



## AGENDA – 112<sup>TH</sup> FRC MEETING

**Date:** 4 December 2024

**Time:** 08:50 – 16:35

**Location:** Level 29, 201 Kent Street, Sydney NSW 2000, 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](mailto:secretariat@frc.gov.au) detailing:

- Name
- Affiliation
- Contact details

Item	Report by	Time
<b>PUBLIC SESSION</b>		
<b>1. Introduction</b>		08:50
A. Acknowledgement of country B. Attendees and apologies C. Declarations of interest	Chair	
<b>2. UK model for a merged financial reporting body</b>	Mark Babington (Executive Director, Regulatory Standards of the UK Financial Reporting Council)	09:00
<b>3. Matters for noting / action</b>		09:30
A. Minutes of previous meeting – 19 September 2024 B. Action items	Chair Chair/Secretariat	
<b>4. Environmental scan</b>		09:45
A. Member reflections B. Stakeholder reports	All Secretariat	
<b>5. Monitoring and influencing international developments per ASIC Act s 225(2)(e) to (2)(f) and s 225(2A)(f) to (2A)(g)</b>		10:15
A. XRB update B. International developments (including recent media releases)	Michele Embling FRC	
<b>Morning tea</b>		10:45

Item	Report by	Time
<b>6. Final report of Parliamentary Joint Committee on Corporations and Financial Services on <i>Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry</i></b>	Chair	11:00
<b>7. Professional development pathways</b>	Amir Ghandar Simon Grant (CA ANZ)	12:00
<b>Lunch</b>		12:30
<b>8. Update from Accounting Professional &amp; Ethical Standards Board</b>	Channa Wijesinghe Jacinta Hanrahan (APESB)	13:30
<b>9. Address from new Auditor-General for Australia</b>	Caralee McLiesh (Auditor-General, ANAO)	14:00
<b>10. Oversight of Australian Standards (Accounting and Auditing) per ASIC Act s 225(1) to (2A)</b>		14:20
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	
<b>11. Public Sector Advisory Group per ASIC Act s 225(2)(g), (2)(h)(i) and s 225(2A)(g) and (2A)(h)(i)</b>	Amy Fox	15:05
<b>12. Other business</b>		15:20
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	
<b>13. Next meeting</b>	Chair	15:35
12 March 2025 – Melbourne		
<b>PRIVATE SESSION</b>		
<b>14. Matters for private session</b>		15:35
<b>Meeting close</b>		16:35

## 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

The attendees and apologies for this meeting are listed below.

### ACTION

- FRC to note.

Participant – FRC Members	Organisation
Andrew Mills	Chair
Keith Kendall	AASB Chair
Doug Niven	AUASB Chair
Michele Embling	XRB
Rachel Grimes	Digital Finance CRC
Pru Bennett	Brunswick Group
Emma Herd	EY
Amy Fox	Department of Finance
Alison White	Deloitte

Guests	Organisation
Mark Babington	UK Financial Reporting Council
Thea Eszenyi	ASIC
Claire LaBouchardiere	ASIC
Luci Tucker	ASIC
Shane Barbetti	ASIC
Anne Waters	Office of the AUASB
Justin Williams	AASB
Caralee McLiesh	Auditor-General, ANAO
Channa Wijesinghe	APESB
Jacinta Hanrahan	APESB
Amir Ghandar	CA ANZ
Simon Grant	CA ANZ
Vaishali Dave	Treasury
Tom Dickson	Treasury
Jacqueline Dixon	Treasury
Adam Foda	Treasury

Observers	Organisation
Jesse Chen	Treasury
Christie Yang	Treasury

Apologies	Organisation



## DECLARATIONS OF INTEREST

Attached are members' Declarations of Interest.

### **ACTION**

FRC members to:

- 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 26 November 2024

<b>FRC Member</b>	<b>Stakeholder / Professional / Organisational Affiliations</b>	<b>Employment / Other Positions Held</b>	<b>Other Interests</b>
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, 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>Council Member Asian Corporate Governance Association</p> <p>Member Singapore Institute of Company Directors</p> <p>Member of the Monetary Authority of Singapore's Corporate Governance Advisory Council</p> <p>Member of Deakin University Integrated Reporting Centre Advisory Board</p>	<p>Partner Brunswick Group</p> <p>Member of the Advisory Council for Oasis Capital Hong Kong</p> <p>Member of the Sustainability Advisory Council for Link REIT</p>	<p>Director of Bened Pty Limited</p> <p>Director of Milliam Pty Limited</p> <p>Director of Brunswick Advisory Pty Limited</p>

FRC Member	Stakeholder / Professional / Organisational Affiliations	Employment / Other Positions Held	Other Interests
	Board member Asian Investor Group on Climate Change		
Ms Rachel Grimes AM	<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>Member of the Board of Platinum Asset Management Limited.</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 2

4 DECEMBER 2024

### UK MODEL FOR A MERGED FINANCIAL REPORTING BODY

Mark Babington of the UK Financial Reporting Council will provide a presentation on the UK model for a merged financial reporting body.

#### **ACTION**

- FRC to note.



## **MINUTES OF PREVIOUS MEETING**

### **DESCRIPTION**

Attached are the minutes from the FRC meeting held on 19 September 2024, which have been published on the FRC website.

### **ACTION**

- FRC to note.

# MINUTES

**DATE:** Thursday 19 September 2024  
**TIME:** 09:30 – 12:45  
**LOCATION:** Level 16, 530 Collins Street MELBOURNE VIC 3000 AUSTRALIA

ITEM	AGENDA ITEM	
<b>PUBLIC SESSION</b>		
<b>1</b>	<b>INTRODUCTION</b>	
<b>1A</b>	The Chair began with an acknowledgement of country and welcomed all attendees to the meeting.	
<b>1B</b>	<b>ATTENDEES AND APOLOGIES</b>	
	<b>Members in attendance:</b>	<b>Observers:</b>
	Andrew Mills (Chair)	Mitchell Buckingham (Treasury)
	Dr Keith Kendall (AASB Chair)	Jesse Chen (Treasury)
	Doug Niven (AUASB Chair)	Christie Yang (Treasury)
	Rachel Grimes	Abed Ayyash (Treasury)
	Emma Herd	Adam Foda (Treasury)
	Pru Bennett	
	Amy Fox	
	Alison White	
	<b>Guests:</b>	<b>Apologies:</b>
	April Mackenzie (XRB)	Michele Embling (XRB Chair)
	Anne Waters (AUASB)	Thea Eszenyi (ASIC)
	Luci Tucker (ASIC)	
	Andrew Conway (Institute of Public Accountants)	
	Prof Philomena Leung (Institute of Public Accountants)	
	Claire LaBouchardiere (ASIC)	
	John Ngiam (CA ANZ) - virtual	
	Tiffany Tan (CPA) - virtual	
	Nikole Gyles (Greenway Avenue Consulting)	

