?

We have identified a range of topics within the prevailing Accounting (AASBs) and Auditing (ASAs) Standards that, in our view, present opportunities for improvement to better align with industry practices, regulatory expectations, and/or investor interests. We have outlined key improvement opportunities below.

Accounting Standards

- IAS 38 / AASB 138 Intangible Assets does not allow the accounting for modernized transactions (e.g., Cryptocurrency or Software as a Service arrangements) to reflect the underlying substance of the transaction—specifically, whether costs should be capitalized and the revaluation requirements requiring active market assessment. For example, we see organizations moving to cloud-based technology and spending significant sums on customization and configuration activity, which are currently required to be expensed immediately. We understand the IASB already has a research project to review accounting for intangible assets, but we recommend that it be elevated in priority.
- IAS 20 / AASB 120 Accounting for Government Grants and Disclosure of Government Assistance is heavily focused on the “matching principle” and is difficult to apply to new models being adopted for government grants. For example, grants that contain both asset and income-related conditions have characteristics of derivative contracts, which are becoming an increasingly common way for governments to promote their climate ambitions.
- IAS 7 / AASB 107 Statement of Cash Flows contains a narrow definition of cash equivalents and therefore does not capture newer “cash-like” products such as non-cash financing arrangements (e.g., supplier financing).
- IAS 32 / AASB 132 Financial Instruments: Presentation contains complex requirements around the classification of a financial instrument as debt or equity, the nuances of which we believe may not be properly understood by many users of the financial statements. Common examples include units issued by funds or complex financing arrangements entered into with private equity investors. We have also observed instances where the requirements of the Standard do not align with the capital requirements of regulated entities such as banks and insurance entities.
- Climate-related accounting considerations are currently being explored by the IASB in discreet elements, such as updating the provisions standard and including examples related to climate. We consider a more comprehensive project is required that takes a holistic approach to the impact of climate on the financial statements, considering matters such as accounting for carbon credits, the pollutant pricing mechanism, and related impacts on impairment testing and disclosure disclosures.

Auditing Standards

- The scalability of certain auditing standards poses considerable challenges, particularly when attempting to harmonize the marginal increase in assurance with the cost of service delivery, particularly for entities that are mandated to undergo audits by legislation or contractual obligations extending beyond the Corporations Act. More nuanced scaling requirements in the standards would enable closer alignment with the expectations stakeholders have for the audits of these entities.
- The standards do not consider the impact of new technology and technology-enabled procedures on the audit approach in enough detail to ensure they are applied in a consistent manner across the profession. These developments challenge the traditional “linear” audit model that the standards are based on—for example, organizations with highly automated and interconnected IT environments may require a greater emphasis on requiring the auditor to take a more controls-based approach to obtain sufficient appropriate evidence.

- Reliance on the audit report to provide investors with insights on the entity. The audit report is currently the only location in the financial statements that describes the ownership of controls by management, and the Key Audit Matters are the only reference point to risks. We believe that investors may benefit from seeing more insights around responsibilities, control structures, and risk points directly from the entity itself.
 - More broadly, we believe that many of the matters outlined above are having an adverse impact on the attraction to and retention of talent in the profession, which introduces potentially greater risk to the objectives of safeguarding investor interests and ensuring long-term sustainability of the profession.
2. Have you made, or are you proposing to make, any changes in governance to enhance transparency and accountability within your organization in response to community expectations?

We continuously review our governance framework and have a demonstrated practice of evolving and enhancing our controls as a result of our own desire to lead the market in quality, transparency, and governance. Examples of recent enhancements to our governance framework, some of which are voluntary and move beyond current market practice or community expectation include:

- **Board Audit Quality Committee:** In FY23, a new subcommittee of our National Board was established with a dedicated focus on Audit Quality and is comprised of at least three members of the National Board and contains one independent non-executive director. The Board Audit Quality Committee has direct oversight over financial statement audit quality, including the firm's strategy, culture, investment plan and compliance with and excellence in our system of quality management.
- **International Standard on Quality Management 1 (ISQM1):** In FY23, we completed our implementation of ISQM1, which fortified our system of quality management and signified a shift in the firm to delineate our duty to devise, execute and maintain a quality management system tailored for the audit and review of financial statements.
- **Our Impact Plan:** Our Impact Plan transparently reports on commitments against which we hold ourselves accountable, including our adherence to strong governance and leadership, ethical culture and serving our clients and the capital markets. Our results were published in accordance with the Global Reporting Initiative (GRI) standards for the first time in FY24, enabling our stakeholders to be confident we are reporting in the same way as organisations around the world. Further, we were the first Big 4 in Australia to receive limited assurance over key data in Our Impact Plan, including firm-wide revenue, taxes paid and people metrics.

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 do not have any further relevant activities or matters to bring to the FRC's attention.

STAKEHOLDER REPORT: AUSTRALIAN BUSINESS REPORTING LEADERS FORUM (BRLF²)

KEY ISSUES/DEVELOPMENTS

As members would be aware Australia is on the verge of having mandated sustainability reporting and disclosure for the first time, including on climate and other sustainability matters, with the Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024 returning to the House of Representative for final approval with Limited Senate amendments in the next sitting.

New Sustainability Reporting Legislation

Large ('Group One') entities will be required to prepare Sustainability Reports and within that Climate Statements containing disclosures required by Australian Sustainability Reporting Standards (ASRS) for years commencing 1 January 2025.

