



Australian Government  
Financial Reporting Council

# Financial Reporting Council **2023–24 Annual Report**

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ISSN: 2204-0935 (print), 2204-0943 (online)

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*In the spirit of reconciliation, the Treasury acknowledges the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples.*



**Australian Government**  
**Financial Reporting Council**

Chair: Mr Andrew Mills  
Secretariat: c/ The Treasury  
Langton Crescent, Parkes ACT 2600  
secretariat@frc.gov.au

20 September 2024

The Hon Stephen Jones MP  
Assistant Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Minister

I have pleasure in presenting the annual report of the Financial Reporting Council (FRC) for the year ended 30 June 2024.

This year has seen substantial developments in the financial reporting landscape, particularly in sustainability reporting, talent management and public-sector transparency. The FRC recognises that Australian standard-setting boards have made strong progress in formulating quality domestic sustainability and assurance standards, in particular with the recent finalisation of the Australian Sustainability Reporting Standards. This is providing Australians and investors with greater transparency and comparable information about entities' climate-related financial risks.

Notably, the FRC completed its Audit Quality Review Report in November 2023 and identified several recommendations and findings. The review built on the FRC's 2019 review, which provided a qualitative assessment of auditor disciplinary processes. We thank the many stakeholders who participated in the FRC's work for their valuable contribution.

Throughout the year, the FRC engaged extensively with stakeholders to stay attuned to contemporary issues in the financial sector. For example, the implications of senate inquiries and changes within major accounting firms.

The FRC actively contributed to parliamentary inquiries and provided insights to shape discussions on audit quality, governance practices and the adequacy of current regulatory frameworks. The FRC ensured the perspectives of the accounting and auditing professions were well-represented in legislative reforms that support greater transparency and accountability in financial reporting.

This annual report was prepared in accordance with section 235B of the *Australian Securities and Investments Commission Act 2001*, which requires the report to be tabled in each House of Parliament as soon as practicable.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Andrew Mills'.

Andrew Mills  
Chair



# Financial Reporting Council Members



**Andrew Mills**  
Chair



**Amy Fox**  
Member



**Dr Keith Kendall**  
Member



**Alison White**  
Member



**Doug Niven**  
Member



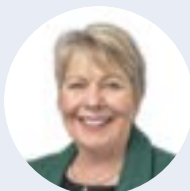
**Emma Herd**  
Member



**Michele Embling**  
Member



**Rachel Grimes**  
Member



**Pru Bennett**  
Member

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## Our past year

The FRC's initiatives in the 2023–24 reporting year demonstrated a strong commitment to advancing the quality and integrity of financial reporting in Australia. The FRC effectively positioned itself to meet emerging challenges and contribute to the global financial reporting landscape through:

- strategic consultations
- proactive stakeholder engagement
- sustained support for international standards.

The FRC remains committed to fostering a robust and transparent corporate reporting framework. This report highlights the FRC's activities and achievements during the 2023–24 reporting year.



# 1

## Snapshot of key and ongoing initiatives

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## A snapshot of key and ongoing initiatives

### Climate and sustainability-related standards

The FRC, Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) made significant progress as a joint effort in sustainability reporting and assurance. These efforts were supported by extensive stakeholder consultations and feedback.

The FRC recognises that Australian standard-setting boards took proactive steps to formulate domestic sustainability-related and climate-risk disclosure and assurance standards.

On Monday 26 June 2023, the International Sustainability Standards Board (ISSB) released its new sustainability standards, International Financial Reporting Standard (IFRS) S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2 *Climate-related Disclosures*. Both will help improve investors' trust and confidence in company disclosures about sustainability when they make investment decisions.

On 23 October 2023, the AASB issued the Exposure Draft of SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*. In February 2024, the AASB undertook detailed consultations across Australia and ran multiple virtual events. The AASB received more than 110 written submissions and more than 300 survey responses from the consultation process. The AASB issued finalised Australian Sustainability Reporting Standards, AASB S1 and AASB S2, in September 2024.

## A snapshot of key and ongoing initiatives

On 17 August 2023, the AUASB issued a Consultation Paper seeking feedback on proposed ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. On 20 March 2024, the AUASB issued a Consultation Paper to seek information and feedback to enable the AUASB to:

- develop a proposed model for phasing-in assurance over mandatory climate information, and
- adopt and supplement ISSA 5000 General Requirements for Sustainability Assurance Engagements in Australia.

The FRC supports the AASB's anticipated adoption of sustainability reporting standards by January 2025. The FRC also supports the AUASB's upcoming standards on sustainability assurance based on international sustainability-related reporting assurance standards.

## Audit-quality management

The FRC has kept abreast of the Australian Securities and Investments Commission's (ASIC's) initiatives to improve the transparency and accountability of audit firms. The FRC acknowledges ASIC's continued focus on high-quality financial reporting in its integrated approach to conducting financial reporting and audit surveillances. However, the FRC considers there should be a greater number of auditors and audit files reviewed annually. The FRC published its findings on audit-quality management in *Oversight of Audit Quality in Australia – A Review*, which was released on 6 November 2023.

The FRC and AUASB focused on advancing the development of auditing standards in Australia, including the standards for sustainability assurance. In December 2023, the AUASB issued a Feedback Statement, *Decision Not to Adopt the International Standard on Auditing for Less Complex Entities (LCE) Standard in Australia*.





## International financial reporting standards

The FRC monitors the development of international standard-setting in several ways. This includes:

- inviting speakers from international financial reporting organisations to present at meetings, and
- reviewing media from international bodies and other jurisdictions.

The AASB and AUASB provide regular reports to the FRC on their efforts to build and enhance relationships with global and national standard-setters. This enables boards to monitor and influence international developments.

To ensure Australian perspectives are represented in global-standards development, the FRC, AASB and AUASB seek to influence the work of these international bodies:

- International Accounting Standards Board (IASB)
- International Sustainability Standards Board (ISSB)
- International Auditing and Assurance Standard Board (IAASB).

## Talent attraction and retention

During engagement with stakeholders in the reporting year 2023–24, the FRC continued to receive feedback that talent attraction and retention within the accounting and auditing professions is a significant issue and strategic priority in the private and public sectors.

In response to critical shortages in these areas, the FRC wrote to Jobs and Skills Australia (JSA) to highlight the issue and advocate for strategic responses. This included the request to reclassify accountants and auditors as 'in shortage' professions in future Skills Priority Lists published by JSA.

Professional Accounting Bodies (PABs) are leading research to understand the underlying challenges and develop targeted solutions. The research focuses on entry-level talent attraction, particularly among high school students and leavers, and addressing cultural challenges within the profession.

The FRC engaged with stakeholders to discuss broader issues impacting talent retention, such as the need for better work-life balance and the importance of career development opportunities. These discussions underscored the importance of creating a supportive and attractive environment for accounting and auditing professionals in the private and public sectors.

The FRC's proactive approach to talent attraction and retention aims to promote a steady pipeline of skilled professionals. This is essential for maintaining the quality and integrity of financial reporting in Australia. By addressing these challenges proactively, the FRC works to ensure the profession remains robust and capable of meeting future challenges, and the evolving needs of the financial sector.

The FRC considered data on talent attraction for accounting and auditing in tertiary education. The aim is to find ways to build young peoples' confidence and encourage them to choose careers in accounting and auditing.





## Public sector reporting developments

The FRC monitors financial reporting and auditing issues relevant to the public sector through its Public Sector Advisory Group (PSAG).

The adoption of IFRS 18 *Presentation and Disclosure in Financial Statements* for public sector financial statement presentations is a significant step forward. These standards are expected to enhance the clarity and usability of public sector financial reports, making them more accessible and understandable for stakeholders.

The PSAG considered strategies for addressing gaps in expertise and skills in climate and sustainability reporting, recognising the growing importance of this area in the public sector. PSAG's recent discussions focused on internal governance arrangements to adopt sustainability reporting and assurance standards, as well as challenges in attracting and retaining talent in the public sector.

These initiatives underscore the FRC's commitment to continue enhancing public sector reporting, ensuring it is transparent, accountable and aligned with international best practice.



## Other international developments

The FRC continues to monitor and participate in international developments to ensure international best practice is reflected in Australia. In 2023–24, Australia and New Zealand continued to work closely to harmonise trans-Tasman standard-setting. The relationship between Australia and New Zealand is enhanced by the arrangements for cross-appointments to financial reporting oversight and standard-setting boards.