<b>1C</b>	<b>DECLARATIONS OF INTEREST</b>
	<p>Pru Bennett declared that she is no longer a Director at the UN Global Compact Network Australia.</p> <p>Rachel Grimes declared her appointment to the Board of Platinum Asset Management Limited.</p> <p>Other members did not raise any changes to their declarations of interest.</p>
<b>1D</b>	<b>NEW FRC APPOINTMENTS</b>
	<p>Members formally welcomed Amy Fox and Alison White as part-time members of the Financial Reporting Council (FRC) who commenced on 28 June 2024.</p>
<b>2</b>	<b>MATTERS FOR NOTING / ACTION</b>
<b>2A</b>	<b>MINUTES OF PREVIOUS MEETING – 25 JUNE 2024</b>
	<p>Members noted the minutes from the FRC meeting on 25 June 2024 which had been approved out-of-session.</p>
<b>2B</b>	<b>ACTION ITEMS</b>
	<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 to report back on its comment letters to the IASB regarding renewable energy reporting standard is still a work in progress.</p> <p>Members also noted that the Nominations Committee will consider the scope of the Nominations Committee Charter to include international nominations in their future meetings.</p>
<b>3</b>	<b>ENVIRONMENTAL SCAN</b>
<b>3A</b>	<b>MEMBERS REFLECTIONS</b>
	<p>Members acknowledged the advantages of digital reporting, noting that investors are recognising utility in digital reporting for more reliable and accessible information. Discussion highlighted the importance of digital reporting in enhancing transparency and efficiency for report users. Members identified several challenges that need to be addressed, notably the absence of mandatory requirements, which complicates widespread adoption.</p> <p>Members also discussed the significance of collaboration between regulators and the need for education on assurance in sustainability reporting. Discussions also highlighted that the integration of financial and sustainability reporting is essential to provide a more holistic view of a company's performance.</p>
<b>3B</b>	<b>STAKEHOLDER REPORTS</b>
	<p>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 clearer guidance on climate-related disclosures and alignment with International Sustainability Standard Board (ISSB) standards.</p>

	Members also discussed the continuing challenges in resourcing within the audit profession, particularly the need for skills and expertise in climate reporting assurance, as well as attracting new talent to the profession.
<b>4</b>	<b>OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING)</b>
<b>4A</b>	<b>AASB REPORT</b>
	<p>Keith Kendall provided a verbal update on the AASB’s ongoing work:</p> <ul style="list-style-type: none"> <li>• With the passage of the relevant enabling legislation, the AASB is finalising sustainability reporting standards, and the board will hold a meeting to vote on the pronouncement of AASB S1 and AASB S2.</li> <li>• The AASB is drafting new standards for non-profit entities within Tier 3.</li> <li>• The AASB is working on the Service Performance Reporting project, which focuses on how non-profit and public sector entities measure performance where profit is not a key factor.</li> </ul>
<b>4B</b>	<b>AUASB REPORT</b>
	<p>Doug Niven provided a verbal update of the AUASB’s developments in financial auditing, assurance, and sustainability:</p> <ul style="list-style-type: none"> <li>• The AUASB is focused on ensuring proper implementation of standards and ongoing education for auditors, especially in sustainability-related financial disclosures.</li> <li>• Doug noted that the International Auditing and Assurance Standards Board (IAASB) is considering the proposed International Standard on Sustainability Assurance (ISSA) 5000 and the Public Interest Oversight Board (PIOB) will be considering this standard in late 2024. Stakeholder feedback has been supportive of Australia adopting this standard with supplementary guidance for assurance under the local reporting framework.</li> </ul>
<b>5</b>	<b>MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS</b>
<b>5A</b>	<b>XRB UPDATE</b>
	<p>April Mackenzie on behalf of the Chair of the New Zealand External Reporting Board (XRB), Michele Embling, provided a verbal update:</p> <ul style="list-style-type: none"> <li>• April noted that New Zealand is in its second year of the sustainability reporting regime. Climate Reporting Entities, that are also managed investment schemes, are required to report at the fund level, providing a more granular view of climate-related financial exposures.</li> <li>• April noted the challenges in capability and market preparedness, particularly in climate-related data, leading to increased costs and barriers in the assurance process.</li> </ul> <p>The Chair noted that April Mackenzie will retire at the end of 2024 and thanked her for her contributions to the FRC over her time as XRB Chief Executive.</p>

<b>5B</b>	<b>INTERNATIONAL DEVELOPMENTS</b>
	Members noted the information attached in the meeting pack.
<b>6</b>	<b>PUBLIC SECTOR ADVISORY GROUP</b>
	<p>Amy Fox, as the new Public Sector Advisory Group (PSAG) Chair, discussed key themes raised in the recent PSAG meeting, including:</p> <ul style="list-style-type: none"> <li>Challenges in attracting talent to the accounting profession – universities are collaborating with professional bodies such as CA ANZ and CPA to develop targeted programs, campaigns and opportunities to attract graduates and young professionals into public sector accounting roles.</li> <li>Challenges in retaining skilled professionals and experienced staff are creating a capability gap in the public sector. A number of initiatives are being developed, including a CFO leadership program, to address the issues and help uplift the capabilities of public sector accountants and provide clearer pathways for career progression.</li> <li>Noted that the International Monetary Fund (IMF) is conducting a review of the Government Finance Statistics (GFS) Framework, which will be completed by 2027.</li> <li>Recommended extending an invitation to Dr Caralee McLiesh PSM, the new Auditor-General for Australia, to attend a future FRC meeting to share insights on the challenges and opportunities within public sector reporting and auditing.</li> </ul>
<b>7</b>	<b>PROFESSIONAL DEVELOPMENT PATHWAYS</b>
	<p>Andrew Conway and Professor Philomena Leung from the Institute of Public Accountants (IPA) provided a presentation on the evolving professional development pathways in accounting:</p> <ul style="list-style-type: none"> <li>IPA identified a growing call for universities to transition from traditional lecture-exam models to a focus on skills-based demonstrations and vocational training.</li> <li>IPA is developing a Global Certificate of Public Accounting, aiming to incorporate competencies in sustainability, digitalisation and cybersecurity into existing competencies demanded by the employers.</li> <li>IPA discussed how to use micro-credential as a key tool to enhance professional development in these areas.</li> </ul>
<b>8</b>	<b>OTHER BUSINESS</b>
<b>8A</b>	<b>NOMINATIONS COMMITTEE</b>
	<p>Rachel Grimes AM, as Chair of the Nominations Committee, noted that on 31 December 2024, the terms of three AASB members and three AUASB members will expire.</p> <p>Rachel discussed the recruitment process and the interview process.</p>

<b>8B</b>	<b>CORRESPONDENCE RECEIVED AND SENT</b>
	Members noted the correspondence sent.
<b>8C</b>	<b>KEY ACTION ITEMS SUMMARY</b>
	<p><b>Action Items</b></p> <ul style="list-style-type: none"> <li>• AASB to engage with entities on digital reporting and the form of disclosures.</li> <li>• Nomination Committee to finalise the recruitment process for new AUASB/AASB members and inform candidates about the recruitment outcome.</li> <li>• FRC Secretariat to work with the FRC Chair to invite the Chief Executive Officer of APESB, Channa Wijesinghe and the new auditor general, Dr Caralee McLiesh PSM, to the next meeting.</li> </ul>
<b>9</b>	<b>NEXT MEETING</b>
	Next meeting will be held on 4 December at the Sydney Treasury Office.
	<b>Public session closed at 13:15.</b>





## ITEM 3B

4 DECEMBER 2024

### ACTION ITEMS

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

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

#### **ACTION**

- FRC to note.