Importantly, recent decisions made by the Australian Accounting Standards Board mean that ASRS will be aligned with the global baseline of IFRS Sustainability Disclosure Standards. Submissions by the Deakin University Integrated Reporting Centre (DIRC) and others to the AASB recommended maximum alignment with the global baseline of IFRS Sustainability Disclosure Standards. It seems that such alignment will now be achieved.

This is a positive development in terms of the core objects set out in section 224 of the ASIC Act. This will also move Australia to a leading position internationally on adopting jurisdictional equivalents of IFRS Sustainability Disclosure Standards.

Being able to simultaneously claim compliance with Australian Sustainability Reporting Standards and IFRS Sustainability Disclosure Standards will be a significant benefit for Australian companies, particularly those with international investors.

Missed Integration Opportunity

However, Australia continues to lag other jurisdictions such as Japan, India, France, Italy, Brazil, Turkey, Malaysia and South Africa on integrated reporting adoption and the derivation of business benefits which come from integrated reporting adoption through its foundation on integrated thinking.

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 given the description of the business which is at the heart of integrated reports. We also highlighted the importance of the FRC taking a key role in promoting this integration 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.

Integrated reports continue to offer the most effective means of achieving international consistency in the way in which an organisation's business, performance and prospects are reported, which is in the interests of investors and other stakeholders.

² 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 legislation introduces two *new* mandatory reports, a matter of concern for Boards of Directors. It does not deal with Management Commentary³ and the potential duplication between Sustainability Reports, Operating and Financial Reviews, Corporate Governance Statements and Remuneration Reports, and Management Commentaries if these are introduced in Australia for the first time. It leaves dealing with these matters to individual Boards of Directors, adding to the confusion and concern noted above.

Accordingly, the legislation to mandate Sustainability Reports and Climate Statements is a setback to Australia deriving the benefits of integrated reporting and integrated thinking. Instead of taking a step towards more integration in reporting, the legislation is a step towards greater fragmentation and duplication in corporate reporting.

Our submission to Treasury in relation to the proposed legislation recommended that:

- integrated reports should replace Operating and Financial Reviews or be integrated with them
- integrated reports should be the chosen location for sustainability disclosures under Australian Sustainability Reporting Standards, including material climate disclosures in the Climate Statement, and
- material corporate governance disclosures made in Corporate Governance Statements, material disclosures in Remuneration Reports, and disclosures under ASX Corporate Governance Recommendations in relation to the integrity of corporate reports, should all be located in integrated reports, with detailed information being re-located to connected online locations.

Importantly in relation to integrated reporting, the legislation enables companies to include other content in addition to climate statements on a voluntary basis provided it is flagged as such. We believe that in the interests of investors, companies should include sustainability reports in integrated reports within their annual reports, or at least include integrated reports in their sustainability reports or prepare their sustainability reports in accordance with the Integrated Reporting Framework.

Adoption of our recommendations would mean that overall, there will be less but better (more integrated) corporate reporting.

We would appreciate the FRC's support in making this point with Treasury in advance of the legislation becoming effective.

The IFRS Foundation has contributed to this situation. It has not issued substantive public communications about the future of integrated reporting and integrated thinking under its stewardship since it issued an encouragement to continue adopting the Integrated Reporting Framework in 2022.

With integrated reporting being a framework rather than a standard, we believe that this is a matter for the IFRS Foundation Trustees rather than its two standard-setting boards.

John Stanhope as Chair of the Deakin University Integrated Reporting Centre and of the Australian Business Reporting Leaders Forum has written to Erkki Liikanen, Chair of the IFRS Foundation

³ The International Accounting Standards Board (IASB) recently decided to complete its Management Commentary project, which will result in the IASB issuing a revised Management Commentary Practice Statement. The original 2010 practice statement was not introduced in Australia. The AASB will need to make decisions about whether the revised Management Commentary Practice Statement will be introduced in Australia.

Trustees, to alert the Foundation to our concerns on this matter, including the effect in Australia of the missed opportunity for more integration in corporate reporting.

Forthcoming Treasury Consultation on Reform of Australian Corporate Reporting System

A further Treasury consultation is anticipated shortly, after the sustainability reporting legislation is passed. It has been foreshadowed by Treasury that the key bodies within the Australian Financial Reporting System as defined by the ASIC Act - the Financial Reporting Council, Australian Accounting Standards Board and Australian Auditing and Assurance Standards Board - will in some way be consolidated.

We eagerly await the consultation that Treasury has flagged in relation to reform of the Australian financial reporting system.

We expect the DIRC submission on this consultation to be substantively the same as our earlier submission to Treasury on its discovery consultation in February 2023. The only significant change is that we will not argue for a phased approach given the delays in the passage of the sustainability report legislation and issue of the Australian Sustainability Reporting Standards.

Broadly, our submission will make the case for:

- the creation of an Australian equivalent of the International Sustainability Standards Board, say the 'Australian Sustainability Standards Board', or 'AASB'.

This would allow the 'AASB' to have dedicated objectives and specialist resources as the ISSB issues further IFRS Sustainability Disclosure Standards (with the next two likely to be on biodiversity and human capital) and Australian equivalents are developed.

This would enhance Australia's international alignment, adding to the case for an Australian member of the ISSB.

- the resourcing of the FRC to be substantially increased to allow it to oversee the standard setting activities of the ASSB, the FRC to become the primary driver of integrated reporting in Australia, and the FRC to oversee the adherence by listed companies to the corporate reporting recommendations in the ASX Corporate Governance Principles and Recommendations.