## Stakeholder engagement

Engaging with key stakeholders is central to the FRC’s strategy to stay attuned to contemporary issues in the financial sector. Recent stakeholder engagements included:

- discussions on the implications of senate inquiries
- changes within the major accounting firms
- the evolving role of state auditors-general.

These engagements highlighted several key themes, including:

- the need for appropriate timeframes for the implementation of sustainability reporting standards
- the importance of consistency with international standards
- challenges related to talent attraction and retention.

The FRC focused on governance changes within firms, particularly changes aimed at supporting audit quality. The FRC views these changes as a positive step towards enhancing the quality and integrity of audits. By maintaining robust engagement with stakeholders, the FRC ensured it remained responsive to sector-wide developments and effectively adapted oversight strategies.

This proactive approach enabled the FRC to address emerging challenges and contribute to the continuous improvement of Australia’s financial reporting framework.





## FRC stakeholders

We thank stakeholders for communicating with us, particularly:

- |   |   |
|---|---|
| ▪ Australian Business Reporting Leaders Forum         | ▪ Commonwealth Department of the Treasury                         |
| ▪ Australian Charities and Not-for-profits Commission | ▪ Deloitte  |
| ▪ Australasian Council of Auditors-General            | ▪ Ernst & Young (EY)  |
| ▪ Australian Council of Superannuation Investors      | ▪ External Reporting Board (XRB)                                  |
| ▪ Australian Institute of Company Directors           | ▪ Financial Services Council                                      |
| ▪ Australian Institute of Superannuation Trustees     | ▪ Grant Thornton  |
| ▪ Australian Public Policy Committee                  | ▪ Heads of Treasuries Accounting and Reporting Advisory Committee |
| ▪ Australian Shareholders' Association                | ▪ Institute of Internal Auditors-Australia                        |
| ▪ Australian Prudential Regulation Authority          | ▪ Institute of Public Accountants                                 |
| ▪ Australian Securities Exchange                      | ▪ KPMG  |
| ▪ Australian Securities and Investments Commission    | ▪ New South Wales Treasury  |
| ▪ BDO   | ▪ PwC.  |
| ▪ Business Reporting Leaders Forum                    |   |
| ▪ Chartered Accountants Australia and New Zealand     |   |
| ▪ CPA Australia                                       |   |
| ▪ Commonwealth Department of Finance                  |   |

The breadth of this list indicates the wide range of stakeholders with a demonstrated interest in Australia's financial reporting framework. This list is not intended to be exclusive. The FRC welcomes engagement with other stakeholders that might have a significant interest in Australia's financial reporting framework.



# 2

## FRC objectives and functions

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# FRC objectives and functions

## The financial reporting system

Part 12 of the ASIC Act establishes the framework for Australia's financial reporting system. The objectives of Part 12 are set out in section 224 of the ASIC Act. In summary, the objectives include:

- Facilitating the development of accounting standards that:
  - allow users to make and evaluate financial decisions
  - assist directors to fulfil their statutory financial reporting obligations
  - are relevant, reliable, easy to understand and facilitate comparability.
- Facilitating the development of auditing and assurance standards that provide Australian auditors with relevant and comprehensive guidance in determining whether financial reports comply with statutory requirements and require auditors' reports to be reliable and readily understood by users.
- Facilitating the Australian economy by:
  - reducing the cost of capital
  - enabling Australian entities to compete effectively overseas
  - having accounting and auditing standards that are clearly stated and easy to understand.
- Maintaining investor confidence in the Australian economy (including in its capital markets).

## **Functions of the FRC**

The FRC is the peak body responsible for overseeing the effectiveness of the financial reporting system in Australia.

The FRC's functions, as set out in the ASIC Act, include:

- Providing broad oversight of the accounting and auditing standard setting processes and giving the Minister reports and advice about such matters.
- Establishing appropriate consultative mechanisms.
- Appointing members of the AASB and AUASB (other than the Chairs).
- Giving advice or feedback to the AASB and AUASB on their priorities, business plans and procedures.
- Giving advice or feedback to the offices of the AASB and AUASB on their budget and staffing arrangements.
- Determining the broad strategic direction of the AASB and AUASB.
- Monitoring the operation of accounting and auditing standards and the effectiveness of consultative arrangements of the AASB and AUASB.
- Giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors.
- Monitoring the development of international accounting and auditing standards.
- Furthering the development of a single set of accounting and auditing standards for worldwide use.
- Promoting the continued adoption of international best practice standards in the Australian standard setting processes.

The FRC is also responsible for advancing and promoting the main objects of Part 12 of the ASIC Act, concerning the Australian financial reporting system.

## Statutory obligations

The FRC met its statutory obligations under the ASIC Act through the following activities.

- Appointed one new member and reappointed 3 members of the AASB. Each appointee brought significant depth of expertise in areas relevant to the work of the AASB such as sustainability, and so facilitated the development of relevant, reliable, comparable, understandable, and usable accounting standards.
- Reappointed 3 new members to the AUASB. Each appointee brought significant depth of expertise in areas relevant to the work of the AUASB. As such, they facilitated AUASB's development of auditing and assurance standards and related guidance materials. These standards and materials provided relevant and comprehensive guidance and supported reliable and understandable auditor reports.
- Continued work directed at enhancing the quality of financial reports, which contributed to the development of common international accounting and auditing standards and facilitated the harmonisation of Australian standards with international standards. This work included monitoring developments in international standards and promoting a coordinated approach to Australian standards. As a result, the FRC facilitated investor confidence in Australian firms, promoted cross-border comparisons by investors, and enhanced the ability of Australian firms to access international capital markets at lower cost.
- Monitored the impact of macroeconomic conditions and skill shortages on the financial reporting system and audit quality. Continued to obtain qualitative and quantitative data from stakeholders on matters including auditor disciplinary processes, talent retention, skill shortages and sustainability. This work facilitated the development of financial reporting standards and investor confidence by enabling any impacts of such matters on accounting and auditing standards and practices to be identified and addressed.
- Submitted several letters to ministers about the contemporary financial environment including international funding, talent attraction, recommendations of appointment to international bodies, and the Audit Quality Management Review.
- Supported the AASB's proposal to nominate the AASB Chair as the Vice Chair of the Asian-Oceanian Standard-Setters Group (AOSSG). Australia hosted the 2023 Annual Meeting of AOSSG in Brisbane in November 2023. Australia's involvement in AOSSG's work aims to enable Australia to be involved in the convergence process of the Asian-Oceanian region and make contributions to a single set of high-quality global accounting standards.
- Continued to monitor financial reporting and auditing issues relevant to the public sector through its FRC Public Sector Working Group, comprising members of the FRC and the public sector.



# 3

## Oversight of Australian standard setting

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# Oversight of Australian standard setting

## The FRC's role in the standard-setting process

The FRC oversees Australia's accounting and auditing standard-setting processes, and the standard-setting boards themselves. This role extends to:

- Appointing members of the AASB and AUASB (other than the Chairs).
- Advising AASB and AUASB on their priorities, business plans and procedures.
- Advising the offices of the AASB and AUASB on their budgets and staffing arrangements.
- Determining the broad strategic direction of the AASB and AUASB.
- Monitoring the development of international accounting and auditing standards and furthering the development of a single set of accounting and auditing standards for worldwide use.
- Promoting the continued adoption of international best practice accounting and auditing standards in Australian standard setting practices.
- Monitoring the operation of accounting and auditing standards to assess their continued relevance and effectiveness in achieving their objectives in both the private and public sectors.
- Monitoring the AASB and AUASB's consultative arrangements.

## Appointing AASB and AUASB members

In 2023–24, the FRC appointed one new member and reappointed 3 members to the AASB. The new member and reappointed members continue to ensure the maintenance of the AASB's depth of experience and expertise, particularly relating to:

- accounting practices in the public sector and in large accounting firms
- international accounting standard setting
- the preparation of financial reports for listed entities.

The FRC also reappointed 3 members to the AUASB. There were no new members appointed during 2023–24.

Separately, Doug Niven was appointed full-time AUASB Chair by the Minister. Doug was appointed Acting Chair from 31 July 2023 and Chair for 5 years from 22 September 2023.

## **Giving advice or feedback to the AASB, AUASB and their offices**

The FRC primarily provides advice to the AASB, AUASB and their offices at meetings of the FRC. The Chairs of the AASB and AUASB are members of the FRC. They provide written and oral reports on the activities of their respective boards at each FRC meeting. In 2023–24, AASB and AUASB reports included items covering:

- AASB and AUASB strategies
- AASB and AUASB Corporate Plans for 2023–24
- AASB and AUASB's key activities including progress on key strategic priorities.