## ACTION ITEMS

### 19 SEPTEMBER 2024 ACTION ITEMS

Number	ISSUE	Action required	Owners	Status
1.	<b>NOMINATIONS COMMITTEE</b>	Nomination Committee to finalise the recruitment process for new AUASB/AASB members and inform candidates about the recruitment outcome.	FRC Secretariat	<b>Completed</b>
2.	<b>OVERSIGHT OF AASB AND AUASB</b>	AASB to engage with entities on digital reporting and the form of disclosures.	AASB	<b>In progress</b>
3.	<b>FRC SECRETARIAT</b>	FRC Secretariat to work with the FRC Chair to invite the Chief Executive Officer of APESB, Channa Wijesinghe and the new auditor general, Dr Caralee McLiesh PSM, to the next meeting.	FRC Secretariat	<b>Completed</b>

## 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.
2.	INTERNATIONAL NOMINATIONS	Explore whether identified candidates for international roles should be put forward for nomination.	FRC Secretariat	In progress

**ACTION ITEMS**

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



## ITEM 4A

4 DECEMBER 2024

### MEMBER REFLECTIONS

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

#### **ACTION**

- FRC to note contemporary and relevant matters.



## STAKEHOLDER REPORTS

On 21 October 2024, the FRC Secretariat sent specific questions targeted at governance (**Attachment A**) to some stakeholders and sent the standard stakeholder report template to others.

A summary of key themes in stakeholder meetings can be found at **Attachment B**.

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.

Sustainability and climate reporting remain the prevalent themes to emerge from stakeholder meetings. Other key themes include whistleblower protection and a potential for a more consistent and harmonised regulatory framework and disciplinary standards, as well as challenges of attracting new talent to the profession. Stakeholders noted the need for consistency in regulation and standards in the auditing sector as a significant challenge for auditors.

### ACTION

- FRC to discuss the stakeholder reports.
- FRC Chair to provide a verbal update of stakeholder meetings.

## STAKEHOLDER REPORT:

### KEY ISSUES/DEVELOPMENTS

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

### KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

### SPECIFIC QUESTIONS FOR STAKEHOLDERS

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

- *Have your organisation/members identified any specific aspects of digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*
  - *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*
- *What activities are being undertaken in relation to the recent developments of sustainability reporting and 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.*

## ATTACHMENT B

Topics covered at stakeholder meetings include:

### Current Objectives/Developments

1. Views on the regulation of accounting firms in Australia/ASIC role.
2. 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?
3. What activities are being undertaken in relation to recent developments in sustainability reporting and assurance?
  - Resourcing for sustainability reporting and assurance
4. Views on the proposed merger of the FRC, AASB and AUASB

### Current challenges

1. Possible improvements for financial reporting and auditing – e.g., digital reporting.
2. Training and professional development in the auditing profession.

### **Key themes**

- Ethical conduct and standards
  - There is a recognised importance of ethical standards in internal auditing.
  - Need to ensure the standards of ethical behaviour and adherence to principles-based work embedded in the profession so that organisations understand what they are getting.
- Internal vs. External Audit Relationships
  - Discussion on whether external auditors should rely on internal audit work, especially in complex areas like sustainability and ESG (Environmental, Social, and Governance).
- Regulatory framework
  - Stakeholders advocate for a more robust regulation and oversight of internal auditors.
  - There is a call for a stronger regulatory framework to oversee partnership model and ensure better employee governance and accountability.
- Digital reporting
  - The increasing importance of data governance and AI in auditing, particularly as digital reporting grows, calls for careful attention to trust, security, and data accessibility.
  - Additionally, technology issues and data accessibility are identified as key obstacles to have digital reporting be more widely adopted.



Stakeholder	Date	Attendees
<b>Institute of Internal Auditors</b>	16 October 2024	Andrew Mills (FRC Chair) Jesse Chen (FRC Secretariat) Ben Mills (FRC Secretariat) Trish Hyde - (CEO)
<b>Governance Institute of AUSTRALIA</b>	16 October 2024	Andrew Mills (FRC Chair) Jesse Chen (FRC Secretariat) Ben Mills (FRC Secretariat) Megan Motto - (CEO)

# 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.*

- The ACNC made a submission to the Senate Standing Committees on Economics inquiry into Not-For-Profit Entities Tax Assessments and the ACNC attended at the inquiry public hearing on 22 October 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.*

- The 2024 Annual Information Statement was launched in early September 2024.
- The ACNC is hosting a [webinar](#) on 12 November 2024 for charities reporting to the ACNC for the first time.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*
  - *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*

No specific aspects/areas of digital reporting have been identified.

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

The ACNC is monitoring developments, currently ACNC registered charities are exempt from the new sustainability reporting requirements.

## OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

- Following our regular liaison meetings with AASB and AUASB, we will incorporate two additional checks in our review of charity financial reports:

- Compliance with AASB 1054.9A(d) by reviewing that the notes to the financial statements include a disclosure stating compliance with all recognition and measurement (R&M) requirements.
- Compliance with AASB 1054.9A(c) by capturing any disclosed accounting policies in the financial statements that do not comply with R&M requirements.

# 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 continues to engage with the AASB staff to ensure that its work on sustainability is complementary to the AASB's existing work on standards. For example, APRA is engaging with the AASB (Australian Accounting Standards Board) staff as part of the project of the Council of Financial Regulators on sustainable data challenges. The Sustainable Data Project is intending to provide advice on potential Government and regulator responses to data challenges across four workstreams:

1. Access to corporate climate data
2. Scope 3 emissions
3. Physical and transition risk data
4. Nature-related data

This project came at the request of the Treasurer and is primarily concerned with data for the purpose of climate disclosure, but also extends further in some areas, such as nature. APRA is also sharing information on AASB funded academic research relating to climate-related disclosures.

## 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 (Auditing and Assurance Standards Board) on areas of mutual interest. Present focus areas have included developments relating to financial instruments, insurance, superannuation and sustainability. APRA is contributing to the work of the AUASB relating to the development of guidance for APRA superannuation funds. This guidance is being refreshed to reflect the new financial reporting and auditing legislative arrangements which have come into effect from 1 July 2023.

## 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 welcomes the AASB's finalisation

of AASB S1 (on a voluntary basis) and AASB S2 (on a mandatory basis) in Australia which is largely aligned with ISSB (International Sustainability Standards Board) standards. 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 climate-related 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: BUSINESS COUNCIL OF AUSTRALIA

## KEY ISSUES/DEVELOPMENTS

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

- Business Council of Australia members are significantly impacted by increased reporting obligations arising from a range of policy areas, including tax, competition, corporate governance obligations, climate and sustainability reporting.
- While enhanced reporting obligations are to be expected given broadening government policy objectives, more attention needs to be paid to the cumulative burden imposed by these obligations and the sequencing of changes to avoid over-burdening the business community in ways that might affect the cost of capital and investor confidence.

## 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.*

- BCA participated in the government's merger reform and merger notification thresholds consultation, noting the increased reporting obligations arising from the proposed compulsory notification regime.
- BCA has participated in a number of consultations relating to the Treasury, and related, reviews of regulation of accounting, auditing and consulting firms in Australia.
- BCA has participated in a number of consultations relating to multinational tax obligations, including proposed changes to tax transparency arrangements, including country by country reporting.
- BCA has participated in a number of consultations relating to climate-related disclosures and climate-related financial reporting and BCA members continue to engage with government on climate-related disclosures and climate-related financial reporting, as well as compliance with the Safeguard Mechanism.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*
  - *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*
- *What activities are being undertaken in relation to the recent developments of sustainability reporting and 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.*

- BCA participated in the government consultation on regulation of accounting, auditing and consulting firms in Australia. A key area of focus for BCA member companies is around ensuring high quality audits.
- The overarching feedback from BCA member companies that use audit services is that any proposed changes must not harm or undermine the quality of the audit processes on which they depend.