This would see Australia largely following the model of the IFRS Foundation (not New Zealand, which is not aligning its sustainability reporting and standards with the global baseline of IFRS Foundation Sustainability Disclosure Standards), enhancing the FRC's ability to effectively oversee the Australian reporting system.

It will also enhance the case for Australia to again have an IFRS Foundation Trustee after a long gap.

While the IFRS Foundation has not issued substantive public communications on the future of integrated reporting since 2022, we are aware that the Foundation is highly committed to integrated reporting and integrated thinking; and is planning substantive public communications over the months to come. Unfortunately this campaign will come too late for the sustainability reporting legislation.

KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

The DIRC is nearing completion of its research on the quality of 2023 disclosures by the ASX 300 under Recommendation 4.3 of the ASX Corporate Governance Principles and Recommendations (to become Recommendation 4.2 in the 5th Edition).

A headline of this report will be a finding that there is still significant room for improvement of these disclosures in the interests of investors, further supporting the integrated reporting-related

recommendations made by the DIRC in its submission on the proposed 5th Edition to the ASAX Corporate Governance Council.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

Australian Business Reporting Leaders Forum

An online meeting of the Australian Business Reporting Leaders Forum will be held on Tuesday 24 September 2024. This meeting will cover the above matters.

It is also expected that the meeting will feature an address by Jonathan Labrey, Chief Connectivity and Integrated Reporting Officer at the IFRS Foundation.

FRC members are welcome to attend this meeting.

Deakin University Integrated Reporting Centre (DIRC)

There have been significant developments in relation to the DIRC over the last three months:

- the Centre has been upgraded from being a Department of Accounting Centre to a centre of the overall Faculty of Business and Law.

This is a recognition of integrated reporting being about more than reports. Integrated reporting is a process founded on integrated thinking – integrated thinking typically drives better business practice.

As a Faculty centre, the DIRC has access to the diverse resources of the two schools comprising the Faculty, the Deakin Business School and Deakin Law School:

- The Law School is fundamentally important to the centre given its expertise in governance and corporate law in the context of governance being so important to integrated reporting and directors being responsible for the integrity of corporate reports.
- Departments of the Business School other than the Accounting Department rounding out the Centre's skills related to integrated thinking are: Management; Finance; Information Systems and Business Analytics; and Marketing.
- The Centre has three pillars of value creation:
 - Thought Leadership and Industry Engagement;
 - Education, both at the under- and post-graduate levels and executive education; and
 - Research, both academic and applied.
- In relation to executive education, the DIRC is working closely with DeakinCo, the University's executive education arm.
- Finally, we are working with the Deakin Applied Artificial Intelligence Institute in considering opportunities for artificial intelligence in relation to integrated and sustainability reporting.

For example, we are working to prove the concept that artificial intelligence can be used to augment the connectivity between financial and sustainability reporting in an integrated reporting environment, a critical consideration in today's business environment.

FRC Briefing

The DIRC is ready, willing and able to support the FRC.

Andrew Mills and Michael Bray met in June. Michael offered for John Stanhope and he to brief the FRC on recent developments. We re-iterate that offer.

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.

- Government implementation of mandatory climate 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.

- Discussing the application of proposed ASRS 2 to superannuation funds. The AASB did not adopt the AASB staff's recommendation to have AASB 1056 *Superannuation Entities* define superannuation fund sustainability reporting users, resulting in a potential mismatch between fund accounts and fund sustainability reports. Indications to date suggest that there is no clear objection to the staff's proposal, rather a broader issue that the AASB is reluctant to make changes that depart from the ISSB Standards.
- Discussing the potential policy settings in respect of audit of 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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor's perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*
 - *There is a case for review of practice and application of the standards (in particular AASB 124 and the limited examples provided in relation to 'close family members'). There are examples of differing interpretation across the market, along with examples of undisclosed transactions with 'close family members' who are not listed in the examples.*

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: DELOITTE

KEY ISSUES/DEVELOPMENTS

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

No response.

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.

- **Response to Treasury Consultation:** Deloitte responded to Response to PwC – regulation of accounting, auditing and consulting firms in Australia recognising the opportunity to review and, where necessary, strengthen the regulatory frameworks as they apply to accounting, auditing and consulting firms in Australia.
- **Sustainability and climate-related financial reporting:** Deloitte collaborated with RMIT Online to address the rapid skill uplift required for Australian businesses to meet new global sustainability and climate reporting standards: ISSB, ASRS and beyond.
- **MyAssist GenAI Platform:** Deloitte has implemented a generative AI (GenAI) platform to all its staff to enhance productivity, streamline operations, and drive innovation within the organisation. MyAssist is designed to be scaled through the creation of GenAI enabled apps that address specific business problems.

Ongoing contribution to development of Corporate Reporting & Assurance

In addition to our leadership on digital reporting we have made a number of submissions to various consultations from Treasury, AASB and AUASB.

Three Deloitte partners hold current board roles at AASB and AUASB.

We regularly publish thought leadership and resources to assist Corporate Australia prepare for reporting challenges including climate 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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor's perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*

1. Corporate Reporting Ecosystem

- **Roles within the corporate reporting ecosystem**

Auditing and Accounting Standards form one part of the corporate reporting ecosystem. The ecosystem relies on various stakeholders, each playing a crucial role to ensure the integrity, transparency, and reliability of financial information.