FRC members reviewed these reports and provided advice and feedback to the AASB and AUASB at FRC meetings, including on AASB and AUASB strategic priorities, business plans and emerging topics. The FRC did not directly provide advice to the offices of the AASB and the AUASB on their budgets and staffing in 2023–24. However, the FRC did contribute to the strategic priorities and thereby influenced budgets and staffing indirectly.

The FRC continued to encourage alignment of AASB and AUASB plans, projects and activities where practicable and welcomed the ongoing collaboration between the boards in 2023–24. In particular, the FRC supported the boards to work closely together on preparatory steps to support the future implementation of:

- IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*
- S2 *Climate-related Disclosures*
- assurance standard ISSA 5000 *General Requirements for Sustainability Assurance Engagements*.

The AASB and AUASB published an updated joint Research Report: *Trends in climate-related disclosures and assurance in the Annual Reports of ASX-listed entities*. The report identifies climate-related disclosures and associated assurance practices in annual reports of ASX-listed entities.

In addition to the work conducted in preparation for IFRS S1, IFRS S2 and ISSA 5000, the AASB and the AUASB undertook the following activities in 2023–24.

## AASB

- Issued AASB 18 Presentation and Disclosure in Financial Statements.
- Reissued AASB 1056 Superannuation Entities.
- Issued the following amendments to Australian Accounting Standards:
  - AASB 2024-1 *Amendments to Australian Accounting Standards – Supplier Finance Arrangements: Tier 2 Disclosures*
  - AASB 2023-5 *Amendments to Australian Accounting Standards – Lack of Exchangeability*
  - AASB 2023-4 *Amendments to Australian Accounting Standards – International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures*
- Issued the following exposure drafts:
  - ED 330 *Contracts for Renewable Electricity*
  - ED 329 *Business Combinations – Disclosures, Goodwill and Impairment*
  - ED 328 *Supplier Finance Arrangements: Tier 2 Disclosures*
  - ED 327 *Financial Instruments with Characteristics of Equity*
  - ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*
  - ED 326 *Annual Improvements to Australian Accounting Standards – Volume 11*
  - ED 325 *International Tax Reform – Pillar Two Model Rules: Tier 2 Disclosures*.
- Commenced post-implementation reviews (PIR) on AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*, and AASB 2022-2 *Amendments to Australian Accounting Standards – Extending Transition Relief under AASB 1*.
- Continued working on PIR of specific accounting pronouncements for not-for-profit public and private sector entities, including control, structured entities, related party disclosures and basis of preparation of special purpose financial statements, income of not-for-profit entities, and AASB 1059 *Service Concession Arrangements: Grantors*.
- Completed PIR on AASB 1056 *Superannuation Entities*, and Interpretation 1019 *The Superannuation Contributions Surcharge*.
- Completed PIR on IASB request for IFRS 9 *Financial Instruments–Impairment*, and IFRS 15 *Revenue from Contract with Customers*.
- Released the following Research Reports:
  - AASB-AUASB Joint Research Report: *Trends in climate-related disclosures and assurance in the Annual Reports of ASX-listed entities*
  - Research Report 22: *Making Materiality Judgements – Malaysian Preparers and Auditors’ Perspectives*
  - Research Report 21: *Auditors’ Perspectives: The Impacts of IFRS Practice Statement 2 Making Materiality Judgements*

- Research Report 20: *Crypto assets – Australian stakeholders’ perspectives*.
- Made the following submissions:
  - AASB submission on IASB Exposure Draft/2024/1 *Business Combinations – Disclosures, Goodwill and Impairment: Proposed amendments to IFRS 3 and IAS 36*
  - AASB submission on IASB Exposure Draft/2023/5 *Financial Instruments with Characteristics of Equity: Proposed amendments to IAS 32, IFRS 7 and IAS 1*
  - AASB submission on GRI Topic Standard Project for Climate Change – *Climate Change Exposure Draft*
  - AASB submission to the Philanthropy Inquiry Productivity Commission on ‘*Future foundations for giving*’ draft report
  - AASB submission on EFRAG Discussion Paper Accounting for Variable Consideration from a Purchaser’s Perspective
  - AASB submission to the Blueprint Expert Reference Group on the Not-for-Profit Sector Development Blueprint Issues Paper
  - AASB submission on IASB Request for Information on Post-implementation Review of IFRS 15 Revenue from Contract with Customers
  - AASB submission on IASB Request for Information on Post-implementation Review of the Impairment Requirements of IFRS 9 Financial Instruments
  - AASB and the Canadian Accounting Standards Board (AcSB) joint submission to IASB on Power Purchase Agreements
  - AASB submission on ISSB Request for Information Consultation on Agenda Priorities
  - AASB and the Sustainability Standards Board of Japan (SSBJ) joint submission to ISSB on Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates
  - AASB submission to ISSB Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates
  - AASB submission to IASB Exposure Draft ED/2023/2 Amendments to the Classification and Measurement of Financial Instruments – Proposed amendments to IFRS 9 and IFRS 7.
- AASB, together with the University of Queensland and Swinburne University of Technology, co-hosted the annual AASB Research Forum on 24 November 2023.
- AASB hosted the 15th Annual AOSSG meeting in Brisbane in November 2023. This event included standard-setters from across Asia and the Pacific region. At this event, the AASB Chair was confirmed as the Vice Chair of AOSSG (following an election among the membership in June 2023).
- AASB hosted a Sustainability Symposium in November 2023.

## AUASB

- Issued the following Consultation Papers and Exposure Drafts:
  - AUASB Consultation Paper – *Assurance over Climate and Other Sustainability Information*
  - AUASB Consultation Paper – *Exposure of the IAASB's Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards*
  - AUASB Consultation Paper – *Exposure of the IAASB's Proposed Narrow Scope Amendments to International Standards on Quality Management; International Standards on Auditing; and International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements as a Result of the Revisions to the Definitions of Listed Entity and Public Interest Entity in the IESBA Code*
  - AUASB Consultation Paper – proposed revised International Standard on Auditing (ISA) 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*
  - Exposure Draft 01/24: *Proposed Revised Standard on Assurance Engagements ASAE 3500 Performance Engagements*.
- Developed AUASB Bulletin *Audit Implications of the Consolidated Entity Disclosure Statement*, issued in July 2024.
- Issued AUASB Bulletin *What not-for-profit entities need to know about the differences between an audit and review*, in July 2023.
- Issued AUASB Feedback Statement *Decision Not to Adopt the ISA for LCE Standard in Australia*, in December 2023.
- Made the following submissions to entities on various subjects:
  - IAASB – on its proposed ISSA 5000, *General Requirements for Sustainability Assurance Engagements; and Proposed Conforming and Consequential Amendments to Other IAASB Standards*
  - PJC Inquiry – Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Ethics and Professional Accountability: *Structural Challenges in the Audit, Assurance and Consultancy Industry*
  - IAASB – on its proposed ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements; and Proposed Conforming and Consequential Amendments to Other ISAs*
  - IAASB – on its proposed *Narrow Scope Amendments to International Standards on Quality Management (ISQMs), ISAs, and International Standard on Review Engagements 2400 (Revised), Engagements to Review Historical Financial Statements because of the new definitions of 'Listed Entity' and 'Public Interest Entity' in the IESBA Code of Ethics*
  - IAASB – on its proposed International Standard on Auditing ISA 570 (Revised), *Going Concern and Proposed Conforming and Consequential Amendments to Other ISAs*.
- The AUASB Chair appeared before the PJC Inquiry and provided written responses to Questions on Notice.

## **Determining the strategic direction of the AASB and AUASB**

Since its establishment, the FRC has made 3 determinations concerning the broad strategic direction of the AASB and AUASB. These determinations require:

- the AASB to work towards the adoption of accounting standards that are the same as those issued by the IASB (Direction approved 5 September 2002)
- the AASB to pursue the harmonisation of GFS and GAAP reporting (Direction approved 12 December 2002)
- the AUASB to use auditing standards issued by the IAASB as a base from which to develop the Australian standards, to develop auditing and assurance standards other than for historical financial information, and to participate in audit research that is conducive to the AUASB's standard-setting activities (Direction approved 4 April 2005).

These directions remain current and the FRC continues to monitor their appropriateness. The FRC is satisfied that the AASB and the AUASB have implemented these directions.