# STAKEHOLDER REPORT: AUSTRALIAN BUSINESS REPORTING LEADERS FORUM (BRLF<sup>1</sup>)

## KEY ISSUES/DEVELOPMENTS

### New Sustainability Reporting Legislation

Our 3<sup>rd</sup> Quarter report commented on the new sustainability reporting legislation and Australian Sustainability Reporting Standards, noting with endorsement that the standards are aligned with the global baseline of IFRS Sustainability Disclosure Standards, while commenting on what we believe was a lost opportunity in the legislation for more integration in reporting. Set out below for the attention of the FRC are further developments.

### **Integrated Reporting / Integration in Reporting**

In relation to the standards, we continue to believe that the best location for sustainability disclosures is in an integrated report prepared under the Integrated Reporting Framework. For now, organisations can prepare their sustainability reports under the Integrated Reporting Framework.

Combined with other actions designed to minimise the amount of reports that an organisation prepares (for example, the information currently in OFRs can be located in sustainability reports<sup>2</sup>), the benefits of integrated reporting can still be achieved without adding to the reporting burden and significant costs.

In time, legislative change will be necessary. The ideal timing for this could be when the Corporations and ASIC Acts are changed to accommodate reform of the FRC, AASB and AUASB, and ideally when the IFRS Foundation makes substantive announcements on the importance of integrated reporting in the corporate reporting system.

A letter of September 2024 to Erkki Liikanen, Chair of the IFRS Foundation Trustees, by John Stanhope urged the Trustees to make such an announcement as soon as possible.

We have discussed this letter with Integrated Reporting Communities who have been successful with their integrated reporting adoption over the last decade including Japan, the Netherlands, Italy, Brazil, Turkey and South Africa. They share similar views to us and are also communicating with the IFRS Foundation.

John Stanhope and Michael Bray discussed our ideas on this area with Andrew Mills in October 2024.

### **Australian Sustainability Reporting Standards**

In relation to the standards, we note that the Australian equivalent of IFRS Sustainability Disclosure Standard S1 (AASB 2, 'Climate-related Disclosures') is a mandatory standard, while the Australian equivalent of IFRS Sustainability Disclosure Standard S1 (AASB 1, 'General Requirements for Disclosure of Sustainability-related Financial Information') is a voluntary standard.

Notwithstanding S1 being a voluntary standard, companies with international investors will potentially want to simultaneously claim compliance with both Australian Sustainability Reporting Standards and IFRS Sustainability Disclosure Standards, including both AASB 1 and IFRS S2.

### IFRS Foundation Integrated Thinking and Reporting Conferences

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<sup>1</sup> 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.

<sup>2</sup> Consultations by ASIC on RG 247 and the 5<sup>th</sup> Edition of the ASX Corporate Governance Principles and Recommendations will shape what is possible on a voluntary basis.



Integrated Thinking and Reporting Conferences now have an important place on the IFRS Foundation agenda.

### **IFRS Foundation Integrated Thinking and Reporting Conference, Milan, 18 October 2024**

Attendees heard from speakers including Andreas Barkow and Linda Mezon-Hutter (Chair and Vice-Chair of the International Accounting Standards Board), Emmanuel Faber and Sue Lloyd Chair and Vice-Chair of the International Sustainability Standards Board), Jonathan Labrey (Chief Connectivity and Integrated Reporting Officer, IFRS Foundation), Bruce Thomas (Finance executive, Nedbank), Ian Bishop (Head of Accounting, Consolidation and External Reporting, Roche), and Charles Tilley (Chair of the Integrated Reporting and Connectivity Council).

The following were the six takeaways (contained in a paper on the IFRS Foundation website: [IFRS - Integrated Reporting and Thinking Conference 2024—key takeaways](#)) from the conference:

1. The Integrated Reporting Framework is a powerful tool for aiding companies to adopt IFRS S1 and IFRS S2.
2. Integrated thinking helps companies break down silos and strengthen governance.
3. Using IFRS S1 and IFRS S2 has benefits for preparers who already publish integrated reports.
4. Integrated reports provide a useful location for investor-focused information.
5. The Integrated Reporting Framework remains an important resource for the IASB and ISSB.
6. The Integrated Reporting stakeholder community is wide and active—we want your participation in our ongoing work.

A summary of the key takeaways can be found here: [IFRS - Integrated Reporting and Thinking Conference 2024—key takeaways](#).

Unfortunately, few Australians attended the Conference, and no announcements about the future of integrated reporting have emerged to date. We will continue to work with other Integrated Reporting Communities around the world in advocating for such announcements. We keep the FRC up to date on this matter.

### **IFRS Foundation Integrated Thinking and Reporting Conference, Tokyo, 3 April 2025**

The next Integrated Thinking and Reporting Conference will be held in Tokyo on 3 April 2025. Side events with integrated reporting leaders will be held before and after the conference.

Japan is the global leader for integrated reporting adoption. Based on research conducted by the Corporate Value Reporting Lab, as of 2023, more than 1,000 companies in Japan have issued integrated reports on a voluntary basis, which is the largest in the world in terms of the number of reports.

These companies make up of approximately 80% of the market capitalisation of TSE Prime market. One of the key drivers of voluntary adoption in Japan was a policy stimulus ('Abenomics') which led to major corporates such as Hitachi and Asahi adopting integrated reporting and preparing integrated reports as a source of competitive advantage.

Given that this conference is being held in the Asia Pacific Region, it would be worthwhile to have a significant Australian physical attendance, including the FRC, at this conference so that Australians can hear first-hand what is being said at the conference about the future of integrated thinking and reporting; and for other participants to hear about Australian developments. The above summary of key takeaways has a link allowing those interested to register interest.

## KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

As reported in September, a headline of this report is 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 5<sup>th</sup> Edition to the ASAX Corporate Governance Council.

### Group of 100 Political Engagement Day, Canberra, 9 October 2024

The Deakin Integrated Reporting Centre attended this day at the invitation of the Group of 100, along with a number of members of the Group of 100. We had the opportunity of participating in a series of 1:1 meetings with various politicians including Andrew Leigh (Government), Angus Taylor, Jane Hume and Andrew Bragg (Coalition) and Allegra Spender (independent).

We asked these politicians the following question:

*Importantly, the sustainability reporting legislation has enabled the Australian Accounting Standards Board to issue Australian equivalents of the global baseline of IFRS Sustainability Disclosure Standards.*

*However, the legislation has missed a major opportunity to achieve more integration in reporting by adding two new mandatory reports rather than following the lead of jurisdictions which have been successful with integrated reporting adoption.*

*Would you support a move towards more integration in reporting / integrated reporting in pursuit of reduced complexity volume and cost?*

All said they would support more integration in reporting / integrated reporting on the basis that:

- Integrated reports are the ideal location of sustainability disclosures
- Approached strategically, integration in reporting / integrated reporting can contribute to reducing complexity, volume and cost of corporate reporting while bringing productivity improvements through more integrated thinking.