Auditors provide independent assessments that enhance users' confidence in company financial statements. **Company management** is responsible for daily operations and preparing accurate financial reports, while **directors** provide oversight, ensuring that financial reports are backed by robust systems, processes, and controls. **Regulators** like ASIC enforce compliance with Accounting and Auditing Standards, and **standard setters** develop the frameworks that guide these practices. **Investors** demand transparency and use this information to make informed decisions, pushing companies towards broader and deeper disclosures. Finally, **professional bodies** support the ecosystem through education and advocacy.

This interconnected network ensures the credibility and usefulness of corporate information, fostering trust and stability in the capital markets. As we move towards a future with more complex and diverse information needs, especially with the sustainability reporting on the horizon, it is vital for all participants to continuously uphold their responsibilities, driving improvements and maintaining high standards in corporate reporting.

The implementation of sustainability reporting standards will be particularly challenging for management and auditors as it happens at a rapid pace and requires new skillsets. Unlike the implementation of AASB 9 *Financial Instruments*, AASB 16 *Leases*, AASB 15 *Revenue from Contracts with Customers* and AASB 17 *Insurance Contracts*, where relevant entities had ample time to prepare, this transition is much more accelerated. This presents an opportunity for key roles in the corporate reporting ecosystem, such as the regulators, to rethink how to facilitate a smoother transition. For instance, revisiting the ASX reporting deadlines during the transition period could help ease the process.

- **Digital Reporting**

Deloitte continues to advocate for the adoption of digital reporting in Australia to address its declining productivity growth and align with global leaders like the UK, US, Europe, and Japan. Digital reporting enhances data consistency, transparency, and accuracy. This shift reduces errors, lowers capital costs, and boosts both local and foreign investment. Additionally, it supports regulatory compliance and climate-related financial disclosures, driving economic benefits projected to increase GDP by \$7.7 billion per year by 2030. The transition requires coordinated efforts among businesses, regulators, auditors, and technology providers.

Refer to our report, *[Embracing the power of digital corporate reporting: a mandate for change](#)* which includes a number of recommendations.

- **Sustainability Reporting & Assurance**

Deloitte is supportive of the AUASB's efforts to develop a globally consistent assurance standard in Australia, specifically endorsing the adoption of ISSA 5000 General Requirements for Sustainability Assurance Engagements. Refer to *[Deloitte's response to AUASB Consultation Paper – Assurance over Climate and Other Sustainability Information](#)*.

We support the proposal that financial statements auditors lead climate disclosure assurance engagements, supported by technical climate and sustainability experts, for efficient and effective execution, enhanced credibility, consistency, and connectivity.

In addition to a phased assurance approach, consideration should be given to realistic transitional arrangements such as reporting deadlines relief as the rapid pace of change in requirements and expectations for sustainability reporting adds pressure on reporting entities and assurance practitioners.

We recommend that the government makes sustainability reporting digital from the start. This will create an efficient and unified digital system, improving consistency, accuracy, and access to data across the financial ecosystem, bringing significant benefits to the Australian economy. Additionally, adding flexibility to the digital reporting design can encourage businesses to adopt it and lower transition costs.

2. Audit and Assurance Standards

- **Modernisation of audit and assurance standards:**

The need to modernise audit and assurance standards in Australia stems from the rapid evolution of technology and contemporary business models. Artificial intelligence and data analytics have revolutionised how businesses operate, introducing new complexities and risks that traditional auditing methods may not adequately address. Modernising these standards, along with relevant appendices and non-authoritative guidance, while fostering appropriate professional judgment and scepticism, will enable auditors to obtain and evaluate sufficient and appropriate audit evidence. Leveraging cutting-edge tools will further enhance accuracy, efficiency, and insights. This evolution is crucial for maintaining the relevance and reliability of audits, fostering stakeholder trust, and complying with increasingly stringent regulatory requirements in a dynamic business landscape.

Refer to *Deloitte's response to Audit Evidence Consultation Paper*.

- **Auditor Opinions:**

Deloitte supports the overall direction of the IAASB's Proposed ISA 240, with respect to the more significant actions and key changes to meet its objectives as outlined in the proposed standard. We did, however, note significant concerns on key audit matters (KAMs) proposed relating to fraud and the auditor's responsibility and recommend considering alternative transparency approaches, like describing the auditor's approach to fraud risks and updating specific paragraphs to avoid inadvertently implying an expanded scope of auditor responsibilities.

Refer to *Deloitte's response to Consultation Paper: Exposure of the IAASB's Proposed ISA 240 (Revised), The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements; and Proposed Conforming and Consequential Amendments to Other ISAs*.

3. Accounting Standards

- **Intangible Assets:**

Deloitte notes the need to modernise outdated standards such as AASB 138 *Intangible Assets* to better reflect the current business environment. This includes

the standardisation of accounting practices for emerging asset classes such as crypto assets and carbon credits. This will enable accurate and relevant financial reporting, helping stakeholders navigate the complexities of today's market dynamics and technological advancements and support the implementation of climate reporting.

- *Have you made, or are you proposing to make, any changes in governance to enhance transparency and accountability within your organisation in response to community expectations?*

While we believe our current governance arrangements are appropriate and effective, we continually revisit and uplift these as part of our ongoing commitment to enhance transparency and accountability in response to community and broader stakeholder expectations, recognising the systemic importance of our firm.

Key initiatives:

- **Governance Framework Review** - conducted an external review of our existing governance framework and independent external assessment of the Board's performance.
- **Appointment of Independent Board Members** - announced the commencement of the process to appoint independent board members. This decision followed a survey of our partners who expressed broad support for the move.