## **Monitoring international developments**

The FRC monitors the development of international standard-setting in a range of ways, including by inviting speakers from international financial reporting organisations to present at its meetings and reviewing media from international bodies and other jurisdictions.

The AASB and AUASB also provide regular reports to the FRC on their efforts to build and enhance relationships with global and national standard-setters, through which the boards can monitor and influence international developments.

## **International accounting standards**

In line with its mandate to further the development of a single set of accounting standards for worldwide use, the FRC supports the AASB's adoption of the IFRS accounting standards issued by the IASB. These standards continue to have the most widespread impact, having been adopted in over 100 countries.

The AASB regularly reassesses the appropriateness of using the IFRS (rather than International Public Sector Accounting Standards Board (IPSASB) standards) as a base for the Australian public sector. The AASB also utilises IPSASB guidance to modify IFRS for the not-for-profit sector where appropriate.

## International auditing standards

The FRC supports the AUASB's adoption of the international auditing standards issued by the IAASB. This is consistent with the AUASB's mandate under the ASIC Act to further the development of a single set of auditing standards for worldwide use. These standards have been adopted in over 140 countries.

The AUASB monitors and contributes to the work of the IAASB through:

- The AUASB Chair's membership of the IAASB and IESBA Stakeholder Advisory Council.
- Participating in the National Standard Setters meetings with the IAASB.
- Outreach to stakeholders and submissions on IAASB exposure drafts.
- Hosting a visit by the IAASB Chair to Australia, organising roundtables and meetings with stakeholders on current IAASB projects.
- Hosting a visit by the IAASB Vice Chair and roundtables on the proposed ISSA 5000.
- Meetings with the Chair and staff of the IAASB on developments and key issues.
- Supporting Mr Bill Edge, a member of the IAASB, by reviewing IAASB papers and providing suggestions on key issues to be raised at IAASB meetings. Ms Rene Herman (AUASB Director – Technical) acts as an IAASB Technical Adviser and provides detailed AUASB input to Mr Edge.

Both IAASB and AUASB auditing standards apply to private and public sector audits. Standards and application guidance specific to the audits and related services for public sector entities are covered (where appropriate) by AUASB standards.

## International sustainability standards

In the 2023–24 financial year, the FRC closely monitored the establishment of the ISSB and its activities, including its release of exposure drafts and sustainability standards.

On Monday 26 June 2023, ISSB released its new sustainability standards, IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information*, and IFRS S2 *Climate-related Disclosures*. Both will help to improve trust and confidence in company disclosures about sustainability to inform investment decisions.

The FRC notes that Australian standard-setting boards proactively took steps to formulate and make Australian sustainability-related and climate-risk disclosure and assurance standards. In particular:

- The AASB issued ED SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*. The AASB considered the specific matters for comment raised as part of Exposure Draft SR1, and pronounced the final standards AASB S1 and S2 in September 2024.

## Oversight of Australian standard setting

- The AASB made the following submissions:
  - AASB submission on GRI Topic Standard Project for Climate Change – Climate Change Exposure Draft
  - AASB submission on ISSB Request for Information Consultation on Agenda Priorities
  - AASB and SSBJ joint submission to ISSB Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates
  - AASB submission to ISSB Exposure Draft Methodology for Enhancing the International Applicability of the SASB Standards and SASB Standards Taxonomy Updates
- The AASB undertook detailed consultation across Australia during February 2024, including holding events in Adelaide, Canberra, Hobart, Melbourne, Newcastle, Perth and Sydney as well as running multiple virtual events. There were more than 1,000 registrations across all outreach events. The AASB received more than 110 written submissions, and more than 300 survey responses as part of the outreach effort.
- The AUASB issued a Consultation Paper seeking feedback on proposed ISSA 5000 *General Requirements for Sustainability Assurance Engagements*
- The AUASB issued a Consultation Paper on *Assurance over Climate and Other Sustainability Information*, seeking feedback on:
  - The demand for assurance, the ability of auditors and their experts to meet that demand, and the preparedness of companies to assist in setting a pathway for phasing in assurance requirements over time
  - A proposal to adopt the international standard on assurance over sustainability information (ISSA 5000, *General Requirements for Sustainability Assurance Engagements*)
  - The possible development of an Australian assurance pronouncement to supplement ISSA 5000 on matters specific to the Australian reporting framework.
- The AUASB undertook detailed consultation across Australia including holding events in Perth, Melbourne and Sydney and 2 virtual events.
- The AUASB is developing an Exposure Draft of a Proposed Australian Standard on Sustainability Assurance to cover specific matters around Assurance over Australian Sustainability Information.

- The AUASB and Deakin University co-hosted a joint sustainability assurance research workshop to explore research relevant to ISSA 5000 and the AUASB's broader sustainability standard-setting agenda.
- The AUASB released the *AUASB Research Report 10: Deakin – AUASB Sustainability Assurance Research Workshop*.
- The AASB and AUASB published an updated joint Research Report: *Trends in climate-related disclosures and assurance in the Annual Reports of ASX-listed entities*.

## International appointments

In 2023–24 the FRC welcomed the following international appointments of Australian accounting and auditing profession leaders:

- Dr Keith Kendall (Chair, AASB) was appointed as the Vice Chair for Asian–Oceanian Standard-Setters Group (AOSSG). AOSSG is a grouping of the 28 accounting standard-setters in the Asian–Oceanian region. The Group was formed in 2009 to discuss issues and share experiences on the adoption of IFRS and to contribute to the development of a high-quality set of global accounting standards.
- Doug Niven (Chair, AUASB) was appointed as a member of the IAASB and IESBA Stakeholder Advisory Council (SAC). The SAC provides strategic input and recommendations to IAASB and IESBA.

## Regional relationships

Australia and New Zealand continued to work closely together to facilitate harmonisation of trans-Tasman standard setting. This relationship is enhanced by the arrangement for cross-appointment to financial reporting oversight and standard setting boards between Australia and New Zealand.

The FRC Chair is a member of the External Reporting Board of New Zealand (XRB). The XRB Chair is a member of the FRC as part of the arrangement for cross-appointments between Australia and New Zealand. The Chairs of the AASB, AUASB, New Zealand Accounting Standards Board (NZASB) and New Zealand Auditing and Assurance Standards Board (NZAuASB) are also members of their counterpart boards.

## **Monitoring the operation of accounting and auditing standards**

The FRC monitors the operation of Australian accounting and auditing standards. It does so to assess the continued relevance and effectiveness of the standards in achieving their objectives. This applies to both the private and public sectors in Australia's economy.

Based on the reports of the Chairs of the AASB and AUASB, and on FRC members' knowledge of how the standard-setting processes and standards themselves operate in practice, the FRC is satisfied that the AASB and AUASB:

1. Have adopted IFRS accounting standards and International Standards on Auditing within reasonable timeframes in accordance with the strategic directions issued by the FRC.
2. Have adequate post-implementation review processes to assess the effectiveness of new standards and guidance.
3. Have regular consultation processes to identify if further guidance is necessary for existing accounting and auditing standards.
4. Consult appropriately before issuing new standards or guidance.
5. Have consultation mechanisms that appropriately include roundtables, targeted outreach, education sessions, webinars and relevant social media.





# 4

## Audit quality

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# Audit quality

## FRC's role on audit quality

Australia's legislative framework for audit is mainly set out in the *Corporations Act 2001* (Corporations Act). ASIC has key regulatory responsibility for the regime, including for surveillance, investigation, and enforcement of audit requirements.

The Corporations Act framework gives legal effect to the auditing standards developed by the AUASB. The auditing standards require auditors to adhere to relevant ethical standards issued by the Accounting Professional & Ethical Standards Board (APESB).

The FRC's functions under the ASIC Act include giving strategic policy advice and reports to the Minister and the Professional Accounting Bodies (PABs) in relation to the quality of audits conducted by Australian auditors. This advice may include:

- advising and reporting on the Corporations Act audit framework, auditing standards or codes of conduct, and the quality assurance reviews, auditor disciplinary processes
- education on professional ethics undertaken by the professional accounting bodies.

## FRC Audit Quality Action Plan

In February 2018, the FRC developed an Audit Quality Action Plan. The FRC issued a revised version of the Action Plan in March 2023. The Action Plan's objectives include:

- engaging with users of financial reports to better understand their views on audit quality
- undertaking appropriate actions on the learnings of ASIC's audit inspection program to contribute to the continuous development of best-practice programs to assess audit quality
- engaging with professional accounting bodies, firms providing audit services and other stakeholders to support new initiatives that improve audit quality.