We are writing to the politicians we spoke seeking follow up meetings and offering our support on this agenda item. We will report on progress to the FRC in future reports.

### Deakin Research

The Deakin Integrated Reporting Centre continues to do research in the field of sustainability and integrated reporting and assurance.

#### **Deakin White Paper on 2023 ASX 300 Recommendation 4.3 Disclosures**

We await publication of the 5<sup>th</sup> Edition of the ASX Corporate Governance Council's ASX Corporate Governance Principles and Recommendations. We note that it is proposed that the former Recommendation 4.3 will become Recommendation 4.2 in the 5<sup>th</sup> Edition.

The Deakin Integrated Reporting Centre issued a White Paper on research carried out on Recommendation 4.3 disclosures made by ASX 300 entities in 2023: [Deakin Integrated Reporting Centre | Deakin](#)

The headline findings from this report were:

- More large listed ASX listed companies disclosed processes and mechanisms to enhance the integrity of their unaudited periodic corporate reports in 2023 than in 2021 and 2022.
- More companies are using multiple mechanisms to verify their unaudited periodic corporate reports.
- Despite the emergence of these positive trends, a significant minority of ASX 300 companies have continued to neglect their Recommendation 4.3 obligations.

- There was a concerning fall in the proportion of companies specifying which of their unaudited periodic corporate reports were subject to verification processes.
- On a positive note, a growing, though still relatively small, number of Australia’s largest listed companies are disclosing the use of external assurance to verify otherwise unaudited periodic reports.
- Companies are increasingly using boards of directors and top managers to verify unaudited periodic reports.

We note that the Foreword to this report was authored by Louise Davidson, CEO of the Australian Council of Superannuation Investors. Among other things Louise said:

- “Deakin Integrated Reporting Centre’s work in relation to researching the quality of disclosures under Recommendation 4.3 ... continues to make a significant contribution to the understanding of how listed entities approach this issue ...”
- “We support the DIRC in calling for more widespread consideration of integrated reporting and integrated Thinking. Integrated reports can include sustainability disclosures, providing business context.”

### **Sustainability Reporting in Australia**

The DIRC published a paper on auditor reporting practices and evaluating the effectiveness of disclosures in audit reports relating to other information as required by ASA 720, ‘The Auditor’s Responsibilities Relating to Other Information’ for the 2017-2022 period.

The key points from the paper are:

- 85% of auditor’s reports indicated that they have obtained all the other information prior to the date of the auditor's report, while 14% indicated that they received part of the other information and the remaining 0.7% indicated that they received no other information prior to the date of the auditor's report.
- Large entities are less likely to have provided their auditors with all of the other information that is to be disclosed in the annual report prior to the date of the auditor's report.
- On average, 22% of auditors’ reports disclosed the details of the specific reports that constituted other information, with auditors reports’ being more likely to disclose the specific identification of other information when entities have high market capitalisation.

### Australian Business Reporting Leaders Forum

A meeting of the Australian Business Reporting Leaders Forum took place on 24 September 2024.

The meeting featured addresses from Jonathan Labrey and Doug Niven, as well as a discussion of latest developments. The following link to the BRLF website contains the slides for the meeting: [BRLF Meetings – BRLF – Business Reporting Leaders Forum](#) .

### **DIGITAL REPORTING**

The Deakin Integrated Reporting Centre is exploring the concept of augmenting the connectivity of financial reporting and sustainability disclosures in an integrated reporting environment with the Deakin Applied Artificial Intelligence Institute. We are at the preliminary proof of concept stage. We will keep the FRC up to date on this initiative.

## **OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES**

Deakin University Sustainable Business Centre

As envisaged in our September quarter report, we are now a Centre of the Faculty of Business and Law and have changed our name to the Deakin University Sustainable Business Centre. We will become operational in this form from 1 January 2025.

The Centre remains available and committed to supporting the FRC in pursuing its objectives.

# STAKEHOLDER REPORT: CHARTERED ACCOUNTANTS AUSTRALIA AND NEW ZEALAND

## KEY ISSUES/DEVELOPMENTS

As part of CA ANZ's strategic priority to increase the attractiveness of the profession:

- CA ANZ has announced it will launch [new pathways](#) into the CA Program next year. There will be a new CA Fundamentals bridging course – a one-year program for high school graduates in approved employment. The existing CA Foundations bridging course – for holders of a relevant diploma, or degree in a non-traditional discipline or those with relevant work experience – will be streamlined to be more relevant, flexible, accessible and less costly. CA Program and associated requirements to qualify for the CA designation and membership remain unchanged.
- CA ANZ's latest campaign showcases how young people can '[Make Epic Things Happen](#)' in any industry they are passionate about through a career in accounting. Through this campaign, we show how accounting is at the heart of every business and that you can turn your passions into your career with accounting. We had an advert disguised as a cinema trailer 'The Accountants' placed before the movie Deadpool & Wolverine. Our trailer played in 365 cinemas across Australia and New Zealand for 7 weeks from 25 July 2024.

## KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

- CA ANZ and the ACCA have released the [Audit and Technology Playbook: A Practitioner's Guide](#). This comprehensive guide aims to assist audit professionals in adapting to the rapidly advancing technological landscape such as AI, machine learning, and blockchain. Building on our 2019 report, the playbook was informed by a series of roundtable discussions across several countries, along with extensive research into the key trends influencing audit technology. The playbook provides practical insights and actionable steps for smaller audit practices to develop strategies, manage change, and invest in skill development.
- CA ANZ has published the final reports for the [2024 Investor Confidence survey](#), and the results reveal mixed signals. Confidence in audited financial reports remains strong, but inflation concerns weigh heavily on investors' minds. Despite this, over half of the surveyed investors plan to increase their investments in the next twelve months. The complexity of financial reports is still a concern, prompting a push for digital financial reporting. Climate and sustainability information remains crucial, reflecting investors' belief in corporate responsibility towards climate change. Auditors remain the number one most trusted group for advancing investor protection. The survey, now in its sixth year, gathered views from over 1,500 retail investors across Australia and New Zealand.

## SPECIFIC QUESTIONS FOR STAKEHOLDER

- *Have your organisation/members identified any specific aspects of digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*

In Australia ASIC has permitted the lodgement of digital financial reports since 2009. Unfortunately, there is no evidence of digital financial reporting being undertaken, with this resulting from 'chicken and egg' arguments. Specifically, claims that entities will not produce digital financial reports if analysts and other users do not update analysis

software. Conversely claims that analysts and other users will not update analysis software if entities do not produce digital financial reports. This suggests regulatory intervention is necessary.<sup>3</sup>

- *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*
- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
  - We are continuing to develop and publish guidance and information for members to increase their understanding of sustainability and support the implementation of climate-related disclosures and the forthcoming ASRSs. Most recently this has included a [Practical roadmap to prepare for climate-related disclosures, scenario analysis](#) and [Nature-related financial disclosures FAQs](#). We also hosted a webinar to share learnings from the NZ climate-related disclosures regime and have another webinar scheduled for 21 November on the Australian regime with ASIC, AASB and Deloitte.