As stated in our submission to Treasury Consultation Paper: *Regulation of accounting, auditing and consulting firms in Australia*⁴, we see benefits in introducing minimum governance standards for applicable firms (those of a certain size or revenue threshold).

We voluntarily adopt many of the ASX Corporate Governance Council's '*Corporate Governance Principles and Recommendations*' (the ASX CG Principles) to strengthen our governance framework.

The ASX CG Principles are designed for listed entities and include certain recommendations, such as complying with continuous disclosure obligations and maintaining investor relations programs, which are not relevant to private organisations. In our view, a blanket application of the ASX CG Principles to applicable firms would neither be necessary nor suitable. Instead, minimum consistent governance standards for accounting firms could encompass:

- Board composition, including the inclusion of independent board members.
- Establishment of relevant board committees.
- Clearly defined roles, responsibilities, and powers of the board, CEO, and senior executives.
- Processes to periodically evaluate the board's effectiveness, including its committees.

⁴ Our response to this Treasury Consultation is not yet publicly available but we can provide a copy upon request.

Our [2023 Transparency Report](#) and [FY24 Annual Report](#) contain further details about our firm, governance arrangements, ethics and integrity initiatives, and system of audit quality management.

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 matters.

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.
- The Australian climate standards and the associated auditing standard have not been released. This may place some pressure on auditors to develop the methodology, tools and resources required in time to commence audit of public disclosures in a short timeframe. The phasing in of assurance requirements will assist in this area however it will continue to represent a significant challenge.
- Whilst the new AASB's climate disclosure standards will be sector neutral they do not address many public sector challenges in implementing climate disclosures. ACAG raised some public sector specific issues and challenges in our response to the AASB on Exposure Draft SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information. Many of these public sector issues will not be dealt with until the AASB undertakes a project to consider developing additional guidance to assist NFP public sector entities to apply climate standards, which will commence after finalising the Australian Standards by considering the forthcoming IPSASB Exposure Draft on Climate-related Disclosures (expected to be published in October 2024).
- 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.
- Preparedness of public sector entities to implement climate disclosures, including the need to uplift public sector capability to implement climate disclosures in a short time. We note that this will require building over time and may lead to some treasuries taking a staged approach to reaching full compliance with climate standards.
- 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.
- 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 SHAREHOLDERS' ASSOCIATION

KEY ISSUES/DEVELOPMENTS

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

- The Australian Shareholders' Association (ASA) has participated in the consultation on the Statutory Review of the Meetings and Documents Amendments. The ASA is uniquely positioned to comment on the engagement of companies with shareholders at the AGM, and the impact of the law amendments around delivering company communications to shareholders. We consider a hybrid meeting, where there is a physical meeting with an ability to participate online is the best for shareholders. Participation n to us equals being able vote and ask questions. We also consider the amendments relating to the delivery of shareholder communications to be sound, but we advised that shareholders are not always getting the documents as they request them. You can read our submission here: [Review of Meetings and Documents Amendments.](#)

Our members remain concerned over the proposals to tax unrealised gains in superannuation accounts over \$3m. This is an area that would benefit from bipartisan policy – making it an election issue increases the uncertainty of ad hoc changes for those saving for their retirement or managing in retirement. The uncertainty impacts confidence of navigating any changes, as well as being able to provide retirement income until no longer required.

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 Australian Shareholders' Association (ASA) was disappointed with the Government response to the Joint Committee on Corporations and Financial Services report: Regulation of Auditing in Australia: Final Report, bring the noting of each recommendation, and the statement that elapsed time since the tabling of the response made a substantive Government response inappropriate. We started this process in 2019, and we supported the introduction of the recommendations. We look forward to their progression through other channels in time.
- We continue to monitor the hearings and documents associated with PJC inquiry, Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry. While the outworkings of the PwC failures in the tax realm aren't directly tied to shareholders, trust in audited accounts is. We have always been conscious of the roles auditors and directors play in providing financial accounts that are credible. The governance failure and the recent Inquiries have highlighted how important the oversight of this area is, and that the like of the CADB and ASIC's audit specific area **must be adequately prioritised and funded.**

- While we prefer the recommendations to be enacted, we have been pleased to see Macquarie Group undertake a review of the Auditor and its auditor arrangements and make a number of policy changes, which includes the audit firm not supplying non-audit services to the company or its subsidiaries. The company will conduct a tender no later than mid-2026 and has yet to determine whether PWC will be invited to re-tender. In the main-AGM season we will pay attention to how other companies focus on their audit practices.

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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor's perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*

From an investor's perspective, we see public policing of the statements as valuable. We have received positive response to ASIC's greenwashing cases, as well as their focus on impairment and asset values in ASIC's annual statements review. Our members often question the carrying value of assets, and their trust in financial statements is lifted by having an entity be seen to police the statements. The announcements by ASIC have an educative component by highlighting what crystallised the extra attention.

For retail shareholders, there is often the expectation that the auditor will identify and prevent fraud and that they will also provide valuation expertise and strategic assessment. The chain of assurance is important, and we favour education which addresses chain of assurance – who is responsible for what – and the audit expectation gap. We also support any measures which might strengthen the role of the auditor to detect fraud – closing the gap from both ends.

With the introduction of mandatory climate reporting, we are already hearing some shareholders struggling with the difference between audit and assurance, with the latter seen as lesser. WE see a strong role for education to build confidence in the published data.

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.

- ASA continues engagement and education of retail shareholders. We held our Investor Conference in May 2024 in Melbourne. Our highly engaged members make themselves available to us when we are asked to provide the investor view on many topics.