The FRC is implementing the Action Plan with the support of the AUASB. However, the FRC notes implementation is an ongoing process that relies on many stakeholders – particularly ASIC, the accounting firms and the professional accounting bodies – to improve audit quality.

## **FRC's Audit Quality Management Review**

In November 2022, having regard to emerging concerns and limited availability of data, the FRC commenced a review into how audit quality and compliance with auditing and ethical standards by auditors is monitored and supported in Australia.

The review built on the FRC's 2019 review, which provided a qualitative assessment of auditor disciplinary processes. This review fulfils the FRC's legislative mandate to provide strategic policy advice and reports to the Minister and the PABs in relation to the quality of audits conducted by Australian auditors.

The FRC completed *Oversight of Audit Quality in Australia – A Review* on 6 November 2023. The review focused on how regulators and PABs monitor and support audit quality, and identify non-compliance issues related to auditing and ethical standards. The review also evaluated whether any process improvements were necessary to identify breaches and escalation to disciplinary action.

During the year, the FRC consulted with relevant stakeholder groups to gain their insights into these focus areas. These groups included (among others) regulators, PABs and the 6 largest audit firms in Australia. The report is also informed by an analysis of relevant programs in other jurisdictions and an assessment of the progress to date on the recommendations from the FRC's 2019 review.

The Review examined the professions' processes to identify breaches and compliance including close examination of ASIC's role in monitoring audit quality. The Review includes 15 recommendations for ASIC, the PABs, and the Government about:

- improvements of audit-quality review programs
- how compliance with ethical standards are monitored and enforced
- possible future legislative changes.

Additionally, progress to-date on the recommendations from the 2019 disciplinary review have been examined in the Review, including a review of any barriers to implementation.

## ASIC initiatives to support and review audit quality

### ASIC financial reporting and audit surveillance program

ASIC is committed to strong oversight of auditors and enhancing the integrity and quality of financial reporting and auditing in Australia.

ASIC takes an integrated approach to conducting financial reporting and audit surveillances. ASIC's approach focuses on the entire financial reporting chain. The approach is designed to provide information about ASIC's surveillances to relevant stakeholders and help improve financial reporting and audit quality. ASIC's Information Sheet 224 *ASIC financial reporting and audit surveillances* provides further information on ASIC's approach to financial reporting and audit surveillances.

ASIC routinely selects audit files for surveillance where a change has been made to financial information or the financial report, or where ASIC has concerns that a financial report may have a risk of material misstatement. This is because there is a strong link between problems in a financial report and problems with the quality of audit work undertaken on the financial report. In some instances, ASIC selects audit files based on other internal or externally available data.

In October 2023, ASIC published the results from its surveillance program for the 12 months to 30 June 2023 (ASIC Report 774 *Annual financial reporting and audit surveillance report 2022–23*).

ASIC reviewed 180 financial reports of ASX-listed entities and other large unlisted entities, selected using a risk-based approach, and 15 related audit files at 11 audit firms in the surveillance period. Since 1 July 2022, ASIC has routinely communicated audit findings from its audit surveillances to directors of the audited entities.

Following ASIC's review of the 180 financial reports, ASIC contacted 55 entities and raised 93 issues with them. Most of the issues related to disclosure in the Operating and Financial Review (OFR), impairment testing, revenue recognition, and financial report disclosures. Of the 55 entities contacted, 30 provided ASIC explanations that resolved the enquiries and 25 entities amended their OFR, financial report or financial information in a subsequent reporting period. ASIC issued a media release about the entities that made amendments following ASIC's inquiries.

ASIC's audit surveillances for the 12 months to 30 June 2023 led to findings being reported to 11 entities and 9 audit firms. Six of the 15 audit surveillances conducted had findings from both ASIC's audit surveillance and ASIC's surveillance of the entity's financial report. ASIC closed 4 audit surveillances with no findings. ASIC continues to have the largest number of audit findings on impairment of non-financial assets and the audit of revenue and receivables.

ASIC's financial reporting and audit surveillance report for reviews conducted between 1 July 2023 and 30 June 2024 will be published in the second quarter of 2024–25.

In addition to the financial reporting and audit surveillance, ASIC also undertook a review of how the larger 6 audit firms evaluated their implementation of quality management systems. This review will inform ASIC's future work to ensure compliance with independence and ethics obligations.

### Other ASIC activities

On 3 May 2024, Treasury published a consultation paper seeking stakeholder views and feedback on issues in relation to the regulation of accounting, auditing and consulting firms in Australia. ASIC made a submission to the consultation paper outlining its views about how the regulation of auditors can be improved.

Annually, ASIC reviews how registered company auditors (RCAs) comply with some of their registration obligations. In 2023–24, ASIC identified 20 instances where RCAs failed to lodge annual statements. As a result of ASIC engagement:

- 8 RCAs complied with their obligation to lodge annual statements
- 6 RCAs chose to voluntarily cancel their registration
- 6 RCAs had their registration cancelled by ASIC.

In addition to surveillance and compliance activities, ASIC will continue to take strong enforcement action where auditors fail to comply with the law. Examples of enforcement action taken by ASIC during 2023–24 included:

- 2 auditors' registrations suspended for deficient audits
- one auditor's registration cancelled following independence breaches
- one auditor paying an infringement notice following auditor rotation breaches.

### ASIC stakeholder engagement

ASIC undertakes engagement with international and domestic stakeholders to discuss emerging issues and risks in the financial reporting and audit industry. It also collaborates with other regulators and government agencies to improve the quality of financial reporting and audit.

ASIC is a member of the International Organisation of Securities Commissions (IOSCO) and the International Forum of Independent Audit Regulators (IFIAR).

In March 2024, IFIAR released its twelfth annual survey of inspection findings arising from its member regulators' individual inspections of audit firms affiliated with the 6 largest global audit firm networks. Similar to ASIC, IFIAR noted the area with the highest level of findings was

accounting estimates, including fair-value measurement, followed by internal control testing and adequacy of financial report presentation and disclosure.

Domestically, ASIC regularly liaises with professional accounting bodies and audit firms to discuss emerging accounting and auditing issues. ASIC also undertakes ongoing and regular engagement with the AASB and the AUASB on issues related to financial reporting and audit, including sustainable finance.

## PABs

Each PAB conducts a review program to support the quality of audits and auditors in Australia. The program at each organisation is different, with complementary management of different risks, participants and types of engagement. Accordingly, statistics gathered by each organisation may not be comparable. PABs also support their members to adhere to professional standards.

This section lists notable audit quality initiatives implemented in 2022–23.

## Chartered Accountants Australia and New Zealand

### Audit-quality initiatives

- Developed and launched *Going Further: A roadmap to enhanced trust and accountability* based on engagement with members and stakeholders, and careful analysis of the issues over the past year. The roadmap sets out 14 actions to enhance trust and accountability in the profession, some of which CA ANZ can implement, and others that require support from government and stakeholders.
- Members voted in favour of resolutions to amend by-laws and strengthen CA ANZ's Professional Conduct Framework. The amendments implement recommendations made in CA ANZ's Professional Conduct Framework Review, which CA ANZ completed in 2023. The review concluded that the CA ANZ framework meets or exceeds relevant standards and benchmarks and made recommendations for further enhancement. CA ANZ engaged the Hon. Dennis Cowdroy AO KC to complete an independent review of the review's recommendations.
- Provided extensive input on audit quality and related matters to help inform relevant parliamentary inquiries and government consultation during the year. This included providing evidence at public hearings and in submissions.
- Launched an extensive toolkit of audit quality management pro-forma policies and procedures, letters and checklists that can be tailored to the needs of small-to-medium firms in Australia and New Zealand. CA ANZ collaborated with IFAC to make the *Audit Quality Management Toolkit for SMPs* available for professional accountants around the world.

## Audit quality

- Undertook a research program aimed at informing key trends and issues impacting audit quality including studies on *investor confidence* in audited financial statements and trust in auditors, *talent attraction and retention*, and *key audit matters*.
- Large-scale ongoing training program for auditors focusing on enhancing audit quality, including an annual conference which had over 3,000 participants, with presentations from regulators, policy makers, standard-setters and audit firms.
- Published a new guide, *Understanding Audit*, that aims to empower investors and other stakeholders with a better understanding of what audit entails and what auditors do.
- Provided biannual *Assurance Essential Guides* and webinars to support auditors with changes to standards and navigate the impacts of the current economic environment on audit quality.
- Disseminated the developments from standard setters and regulators to a large audience of more than 20,000 subscribers to our fortnightly technical e-newsletter.
- Facilitated monthly dialogue involving ASIC, ACNC, AASB, AUASB, APESB and audit firms, to progress key technical matters central to audit quality.
- Provided *extensive input* and facilitated outreach with professional accountants on consultations of the local and international auditing standards setters, along with other policy makers and regulators.