## **OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES**

- On [Global Ethics Day](#), we launched a panel discussion; Understanding Biases in Decision Making: Empowering Ethical Judgements and Culture. The event was well received by the membership with over 9,000 registrations. More than 5,000 members watched the webinar on launch. To accompany the webinar, we prepared a resources list including many articles, webinars and micro-courses on ethics.
- We published a [Perspective article](#): Think you make good decisions? authored by Clare Payne.
- We reshared our Small Firm: Big Impact [podcast interview](#) with IESBA Chair, Gabriela Figueiredo Dias.

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<sup>3</sup> [Can digital reporting tame the corporate reporting beast?](#) CA ANZ, March 2023

# 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.*

- No response.

### 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?***

Here are some specific aspects of digital reporting that require improvement to better align with industry practices and regulatory expectations:

### 1. Adoption and Implementation

- **Current Adoption Levels** - There has been no adoption of voluntary digital reporting in Australia. A circuit breaker is necessary to encourage adoption and avoid falling behind global standards.
- **Mandating Digital Reporting** - While there is strong advocacy for mandating digital reporting to align with global practices and improve transparency, accuracy, and efficiency, as of now, Australia has not implemented a mandatory digital reporting requirement.

We urge the government to consider three key actions to drive digital corporate reporting:

- Instruct ASIC to campaign for increased business adoption** of digital corporate reporting, aligning with other developed economies. Reframe XBRL as "transparent reporting" to make it more accessible and appealing. This will encourage early adoption during IT and procurement upgrades.
- Investigate developing a central portal** for lodging digital corporate reports. This will benefit businesses and investors by maximising digital

reporting advantages and reducing administrative burdens. The portal can later include ESG reports for added efficiency.

- iii. **Send a clear signal to the market** that the Australian government will require companies to use digital corporate reporting before 2030. This will drive businesses to adopt digital practices and aligns with proposed full assurance requirements by 2030.

## 2. Technology and Compatibility

- **XBRL Tagging and Software** - Businesses need user-friendly software compatible with XBRL tagging and regulatory requirements. Technology providers must understand business needs to develop suitable solutions.
- **Centralised Repository** - Establishing a central repository for digital reports could improve data accessibility for investors and other stakeholders, similar to systems in the US (EDGAR) and Japan (EDINET).

## 3. Standards and Taxonomy

- **Alignment with International Standards** - Ensuring that the Australian XBRL taxonomy aligns with international standards like IFRS is crucial for comparability and seamless global integration.
- **Consistent Tagging** - Establishing a consistent taxonomy for labelling information is crucial. This should encompass both financial and non-financial data, including sustainability information, as Australia transitions to mandatory sustainability reporting.

## 4. Data Quality and Assurance

- **Quality Assurance** - The reliability and consistency of digital reporting data need to be assured. Auditors' roles may need to expand to ensure the accuracy of XBRL tags.

## 5. Stakeholder Coordination

- **Collaboration Across Ecosystem** - Successful implementation requires collaboration among corporate reporting teams, audit professionals, design agencies, XBRL software vendors, regulators, data providers, and end-users.

## 6. Specific Suggestions for Improvement

- **Phasing in Mandates** - Start with large listed companies and gradually extend to smaller entities, not-for-profits, and government enterprises. Implementation should occur over the next three to five years.
- **Consultation and Support** - Industry consultation is essential on key matters like size-of-business thresholds, types of businesses to include, and the timeframe for implementation. Providing education and awareness sessions for report preparers will ease the transition.

## 7. Economic Considerations

- **Cost-Benefit Analysis** - Deloitte Access Economics' research shows it takes several years for benefits to outweigh costs when businesses act alone, while the economy-wide impact will be profound with mass participation. By 2030, the economy could be roughly \$7.7 billion larger per year if all large businesses adopted digital financial reporting.



Overall, improving digital reporting to better align with industry practices and regulatory expectations involves:

- Mandating its adoption.
- Ensuring technological compatibility.
- Aligning with international standards.
- Enhancing data quality and assurance.
- Coordinating stakeholder efforts.
- Conducting thorough economic analyses to justify the transition.

These steps will help digital reporting become more effective and beneficial for all stakeholders involved.

- ***Are there any barriers or challenges your organisation/members have identified in this area?***

Many of the areas identified for improvement or consideration also represent barriers or challenges in digital reporting. These include the absence of a mandate for its adoption, transition costs, issues with software and system integration, and concerns about data quality. Addressing these challenges will necessitate coordinated efforts from all stakeholders involved.

- ***From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?***

As noted earlier, the following will lead to more reliable and accurate information for investors:

- Alignment with International Standards
- Consistent Tagging
- Quality Assurance

Deloitte published a report titled [Embracing the power of digital corporate reporting](#), which encompasses many of the points mentioned above.

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

**1. Mandatory Climate Reporting Guide – AICD and Deloitte partnership**

In September 2024, Deloitte continued its partnership with the Australian Institute of Company Directors (AICD) to launch the [Mandatory Climate Reporting Guide - Second Edition](#). This update builds on the initial guidance issued in 2023. The Guide helps directors, boards, and organisations navigate mandatory climate reporting.

It stresses holistic thinking about climate risks and opportunities and the importance of realistic, evidence-based targets. With input from government, industry experts, and directors, the Guide provides practical steps to integrate climate considerations into strategic decisions, build resilience, and promote sustainability.

**2. AASB and AUASB Consultations responses and engagement on sustainability reporting**

Deloitte provided responses to the following AASB and AUASB consultations in the past year:

- AASB's *Exposure Draft - ED SR1 Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information - October 2023*. Refer to this [link](#) for a copy of the response.
- AUASB's *Consultation Paper on the IAASB's Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements*

Deloitte is in the process of drafting responses to the following:

- *Proposed Australian Standard on Sustainability Assurance - ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*
- *AUASB Consultation on Prohibiting Sustainability Assurance Practitioners from Using Direct Assistance by Internal Auditors*

In addition, Deloitte continually engages with these two standard setters through periodic meetings, various forums, and roundtables.

### **3. Sustainability and climate-related financial reporting capability uplift in the market: ISSB, ASRS and beyond – Deloitte & RMIT online course**

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.

### **4. Climate Learning Program to all Audit and Assurance Partners and Directors**

We launched our internal Climate Learning Program focusing on Climate Reporting and ESG to enhance skills, foster client discussions, and support ESG Assurance accreditation. The phased rollout ensures timely training and knowledge retention in time for practical application. The program includes:

- i. Climate Reporting training: A 1-day session by end of 2024 covering mandatory climate reporting, climate risk, scenarios, and the Greenhouse Gas Protocol, supplemented with e-learning.
- ii. Sustainability Assurance training: E-learning modules on assurance requirements, tools, and templates available in the first half of 2025.
- iii. Market Offerings discussion forums: ESG assurance partners and leaders can connect and grow, starting with business leaders and later teams.

### **5. Corporate Reporting Updates to clients and teams through webinars and thought leadership**

Our Accounting & Corporate Reporting team, along with other experts, delivers corporate reporting updates that provide insights into the latest developments and best practices. These updates help entities prepare for the upcoming corporate reporting season, with a significant focus on sustainability reporting requirements. Sessions are available virtually via webinars and in-person at Deloitte offices.