STAKEHOLDER REPORT: CPA

KEY ISSUES/DEVELOPMENTS

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

- CPA Australia made a submission in response to the Treasury consultation paper on the Regulation of Accounting, Auditing, and Consulting Firms in Australia.

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.

- **Financial reporting:**
 - CPA Australia’s joint submission to the International Accounting Standards Board (IASB) on its Consultation Papers Exposure Draft: Business Combinations – Disclosures, Goodwill and Impairment
 - We conducted our annual webinar “INFOCUS – Financial Reporting and Audit Update” to provide participants with an overview of the current issues relevant to the 30.06.2024 year end.
- **Audit and Assurance:**
 - We recently published articles in our magazine, INTHEBLACK, on:
 - : How should auditors manage competing deadlines.
 - : ISSA 5000: What accountants need to know.

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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor’s perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*
- Going concern and fraud have long been key concerns for investors. The International Auditing and Assurance Standards Board (IAASB) has been progressively updating its auditing standards to enhance transparency in auditor reports, addressing these issues. However, the absence of improvements to the financial reporting framework, particularly around management’s going concern assessment and related disclosures, requires consideration.

We continue to support the AASB to make local changes to financial reporting requirements, for more explicit standards on management’s going concern assessments and disclosures—similar to New Zealand’s Financial Reporting Standard No. 44 (FRS-44).

- CPA Australia has published a research report “The Horizons of Financial Reporting - Part 2 (Investor Perspectives)”. This study considers investor perspectives regarding expanding recognition and measurement of intangibles and sustainability/climate risk.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

- N/A

STAKEHOLDER REPORT: PWC

KEY ISSUES/DEVELOPMENTS

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

- The key focus this quarter has been the implementation of 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.

- Our audit teams have been performing audit procedures over the Consolidated Entity Disclosure Statement including assessment of disclosures, obtaining evidence and involvement of tax specialists were considered necessary.
- Our teams who perform audits of registrable superannuation entities have reported to ASIC for the first time.
- We continue to enhance our System of Quality Management to align to the requirements of ISQM1 as well as in consideration of the proposed new quality control standard, QC 1000 as issued by the PCAOB. This has involved responding to findings from periodic assessment performed within our firm and the broader network.
- We are in the process of updating our policy on use of Generative AI within the Assurance practice to support our delivery of engagements in an effective and responsible way.

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.

- *Have your organisation/members identified any specific aspects of auditing and accounting standards that require improvement to better align with industry practices or regulatory expectations?*
 - *From an investor's perspective, are there any areas that could be strengthened to better safeguard investor interest and ensure long-term sustainability?*

Regarding the Treasury Laws Amendment Bill, with regards to sustainability reporting. The thresholds for requiring an entity to report in section 292A(3) are based on consolidated revenue, consolidated gross assets and the number of employees of the group measured in accordance with accounting standards. These concepts have existed for a long time for financial reporting when identifying large pty limited companies in accordance with Corporations Act section 45A. It is our experience that there are divergent views on how these thresholds should be measured that will likely lead to inconsistencies in adoption when the legislation is enacted. Similarly, the \$5b assets test for asset owners (registered schemes, registrable superannuation entities, and retail CCIVs) gives

rise to divergent views on how it should be applied, with this test being new under the Bill. Guidance for corporates and auditors would be helpful.

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.

You may be aware that the FRC in the UK (UK FRC) has not granted equivalence to the Australian Auditing Standards. The UK FRC has tightened its procedures and, since Australian Auditing Standards have not been assessed by the UK FRC as being equivalent to ISAs issued by the IAASB, they no longer accept the use of local standards alone. However, it is acceptable to dual report, that is, the audit opinion states that the audit has been undertaken in compliance with both Australian and international standards. This enables users of the accounts to be certain that any changes to ISAs as issued by the IAASB are incorporated into audit work on a timely basis even if corresponding amendments to the Australian standards do not take effect until sometime later. For the UK FRC to undertake an assessment of Australian Auditing Standards to determine equivalence they would need to receive a request from ASIC.

STAKEHOLDER REPORT: HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE

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.
- 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 29 October 2024 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*.
- 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.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- HoTARAC is engaging directly with the AASB 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 Manual⁵) 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.

⁵ AUSTRALIAN SYSTEM OF GOVERNMENT FINANCE STATISTICS: CONCEPTS, SOURCES AND METHODS, 2015

- *AASB 1058 Income of Not-for-Profit entities, AASB 1050 Administered Items, AASB 1052 Disaggregated Disclosures, AASB 1055 Budgetary Reporting etc.*

STAKEHOLDER REPORT: APESB

KEY ISSUES/DEVELOPMENTS

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

- **The impact of Parliamentary inquiries**

APESB is continuing to monitor the progress and outcomes of the parliamentary inquiries. In July 2024, APESB provided answers to further Questions on Notice for the *PJC Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry*. The Committee is expected to report by December 2024.

- **Firm Culture and Governance**

In [March 2024](#), the IESBA discussed the Firm Culture and Governance work stream and approved the [Terms of Reference](#) for the project. A progress report was provided with [key themes](#) identified at the IESBA [June 2024](#) Board meeting.

At the APESB's September 2024 Board meeting, APESB CEO Channa Wijesinghe, as Chair of IESBA's Firm Culture and Governance Working Group, [provided an update](#) on the project, including the Working Group's outreach activities and the eight broad themes identified from stakeholder input.

Mr Wijesinghe will be presenting the [draft report](#) to the IESBA Board on the 20th of September 2024 in New York with preliminary recommendations on a potential standard development project.