## CPA

### Audit-quality initiatives

The CPA Australia Best Practice Program continues to support its practitioners – including those who undertake audit and assurance engagements – through ongoing structured assessments that include support with implementation of the monitoring requirements for their systems of quality management. The program also focuses on identifying business needs, mitigating risks, and developing an ongoing support plan that connects members to CPA Australia’s learning tools and resources. A key area for members who provide audit and assurance services has been working with them to ensure they are effectively monitoring their systems of quality management. CPA Australia continues to connect its members to its ASQM 1 tools and resources to support them in evidencing their monitoring activities.

During the year, CPA submitted written responses to consultations from both Australian and international standard-setters to improve the development of auditing standards and regulations. CPA also regularly engages with key stakeholders, including the government, standard-setters and regulators, to help maintain and improve audit quality in Australia. For example, CPA collaborated with the AUASB and other stakeholders to provide auditors with clarity on the implications of the

Consolidated Entity Disclosure Statement (CEDS) in financial report audits. CPA is continuing to contribute to the ongoing regulatory reforms that include the audit profession.

To support an evidence-based approach to attract and retain the next generation of graduates in accounting and auditing, CPA Australia co-funded (in collaboration with CA ANZ) research on *Talent in the Accounting and Audit Profession: How to attract and retain the next generation of graduates into accounting and auditing*. The study seeks to provide insights on how to make the profession more appealing to future talent. The study focused on understanding what motivates students to specialise in auditing and other accounting-related subjects.

## IPA

### Audit-quality initiatives

#### Improving member regulatory compliance

IPA launched the new Quality Review Program (QRP) with improved functionality and reporting. In developing the QRP, the IPA focused on improving compliance rates by reviewing its approach to risk assessment and risk management. This involved revised communications, enhanced resources, targeted education and advance preparation (including a pre-review 'health check'). This resulted in improved compliance rates and increased member engagement in the process.

#### Extending member supervision

To enhance consumer protection, the IPA extended the scope of members requiring a Professional Practice Certificate (PPC) by removing exceptions such as pro bono work and turnover thresholds. These members are now subject to a quality review and all other requirements applying to PPC holders. In addition, IPA enhanced its consumer-facing communications with an emphasis on the professionalism of qualified accountants, the co-regulatory role of professional associations and the role of the Professional Standards Legislation and Councils.

#### Advocating for SMEs

IPA continues to actively contribute to consultations with Treasury, AASB, AUASB and APESB/IESBA about developing sustainability/climate reporting, and ethics and governance standards. IPA advocates for standards that are proportionate to the complexity of our members in the small-to-medium enterprise (SME) sector, such as reducing and/or simplifying disclosures required of SMEs and their assurance. IPA is represented as a member of the Project Advisory Panel to the AASB's other key project of Not-for-Profit Private Sector Financial Reporting Framework for Tier 3 small entities.

### Enhancing professional conduct

IPA completed its Professional Conduct Review with the key purpose of ensuring its complaints and disciplinary system is operating at best practice. This was a root-and-branch review over 2 years, which included extensive consultation and benchmarking. IPA undertook a communication campaign to embed the need for professionalism and restore trust in the profession.

The results of IPA's, CA ANZ's and CPA Australia's programs are summarised in Tables 4.1 and 4.2.

**Table 4.1: Outcomes of review programs – Quality assurance reviews of audit firms**

	IPA <sup>a</sup>				CA ANZ <sup>b</sup>				CPA Australia <sup>c</sup>			
	2022–23		2023–24		2022–23		2023–24		2022–23		2023–24	
	No.	%	No.	%	No.	%	No.	%	No.	%	No.	%
Satisfactory / fully compliant	50	59	23	85	110	81	199	81	55	48	58	44
Corrective actions required	35	41	4	15	23	17	44	18	51	44	73	56
Unsatisfactory / disciplinary action required	0	0	0	0	2	2	1	1	9	8	0	0
<b>Total</b>	<b>85</b>	<b>100</b>	<b>27</b>	<b>100</b>	<b>135<sup>d</sup></b>	<b>100</b>	<b>244<sup>d</sup></b>	<b>100</b>	<b>115</b>	<b>100</b>	<b>131</b>	<b>100</b>

Notes:

- IPA's Quality Review Program (QRP) includes an assessment of member compliance with APES 320 Quality Management for Firms that provide Non-Assurance Services, APES 325 Risk Management for Firms; and ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Information, or Other Assurance or Related Service Engagements. The QRP is conducted mostly at an individual level, with firm reviews being available for entity members. Table 3.3 refers to sole practitioners and Table 3.2 relates to members within multi-partner firms.
- CA ANZ's review program assesses whether a firm has implemented an appropriate system of quality control as set out in APES 320 Quality Management for Firms that provide Non-Assurance Services; and ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements and antecedent standards.
- The CPA Australia Best Practice Program no longer leads to an outcome that results in a re-review/non-compliance. The numbers disclosed in this category represent members with high-priority audit findings that require corrective actions to be evidenced to CPA Australia to achieve a satisfactory assessment outcome. Assessments classified as satisfactory/fully compliant refer to members for whom the findings have resulted in moderate- or low-rated recommendations for improvement. The result for the corrective actions for 2023–24 are attributed to ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Information, or Other Assurance or Related Service Engagements, and members failing to implement an appropriate system of quality management.
- CA ANZ's review of these 244 practices included the work of 293 individual members who complete audit engagements and 380 audit files.
- Results may differ because the professional accounting bodies use different ways to categorise the statuses of 'satisfactory' or 'requires review'. As such, this would affect direct comparability between the bodies' results.
- CPA Australia does not discipline firms, it disciplines members. Therefore, the results this year are zero and not reflective of last year's data, which included firms being referred to the Professional Conduct Unit for non-engagement, rather than firms that were subject to disciplinary actions. These numbers are no longer included in this report.

**Table 4.2: Outcomes of review programs – Quality assurance reviews of individual members<sup>1</sup>**

	IPA <sup>b</sup>					CPA Australia <sup>c</sup>				
	2021–22		2022–23		2023–24	2020–21		2022–23		2023–24
	No.	%	No.	%	%	No.	%	No.	%	%
Satisfactory / fully compliant	33	80	50	59	63	60	97	66	50	39
Requires re-review / non-compliant	8	20	35	41	37	2	3	57	43	60
Unsatisfactory / disciplinary action required	0	0	0	0	0	0	0	9	7	1
<b>Total</b>	<b>41</b>	<b>100</b>	<b>85</b>	<b>100</b>	<b>100</b>	<b>62</b>	<b>100</b>	<b>132</b>	<b>100</b>	<b>100</b>

Notes:

- (a) CA ANZ review program completes quality assurance reviews based on firms, not individual members. Inclusion of individual members is in Table 4.1.
- (b) See note 1 to Table 4.1.
- (c) See note 3 to Table 4.1.
- (d) CPA Australia disciplinary action taken against individual members: The numbers included in 2022–23 were referrals made to the Professional Conduct Unit; however, these numbers do not reflect any disciplinary actions. For 2023–24, the number relates to disciplinary action taken rather than referrals made to the Professional Conduct Unit.

The FRC will continue asking these bodies for updates on their audit quality initiatives, as well as their review processes and outcomes. Access to this information better positions the FRC to identify and advise on the processes used by the PABs for audit quality assurance and auditor discipline. It also better positions the FRC to advise on potential gaps and overlaps in auditor disciplinary responsibilities within the broader financial reporting and regulatory regime.



# 5

## FRC Nominations Committee

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# FRC Nominations Committee

## FRC Nominations Committee members

As at 30 June 2024, the FRC Nominations Committee comprised Rachel Grimes (Chair), Pru Bennett, Andrew Mills, Keith Kendall and Doug Niven.