Deloitte is committed to leading in sustainability reporting, offering extensive knowledge to guide organisations through integrating sustainability into their corporate reporting. [Visit our Climate & Sustainability Thought Leadership site.](#)

### **6. Development of fit-for-purpose resources and collateral to prepare the practice to execute on assurance on AASB Criteria**

To ensure our practice is well-prepared for sustainability assurance engagements, we are committed to continually developing comprehensive resources and collateral. By addressing every aspect of the operating model, training, communication, risk and quality, and client/employee experience, we aim to create fit-for-purpose framework and materials that enable effective execution of these engagements. This thorough approach ensures we deliver high-quality assurance services while fostering positive experiences for both clients and employees.

**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: EY

## KEY ISSUES/DEVELOPMENTS

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

- Finalisation of the sustainability reporting legislation and AUASB's release of ED 02/24 *Proposed Australian Standard on Sustainability Assurance ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports Under the Corporations Act 2001*
- Revision to ASA 600 – *Audits of a Group Financial Report (Including the Work of Component Auditors)* which is applicable for periods beginning on or after 15 December 2023.
- Final report and recommendations from the Parliamentary Joint Committee on Corporations and Financial Services' inquiry into the audit, assurance and consultancy industry and the ongoing Treasury review.

## 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.*

- **Sustainability Reporting:**
  - Continued training of engagement teams on sustainability reporting requirements
  - Identification of group 1, 2 and 3 entities.
  - Sustainability assurance methodology is in the process of being rewritten to address ISSA 5000 and enablement developed to support engagement teams.
  - Will soon be making a written submission to the AUASB ED02/24 consultation, overall supportive of the phased-in timeline for sustainability assurance.
- **Revision to ASA 600:**
  - Training for engagement teams on the application of ASA 600(R) and coaching of individual primary teams on practical challenges of applying ASA 600(R).
  - Establishment of a network of Group Audit Champions within each office to support teams on the application of ASA 600(R) as well as an APAC network who meet regularly to discuss practical challenges amongst themselves and with the global audit methodology group.
- **Treasury consultation on the regulation of accounting, auditing and consulting firms:**
  - Provided written submission to the Treasury consultation which included recommendations around uniform Commonwealth-level regulation of large partnerships, greater transparency and consistent set of governance principles.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*

- *Are there any barriers or challenges your organisation/members have identified in this area?*
- *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*

We are supportive of mandatory digital financial reporting especially for listed companies, given the benefits it would bring for investors, regulators and other users. We also believe that such digital reporting could also be considered and extended to the upcoming sustainability reporting regime.

Improvement is needed in many companies' governance over the use of AI for financial reporting as well as controls to ensure the accuracy of information being produced.

- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance? Continued training and updated guidance for assurance and climate change professionals on the disclosure standards and related assurance requirements and procedures.*

*Please refer to commentary above.*

## **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: 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, privacy 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 regulation**; considering the recommendations of the Parliamentary Joint Committee on Corporations and Financial Services;
- **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.*

- **Issue of directors' duty of care and diligence as it relates to oversight of corporate compliance**: On 8 October 2024, the AICD released a [new legal opinion](#) from Michael Hodge KC and Sonia Tame on the nature and scope of the directors' duty to act with due care and diligence (s 180 of the Corporations Act), together with an [AICD Practice Statement](#).
- **Version 2 of the Director's Guide to mandatory climate reporting**: On 24 September 2024, the AICD, in collaboration with Deloitte and MinterEllison, released version 2 of the [Director's Guide to Mandatory Climate Reporting](#) to incorporate the latest international and Australian developments, including the enactment of the Climate Reporting Legislation. Version 1 of the Guide, released in October 2023, has had over 24,000 downloads to date.
- **AI**: On 4 October 2024, the AICD made a [submission](#) on the proposed mandatory guardrails for AI in high-risk settings. The submission focused on recommendations for fine-tuning aspects of the proposal, such as the definition of high-risk AI use, deployers and developers, and the practical implementation of the mandatory guardrails.
- **Climate and financial statements**: On 10 October 2024, the AICD made a [submission](#) to the Australian Accounting Standards Board (AASB) on the draft IFRS guidance on

climate-related and other uncertainties in the financial statements. Ensuring consistent regulation and guidance on how to disclose climate across the range of mandatory and voluntary mediums (including the Annual Reporting suite consisting of the mandatory Sustainability Report, Financial Report and Directors' Report) is critical.

## **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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*
  - *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*

Digital Reporting has been discussed with the AICD Reporting Committee. Overall, members were supportive of digital reporting, but acknowledged that uptake would likely only eventuate if it was mandated. The general consensus was that given the plethora of new and emerging regulatory requirements (such as mandatory climate reporting), mandating digital reporting now would only add to the regulatory complexity. However, it was recognised that Australia is significantly out-of-step with comparative jurisdictions (being one of only two developed countries without mandatory digital reporting), and that digital reporting could assist with implementation of the climate reporting regime.

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

Preparing directors and boards for the commencement of the mandatory reporting regime is a key priority for the AICD. Activities undertaken to do this include:

- Publishing the [Director's Guide to Mandatory climate reporting](#), which has had over 20,000 downloads to date, with version 2 released in September 2024 (see above);
- Hosting three webinars in the last 24 months on board preparation for mandatory climate reporting;
- Having a mandatory climate reporting panel session at the last two AICD Climate Governance Forums;
- Releasing other climate governance resources relevant to aspects of the mandatory climate reporting regime as part of the [Climate Governance Initiative \(CGI\) Australia](#) resource suite, such as the [Climate target-setting Guide](#) (the AICD is currently developing a director resource on transition plans) and uplifting director climate education through the [climate short course](#) and free [e-learning course](#); and
- Engaging with stakeholders (ASIC, AASB and AUASB, other industry bodies) and directors, including the AICD Policy Reporting Committee and Law Committee.

## **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.*

- **Privacy and data governance:** On 11 October 2024, the AICD made a [submission](#) to the Senate Legal and Constitutional Affairs Committee's Inquiry into the *Privacy and Other Legislation Amendment Bill 2024*. Amongst other things, the submission urged the Government to consider legislative amendments to the Privacy Act holistically with other potential reforms in adjacent policy areas, including implementation of the 2023-2030 Australian Cyber Security Strategy and the Mandatory Guardrails for AI.



# STAKEHOLDER REPORT: HEADS OF TREASURIES ACCOUNTING AND REPORTING ADVISORY COMMITTEE (HOTARAC)

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

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

## KEY ISSUES/DEVELOPMENTS

- Climate-related reporting disclosures continue to be a key focus for HoTARAC member jurisdictions. Members work programs for implementation are evolving as further information is released by standard setters.
- HoTARAC has provided the following submissions to standard setters in 2023-24:
  - ED SR1 - Australian Sustainability Reporting Standards - Disclosure of Climate-related Financial Information. This submission included recommendations on the need for not-for-profit amendments and guidance and concerns over scalability.
  - ED 331: Climate-related and Other Uncertainties in the Financial Statements - Proposed illustrative examples. This submission provided feedback to the AASB for inclusion in an AASB submission to the IASB. HoTARAC members agreed that illustrative materials and educational materials relevant to the not-for-profit and/or public sector would be beneficial to financial statement preparers and the end-user of the financial statements.
- Current HoTARAC submissions to standard setters in Progress (5)
  - AASB Request for Input on AASB 1059-follow up on ITC49
  - IPSASB Exposure Draft (ED) 90, Amendments to IPSAS as a Result of the Application of IPSAS 46, Measurement
- A review of the government statistical framework by the Australian Bureau of Statistics (ABS) is anticipated from 2027 onwards. ABS staff provided a progress update to HoTARAC members at the 29 October 2024 HoTARAC meeting. 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.