- **Ethical Standards on Sustainability**

The development of the international ethics and independence standards for Sustainability is a key external development being monitored by the APESB.

On 29 January 2024, the IESBA released two Exposure Drafts (EDs): [International Ethics Standards for Sustainability Assurance ED](#), which includes the development of a new Part 5 to the existing Code relating to sustainability assurance practitioners, and [Using the Work of an External Expert ED](#).

At the September 2024 Board Meeting, the APESB Board discussed the IESBA sustainability-related projects. The Board was informed that to address global stakeholder feedback on their exposure draft, the IESBA's Sustainability Taskforce is considering revisions to the draft pronouncement to provide clarity and to narrow the scope of the value chain entities subject to the independence requirements of the proposed new Part 5 of the IESBA Code.

In May 2024, APESB started advertising for nominations for APESB Sustainability Task Force members. The application period closed on 30 June 2024. APESB is in the process of working through the nominations received. The taskforce's objective is to assist APESB in considering the IESBA pronouncements relating to sustainability and to determine how these professional and ethical standards can be adopted into the APESB Standards in Australia.

- **Tax Planning Services**

In April 2024, the IESBA issued the final pronouncement *Revisions to the Code Addressing Tax Planning and Related Services*, which will be effective after 30 June 2025. To maintain alignment with the IESBA's Code, APESB issued an Exposure Draft for revisions to APES 110 addressing tax planning and related services ([ED 03/24](#)) on 11 July 2024. The comment period closes on 4 October 2024.

APESB have also reviewed the final pronouncement and noted the consequential changes and impact of these amendments to the Code on APES 220 *Taxation Services*, especially the extant section in APES 220 on tax schemes and arrangements. On 28 June 2024, APESB issued an Exposure Draft for APES 220 ([ED 02/24](#)), with the comment period closing on 27 September 2024.

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.

- **Technical Activities of APESB**

In the last quarter, the key technical activities for APESB were as follows:

- Issued APESB Exposure Drafts for:
 - *Revisions to APESB pronouncements for Code conforming amendments*, which proposed revisions to 5 pronouncements: APES 210 *Conformity with Auditing and Assurance Standards*, APES 215 *Forensic Accounting Services*, APES 225 *Valuation Services*, APES 305 *Terms of Engagement*, and APES GN 20 *Scope and Extent of Work for Valuation Services* ([ED 01/24](#)). The comment period for the ED closed on 14 August 2024;
 - APES 220 *Taxation Services* ([ED 02/24](#)), with the comment period closing on 27 September 2024;
 - *Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) addressing Tax Planning and Related Services* ([ED 03/24](#)), with the comment period closing on 4 October 2024; and
 - Revisions to APESB's Transaction Advisory Services Related Pronouncements for Code conforming amendments, which proposes amendments to APES 345 *Reporting on Prospective Financial Information Prepared in connection with a Public Document*, APES 350 *Participation by Members in Public Practice in Due Diligence Committees in connection with a Public Document*, and APES GN 31 *Professional and Ethical Considerations relating to Low Doc Offering Sign-offs* ([ED 04/24](#)). The comment period closes on 31 October 2024.
- Lodged responses to additional [Questions on Notice from PIC Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry](#) issued on 20 June 2024.
- Made two national submissions to the Government in response to:
 - Treasury's Consultation Paper on the *Regulation of Accounting, Auditing and Consulting Firms in Australia*.
 - the Department of Finance's Consultation Paper on the *Conflicts of Interest and Confidentiality Review*.

- Developed a [draft submission](#) to the Tax Practitioners Board (TPB) on its consultation relating to draft guidance on new obligations under the Tax Agent Services (Code of Professional Conduct Determination 2024). The closing date for the consultations has been extended to 24 September 2024.
 - Developing APESB pronouncements approved at the September 2024 Board meeting for:
 - APES 210 *Conformity with Auditing and Assurance Standards*;
 - APES 215 *Forensic Accounting Services*;
 - APES 225 *Valuation Services*;
 - APES 305 *Terms of Engagement*;
 - APES GN 20 *Scope and Extent of Work for Valuation Services*; and
 - APES 310 *Client Monies*.
 - A new Compiled Code has been prepared incorporating the amending standards relating to the [Definitions of Listed Entity and Public Interest Entity](#) and [Technology](#). The Compiled Code will be released in the 4th quarter of 2024 and will be effective from 1 January 2025.
- **APESB’s involvement in the International Standard Setting Process**

APESB CEO Channa Wijesinghe has been a public interest board member of the International Ethics Standard Board of Accountants (IESBA) since January 2022. Mr Wijesinghe has also been a member of the following IESBA Committees and Taskforces:

 - [Sustainability Taskforce](#), which developed proposed Sustainability Ethics and Independence Standards (scheduled to be finalised in December 2024); and
 - [Tax Planning Services Taskforce](#), which produced the [Revisions to the Code Addressing Tax Planning and Related Services](#), issued in April 2024.

As noted above, Mr Wijesinghe is the Chair of IESBA’s new [Firm Culture and Governance Working Group](#) in December 2023. This working group’s objectives are to explore the root causes of ethical lapses and review the provisions in the extant Code to determine whether the Code should be further strengthened to promote a robust culture of ethical behaviour within firms. The Working Group has recently issued a [draft report](#) for the IESBA’s consideration.

OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

- **Pacioli Society Dinner Event at the University of Sydney**

On 22 August 2024, APESB CEO Channa Wijesinghe presented at the Pacioli Society dinner event organised by the Discipline of Accounting, Regulation and Governance and the Accounting Society of the University of Sydney on the topic of *Ethics and the Accounting Profession: Global and Australian Perspectives on Contemporary Developments*. APESB Chairman Nancy Milne OAM and APESB Director Rachael Grimes AM also joined the CEO at the dinner event.

The presentation covered APESB’s development since its establishment, recent high-profile scandals, APESB’s engagement with current Parliamentary inquiries, IESBA’s global mandate and the challenges facing the accounting profession, such as tax planning, sustainability reporting and assurance, and firm culture and governance. The CEO’s speech is available on [APESB’s website](#).



Item 4A 19 September 2024

AASB CHAIR REPORT

DESCRIPTION

The AASB Chair's Report covering the key activities undertaken during June - August 2024.

ACTION

For noting.



Item 4B 19 SEPTEMBER 2024

AUASB CHAIR REPORT

DESCRIPTION

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

ACTION

- AUASB Chair to report.



ITEM 5A
19 SEPTEMBER 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.

ACTION

- For noting.

ATTACHMENT A

RECENT MEDIA RELEASES

- The UK government plans to introduce new audit reforms as outlined in the King's Speech, aiming to prevent major company failures. The proposed Audit Reform and Corporate Governance Bill will establish the Audit, Reporting, and Governance Authority, replacing the UK Financial Reporting Council. This new regulator will have enhanced powers to ensure better corporate oversight and accountability, particularly for large companies.

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.
- On 22 August 2024, the Senate approved the climate-related financial disclosures Bill: Treasury Laws Amendment (Financial Market Infrastructure and Other Measures) Bill 2024. Given the amendments to the Bill that have been requested by the Senate, the Bill will return to the House of Representatives for a vote before it becomes legislation.

Artificial Intelligence

- CPA Australia's Business Technology Survey 2024 that the adoption of artificial intelligence (AI) among mainland Chinese companies has increased steadily over the past three years and is expected to surge in the next 12 months. It also showed the surveyed accounting and finance professionals in mainland China expect their business will increase the use of AI in the next 12 months, more than double the number from the previous year (48 per cent vs 20 per cent)
- PwC Australia will invest a further \$11.5 million in AI, launching an AI Centre of Excellence to help Australian businesses navigate the complexity of AI at-scale and compete on the global stage.

The Big 4

- KPMG Australia published Our Impact Plan 2024 on 15 August 2024. The report brings together voluntary disclosures on the firm's public commitments and actions across four categories: Governance, People, Planet, Prosperity.
- PwC Australia announced John M. Green named as independent non-executive Chair of PwC Australia's Governance Board and Lisa Chung AM to join the Governance Board as an independent non-executive Board member.
- Deloitte Australia announced the purchase of a minority stake in the market-leading First Nations consulting business formerly known as PIC (PwC Indigenous Consulting).

- EY Australia recorded \$2.81b in revenue in FY24, down from \$2.97b in FY23. EY Regional Managing Partner and CEO Oceania, David Larocca said demand for some of the firm's services softened in FY24, shaped by a challenging market in a slowing economy both in Australia and globally.



ITEM 6

19 SEPTEMBER 2024

PUBLIC SECTOR ADVISORY GROUP

DESCRIPTION

Chair of the PSAG, Amy Fox, to provide a verbal update about the PSAG meeting on 2 September 2024.

ACTION

- FRC to note the PSAG update.



ITEM 7

19 SEPTEMBER 2024

PROFESSIONAL DEVELOPMENT PATHWAYS

Andrew Conway, CEO of the Institute of Public Accountants (IPA), will provide an update on the IPA's work in relation to professional development pathways.

ACTION

- To note



NOMINATIONS COMMITTEE

DESCRIPTION

On 31 December 2024, the terms of three AASB members and three AUASB members will expire.

The Nominations Committee met on 15 July 2024 and agreed a recruitment process will be run for these positions. An external recruitment process commenced in August ahead of these members' terms expiring.

AASB

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

AUASB

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

ACTION

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



CORRESPONDENCE

DESCRIPTION

On 28 June 2024, the FRC Chair wrote to the Accounting Standards Advisory Forum (ASAF) endorsing Dr Keith Kendall as an Australian representative on the ASAF.

On 28 June 2024, the FRC Chair wrote to International Financial Reporting Standards (IFRS) Advisory Council endorsing the nomination of Ms Merran Kelsall AO as Chair of the IFRS Advisory Council.

On 2 July 2024, the FRC Chair wrote to the International Foundation for Ethics and Audit in response to its request for future ongoing funding from Australia.

On 2 July 2024, the FRC Chair wrote the letter to Treasurer in relation to recommendations for future ongoing funding to the international standard setting bodies.

On 28 August 2024, the FRC Chair provided a letter of endorsement to Regina Fickers FCA for her application to become a member of the IFRS Advisory Council.

ACTION

- For noting.



ITEM 8C

19 SEPTEMBER 2024

KEY ACTION ITEMS SUMMARY

DESCRIPTION

FRC Chair and Secretariat to provide a summary of the action items arising from the 19 September 2024 meeting.

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

ACTION

- For noting.



ITEM 9

19 SEPTEMBER 2024

NEXT MEETING

DESCRIPTION

Next meeting will be on 4 December 2024 in the Sydney Treasury office on Level 29, 201 Kent Street.

This meeting is scheduled for a 9am start with a virtual presentation from Mark Babington from the UK FRC.

ACTION

- For noting.