## Operations of the FRC Nominations Committee

In 2023–24, the FRC Nominations Committee:

- reviewed the composition of – and criteria for appointment to – the AASB and the AUASB
- made recommendations to the FRC for the appointment of members to the AASB and AUASB
- reviewed the succession needs of the AASB and AUASB
- considered and reported to the FRC on the performance of the AASB and AUASB members including through peer review
- recommended to the FRC for Rachel Grimes to be the Nominations Committee Chair.

## Appointment of members to the AASB and AUASB

In 2023–24, the FRC Nominations Committee recommended the following appointments and reappointments to the AASB and AUASB. These recommendations were accepted by the FRC.

### AASB

- **Dean Hanlon** (reappointment commenced 1 January 2024)
- **Toby Langley** (reappointment commenced 1 January 2024)
- **Caroline Spencer** (reappointment commenced 1 January 2024)
- **Moana Overton** (appointment commenced 1 January 2024)
- **Carolyn Cordery** (reappointment commenced 8 February 2024)\*

\*Consistent with Australia and New Zealand continuing to work closely together to facilitate harmonisation of Trans-Tasman standard-setting, Carolyn was reappointed to the AASB on a part-time basis commencing 8 February 2024.

### AUASB

- **Julie Crisp** (reappointment commenced 1 January 2024)
- **Noel Harding** (reappointment commenced 1 January 2024)
- **Michelle Shafizadeh** (reappointment commenced 1 January 2024)

## Attendance at FRC Nominations Committee meetings

The FRC Nominations Committee held 2 meetings in 2023–24. Members' attendance is shown in Table 5.1.

**Table 5.1: FRC Nominations Committee meeting attendance in 2023–24**

Member	Number of eligible meetings attended
Rachel Grimes (Chair)	2 of 2
Andrew Mills	2 of 2
Pru Bennett	2 of 2
Dr Keith Kendall	2 of 2
Doug Niven	2 of 2





## FRC Public Sector Advisory Group

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# FRC Public Sector Advisory Group

The FRC monitors financial reporting and auditing issues relevant to the public sector through its FRC Public Sector Advisory Group (PSAG) (formerly the Public Sector Working Group). It comprises members of the FRC and the public sector.

As of 30 June 2024, the PSAG members were:

- **Amy Fox (Chair)** – Department of Finance
- **Keith Kendall** – Chair of AASB
- **Doug Niven** – Chair of AUASB
- **Jane Meade** – Australian National Audit Office, Australasian Council of Auditors General (ACAG) representative
- **Sean Osbourne** – New South Wales Treasury, Heads of Treasury Accounting and Reporting Advisory Committee representative
- **Lasantha Samaranayake** – Department of Finance, Heads of Treasury Accounting and Reporting Advisory Committee representative.

## Areas of focus for the PSAG for 2024

- Talent attraction and retention in the public sector
- Public sector sustainability reporting
- Audit quality and audit themes in the public sector
- Simplified financial reporting for the public sector

*Financial Report*

*Annual Review*

ANNUAL REPORT

ANNUAL REPORT & ACCOUNTS

ANNUAL REPORT AND ACCOUNTS

INTERIM REPORT

# 7

## FRC membership

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# FRC membership

## FRC members

Members of the FRC are appointed on a part-time basis by the Minister.

The FRC was constituted by a Chair and 8 other members during the reporting year. The term of one member expired on 15 April 2024.

In 2023–24:

- **Doug Niven** was appointed as a member of the FRC from 23 September 2023 to 24 September 2028.
- **Amy Fox** was appointed as a part-time member of the FRC on 28 June 2024. Her term expires on 30 June 2026.
- **Alison White** was appointed as a part-time member of the FRC on 28 June 2024. Her term expires on 30 June 2026.

The FRC would like to thank Tracey Carroll for her significant contribution to the FRC. Tracey was a member of the FRC from 16 April 2021 to 15 April 2024. During this time she also chaired PSAG and played a key role in advancing the FRC's objectives. We extend our gratitude to Tracey for her dedication and leadership over these years.

The FRC thanks Suzanne Bell for her contribution to the FRC over the term of her appointment. Suzanne was appointed to the FRC in 2022. The experience and knowledge Suzanne brought to the FRC during her term is greatly appreciated by the Government and the FRC.

Members as at 30 June 2024



Andrew Mills

Chair of the FRC

Date of appointment:  
30 March 2022

Experience

- Andrew is a Principal Fellow/Associate Professor of the University of Melbourne Law School, Chair of the Independent Planning Commission (NSW) and of Cemeteries & Crematoria NSW and a member of the Board of Tax.
- Andrew has over 40 years experience in public practice, commercial, government and academic roles including Second Commissioner of Taxation at the Australian Taxation Office, Executive Director of The Tax Institute, Director-Partner and Managing Director at Greenwoods & Freehills and as a member or chair of various audit and risk Committees.

Appointment

- Andrew was first appointed as Chair of the FRC and as an FRC member on 30 March 2022.



Amy Fox

Member of the FRC

Date of appointment:  
28 June 2024

Experience

- Amy is currently First Assistant Secretary of the Financial Reporting, Analysis and Management Division at the Department of Finance.
- Amy has over 2 decades of experience in various senior executive roles in the Commonwealth public sector across program, policy and regulatory functions.
- Amy holds a Master of Business Administration from Deakin University and is a fellow of CPA Australia, fellow of Chartered Accountants Australia New Zealand and a graduate of the Australian Institute of Company Directors.

Appointment

- Amy was first appointed to the FRC on 28 June 2024.



### **Dr Keith Kendall**

Member of the FRC

Date of appointment:  
3 May 2020

### **Experience**

- Keith is the Chair of the AASB, where he helms the AASB's work to develop, issue and maintain principles-based Australian accounting and external reporting standards that meet user needs and enhance external reporting consistency for the Australian economy.
- Keith has 25 years experience across law, academia, accounting and government, having previously been a partner at Rigby Cooke Lawyers, a barrister, a Senior Lecturer at La Trobe University and a member of the Administrative Appeals Tribunal.

### **Appointment**

- Keith was first appointed to the FRC on 3 May 2020.



### **Alison White**

Member of the FRC

Date of appointment:  
28 June 2024

### **Experience**

- 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, specialising in the resolution of complex accounting issues.
- Alison served as a member of the Australian Accounting Standards Board (AASB) and has recently completed her 6-year term, with the last 3 years 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.

### **Appointment**

- Alison was first appointed to the FRC on 28 June 2024.



**Michele Embling**

Member of the FRC

Date of appointment:  
10 October 2019

**Experience**

- Michele is an experienced Chair and Board Member for multiple private, not for profit, and public sector entities. She is Chair of the External Reporting Board in New Zealand.
- Other governance roles include Transpower New Zealand Limited, AIA New Zealand Limited, IAG New Zealand Limited, Toitū Tahua – The Centre for Sustainable Finance, and the University of Auckland’s Business School Advisory Board.
- Michele served as Chair of PwC in New Zealand from 2016 to 2020. She served as Co-Chair of Champions for Change from 2018 to 2020 and board member Deputy Chair of Global Women from 2011 to 2018.
- Michele is a fellow of Chartered Accountants Australia and New Zealand and a former member of their Nominations and Governance Committee.

**Appointment**

- Michele was first appointed to the FRC on 10 October 2019.



### **Emma Herd**

Member of the FRC

Date of appointment:  
22 November 2022

### **Experience**

- Emma has 25 years experience in finance, sustainability, and non-financial reporting with specialisation in commercial climate change finance and investment. She is currently a Partner of Climate Change and Sustainability Services at EY Oceania.
- Emma's previous roles include Chief Executive Officer of Investor Group on Climate Change, Environment Commissioner with the Greater Cities Commission, Head of Sustainability and Executive Director, Emissions and Environment both at Westpac Institutional Bank.
- Emma's qualifications include a Bachelor of Asian Studies (Thai) and United Nations Environment Programme Finance Initiative/United Nations Institute for Training and Research Climate Change: Risks and Opportunities for the Finance Sector certification.

### **Appointment**

- Emma was appointed to the FRC on 22 November 2022.



**Rachel Grimes AM**

Member of the FRC

Date of appointment:  
9 June 2023

**Experience**

- Rachel has more than 30 years experience in the financial services sector. Rachel is an experienced non-executive director and Chartered Accountant. Rachel has held senior roles in Finance at Westpac, BT and Challenger including CFO and Director of Mergers and Acquisitions. Rachel is currently on the HUB24 Board, the Australian payments Plus Board, The Accounting Professional and Ethical Standards Board and is Deputy Chair of the Digital Finance Co-operative Research Centre.
- Rachel was elected President of the International Federation of Accountants 2016 to 2018 and was President of Chartered Accountants Australia and New Zealand in 2011.
- In 2022, Rachel was appointed a Member of the Order of Australia for significant service to business in the field of accountancy and to professional associations.

**Appointment**

- Rachel was appointed to the FRC on 9 June 2023.



**Pru Bennett**

Member of the FRC

Date of appointment:  
9 June 2023

**Experience**

- With over 30 years experience, Pru is a Partner at global advisory firm, Brunswick Group and Chair of the National Foundation for Australia China Relations.
- Pru is a member of the Monetary Authority of Singapore's Corporate Governance Advisory Committee, a Council Member of the Asian Corporate Governance Association and a member of Deakin University Integrated Reporting Centre Advisory Board. She is a Fellow of Chartered Accountants Australia and New Zealand, a graduate of the Australian Institute of Company Directors, and has a Bachelor of Commerce from the University of New South Wales.

**Appointment**

- Pru was appointed to the FRC on 9 June 2023.



### **Doug Niven**

Member of the FRC

Date of appointment:  
5 September 2023

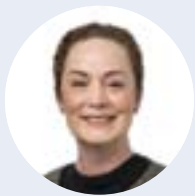
### **Experience**

- Doug is the full-time Chair and CEO of the Auditing and Assurance Standards Board (AUASB). He brings over 40 years experience in financial reporting and auditing.
- Doug previously served as Chief Accountant at ASIC, where he managed strategy, policy and technical issues related to financial reporting and audit. He also led ASIC's financial reporting and audit surveillance programs. Doug has been involved in various international committees, including the International Organisation of Securities Commissions (IOSCO) Committee and the International Forum of Independent Audit Regulators (IFIAR), contributing to global financial reporting and audit quality initiatives and regulatory guidance development.

### **Appointment**

- Doug was appointed to the FRC on 5 September 2023.

Former members



**Tracey Carroll**

Former Deputy Chair  
of the FRC

**Experience**

- Tracey is First Assistant Secretary, Governance and Grants Division in the Department of Finance.
- Tracey has over 20 years experience in the financial reporting sector with more than 15 years' experience in public sector finance and accounting, including in various senior executive roles in the Australian Public Service.



**Suzanne Bell**

Former Chair  
of the FRC

**Experience**

- Suzanne is a partner at KPMG, where she specialises in the audits of large multinational-listed clients in the transportation and logistics, and consumer and industrial markets industries.
- Suzanne has over 30 years experience in the provision of audit and advisory services, including to clients ranging from start-ups to some of Australia's largest global companies. She is also a member of the Audit Executive and has previously led People Experience. Suzanne is a former Board member of Plan International Australia and the Melbourne Fringe Festival.

## Transparency

In 2023–24, the FRC continued to allow members of the public to observe its meetings, demonstrating the FRC's strong commitment to transparency and stakeholder engagement.

## Disclosure and conflict of interests

The FRC has processes to manage conflicts of interest of members. Members are required to disclose relevant interests both on their appointment and at the commencement of FRC meetings. The FRC also maintains a register of interests.

## Attendance at FRC meetings

The FRC held 4 meetings in 2023–24 in September, November, March and June. Members' attendance is shown in Table 7.1.

**Table 7.1: FRC meeting attendance in 2023–24**

Member	No. meetings attended/No. eligible to attend
Andrew Mills (Chair)	5 of 5
Emma Herd	4 of 5
Rachel Grime AM	5 of 5
Pru Bennett	5 of 5
Dr Keith Kendall	5 of 5
Doug Niven	5 of 5
Suzanne Bell	2 of 3
Tracey Carroll	2 of 3
Michele Embling	3 of 3
Amy Fox	0 of 0*
Alison White	0 of 0*

\*Amy Fox and Alison White attended the June 2024 quarterly meeting as guests.



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## Other matters

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# Other matters

## Communication and consultation

The FRC primarily communicates and consults with stakeholders and other interest groups via meetings and through its website ([www.frc.gov.au](http://www.frc.gov.au)). Key stakeholders are invited to prepare a stakeholder report for each FRC meeting. A communique from each FRC meeting is published on the website and distributed to key stakeholders. The website also includes information about FRC members, minutes of meetings, published reports and procedural rules.

The FRC did not use its formal information gathering powers under section 225A of the ASIC Act in 2023–24.

The FRC thanks all stakeholders who supported its work by providing requested information and data.

## Finances

In 2023–24, the Australian Government provided funding through the Treasury to support the FRC. The FRC's Secretariat is provided by staff of Treasury's Markets Group. Expenditure and performance of its functions are included in Treasury's annual financial statements.

Information about the funding of the AASB and AUASB (including the sources of that funding) is included in the annual report of the AASB and AUASB.

## Australian Public Service Net Zero 2030 – Public Reporting on Government Emissions

As a secondary statutory body, the FRC is not separately reporting on the emissions from their operations as part of the Australian Public Service (APS) Net Zero 2030 policy.

The FRC has been accounted for as part of the emissions reporting in the 2023–24 Annual Report of the Department of the Treasury.<sup>1</sup>

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<sup>1</sup> Treasury Annual Report 2023–24, 'Appendices – Ecologically sustainable development and environmental performance' (2024).

## **Information Publication Scheme**

Agencies subject to the *Freedom of Information Act 1982* (FOI Act) are required to publish information as part of the Information Publication Scheme. This requirement is in Part II of the FOI Act. Each agency must display a plan on its website showing what information it publishes in accordance with the Information Publication Scheme requirements. All information published by the FRC can be accessed from links on the home page of the FRC's website ([www.frc.gov.au](http://www.frc.gov.au)).

## **Regulation Impact Statements**

The FRC did not submit any Regulation Impact Statements in 2023–24.





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## Glossary

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# Glossary

<b>AASB</b>	Australian Accounting Standards Board
<b>ACNC</b>	Australian Charities and Not-for-profits Commission
<b>AcSB</b>	Canadian Accounting Standards Board
<b>AOSSG</b>	Asian-Oceanian Standard-Setters Group
<b>APESB</b>	Accounting Professional & Ethical Standards Board
<b>APRA</b>	Australian Prudential Regulation Authority
<b>APS</b>	Australian Public Service
<b>ASIC</b>	Australian Securities and Investments Commission
<b>ASIC Act</b>	Australian Securities and Investments Commission Act 2001
<b>ASRS</b>	Australian Sustainability Reporting Standards
<b>ASX</b>	Australian Securities Exchange
<b>AUASB</b>	Auditing and Assurance Standards Board
<b>Australian standard-setting boards</b>	Australian Sustainability Reporting Standards and Auditing and Assurance Standards Board
<b>CA ANZ</b>	Chartered Accountants Australia and New Zealand
<b>CEDS</b>	Consolidated Entity Disclosure Statement
<b>CPA</b>	CPA Australia
<b>FRC</b>	Financial Reporting Council
<b>GAAP</b>	Generally Accepted Accounting Principles
<b>GFS</b>	Government Finance Statistic
<b>HoTARAC</b>	Heads of Treasury Accounting and Reporting Advisory Committee
<b>IAASB</b>	International Auditing and Assurance Standards Board
<b>IASB</b>	International Accounting Standards Board
<b>IESBA</b>	International Ethics Standards Board for Accountants
<b>IFIAR</b>	International Forum of Independent Audit Regulators
<b>IFRS</b>	International Financial Reporting Standards
<b>IOSCO</b>	International Organisation of Securities Commissions
<b>IPA</b>	Institute of Public Accountants
<b>IPSASB</b>	International Public Sector Accounting Standards Board
<b>ISA</b>	International Standards on Auditing
<b>ISSA</b>	International Standard on Sustainability Assurance
<b>ISSB</b>	International Sustainability Standards Board
<b>NZASB</b>	New Zealand Accounting Standards Board
<b>NZAuASB</b>	New Zealand Auditing and Assurance Standards Board
<b>OFR</b>	Operating and Financial Review
<b>PABs</b>	Professional Accounting Bodies
<b>PJC</b>	Parliamentary Joint Committee on Corporations and Financial Services
<b>PPC</b>	Professional Practice Certificate
<b>PSAG</b>	Public Sector Advisory Group
<b>QRP</b>	Quality Review Program
<b>RCA</b>	Registered Company Auditor
<b>SAC</b>	Stakeholder Advisory Council of IAASB and IESBA
<b>XRB</b>	External Reporting Board of New Zealand