## 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 has been recently limiting the accounting projects on its work plan due to the commitment to issue climate-reporting standards.
- AASB's post-implementation reviews of the public sector suite of standards, will be an ongoing focus for HoTARAC, including:

- The AASB post-implementation review of *AASB 1059: Service Concession Arrangements: Grantors*, remains under consideration since the previous advice to the FRC in the first quarter of 2024.
- *AASB 1058 Income of Not-for-Profit entities, AASB 1050 Administered Items, AASB 1052 Disaggregated Disclosures, AASB 1055 Budgetary Reporting* etc.
- Other upcoming AASB projects particularly relevant to the public sector include:
  - Not-for-profit amendments to *AASB 18 Presentation and Disclosure in Financial Statements*, that includes new requirements for presentation in the income statements, balances sheet and statement of cash flows.
  - A potential pronouncement on service performance reporting.

# STAKEHOLDER REPORT: PWC

## Key Issues/developments

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

The key focus for this quarter has been our response to the Treasury Laws Amendment Bill regarding sustainability reporting obligations in Australia and the AASB sustainability reporting standards.

On 7 November 2024, the Parliamentary Joint Committee on Corporations and Financial Services released its report on *Ethics and Accountability: Structural Challenges in the Audit, Assurance and Consulting Industry*. At the date of writing our submission, we have not fully reflected on their recommendations and will do so over the coming weeks.

## Key ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

In this quarter we have published communications and developed guidance relating to updates on the Treasury Laws Amendment Bill over the sustainability reporting obligations in Australia and the AASB sustainability reporting standards. We have also commenced an enhanced internal training program on sustainability reporting to upskill our Assurance practice.

We updated our policy for engagements performed under ASQM1 around the use of Generative AI such that it can be used as a starting point for engagements, with appropriate guardrails in place.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*

Our organisation has not yet considered digital reporting in detail. We understand that the UK Financial Reporting Council released a discussion paper in September.

*Are there any barriers or challenges your organisation/members have identified in this area?*

Historically, the ability to leverage the power of the technology has required standardisation in how information is reported and provided. With the rapid development of technology this may be overcome.

*From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*

Standardised digitised reporting may help stakeholders be able to digest more information and share more information for digestion.

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

Published external and internal communication providing updates on the Treasury Laws Amendment Bill regarding sustainability reporting obligations in Australia and the AASB sustainability reporting standards.

Developed internal guidance on sustainability reporting obligations in Australia and local sustainability reporting requirements.

Participated in global discussions on ISSB reporting requirements and involved in developing ISSB reporting guidance.

Internal training is being provided to assurance teams on sustainability reporting requirements.

Local policies are being developed for the quality control of sustainability assurance engagements.

#### **OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES**

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

No other activities to note.

# STAKEHOLDER REPORT: INSTITUTE OF PUBLIC ACCOUNTANTS

## KEY ISSUES/DEVELOPMENTS

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

Institute of Public Accountants (IPA) continues to be involved in the consultation and submissions with the following:

### FINANCIAL REPORTING

- AASB Exposure Draft ED 331 *Climate-related and Other Uncertainties in the Financial Statements*
- Development of AASB Not-for-Profit Private Sector Financial Reporting Framework for Tier 3 small entities
- Queensland Building and Construction Commission on Minimum Financial Requirements Reporting and Trust Structures

### AUDIT AND ASSURANCE

- AUASB Consultation Paper *Prohibiting Sustainability Assurance Practitioners from Using Direct Assistance by Internal Auditors*
- AUASB Exposure Draft ED 02/24 Proposed Australian Standard on Sustainability Assurance – *ASA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*
- Updated and redrafted engagement letter templates for use by IPA members.
- Developed 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* Guidance Tools for Auditors. This has been a long standing project.

### ETHICS

- Consultation on APESB ED 02/24 APES 220 *Taxation Services*.

### OTHER

- Assessed the impact of *Tax Agent Services Act 2009* (TASA) Legislative Reforms on Tax Engagement Letters.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*

- *Are there any barriers or challenges your organisation/members have identified in this area?*
- *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*
- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*
- Refer above.
- IPA continues to actively contribute to the developments of Treasury, AASB, AUASB, ASIC 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 reviews and submissions to:

- Parliamentary Joint Committee on Corporations and Financial Services Report *Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry*, including further attendance at hearings to give evidence, jointly with Chartered Accountants Australia & New Zealand and CPA Australia; and providing answers to Questions on Notice from previous hearing.
- Treasury Discussion Paper *Review of AI and the Australian Consumer Law*.
- Reviewed Anti-Money Laundering and Counter-Terrorism Financing (AML/CTF) Amendment Bill and Explanatory Memorandum.
- Senate Committee Legal & Constitutional Affairs – Submission and providing evidence at hearing relating to AML/CTF.
- Participated at the following AUSTRAC forums and meetings:
  - AML-CTF Industry Forum
  - Channel Strategy Meeting and
  - First Stage Gateway Review
  - AML-CTF Working Group Meeting – Rules and Guidance
- AUSTRAC Exposure Draft *Assisting customers who don't have standard forms of identification*.
- Parliamentary Joint Committee on Corporations and Financial Services inquiry into the wholesale investor test – attendance at hearing to give evidence, jointly with Chartered Accountants Australia & New Zealand and CPA Australia.
- Reviewed Revised Accountants Letter Toolkit for changes in Banking Code of Practice.

# STAKEHOLDER REPORT: CPA AUSTRALIA

## KEY ISSUES/DEVELOPMENTS

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

- CPA Australia will be tabling information about its Annual Professional Standards Report to the Professional Standards Councils and selected member data to the Parliamentary Joint Committee on Corporations and Financial Services in November 2024
- CPA Australia is giving consideration to the recommendations made in the Report from the Parliamentary Joint Committee on Corporations and Financial Services following their Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry.

## 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 participated in panel sessions and other activities arising from the AASB Research Conference (6 November 2024) and IASB Research Conference (4, 5 November 2024) in Sydney.
- CPA Australia's joint submission to the International Financial Reporting For Non-Profit Organisations (IFR4NPO) on [International Non-Profit Accounting Guidance \(INPAG\) Exposure Draft Part 3](#)
- [Redefining the Bottom Line - IFRS 18](#) - This publication explores the key changes introduced by IFRS 18, how entities can prepare and considers the implications of using revenue as a benchmark.

### **Audit and Assurance:**

- CPA Australia's External Reporting Centre of Excellence recently published a resource on Group Audit ['Are you really ready for ISA 600?'](#) to help members prepare for the updated ISA/ASA 600 Audits of a Group Financial Report (Including the Work of Component Auditors) requirements, focusing on enhancing audit quality in group audits.
- CPA Australia has published an article titled ['Which companies are on ASIC's audit radar?'](#) to highlight that previously grandfathered large proprietary companies will be on the ASIC radar going forward.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*

- *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*
- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*

See below

## **OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES**

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

- CPA Australia has published an [ESG checklist for Boards](#). This checklist of factors for boards to consider is aimed at CPA Australia members who are directors or advisers to boards and seeks to provide explicit reminders of minimum necessary steps to support a discipline toward improved ESG performance.
- CPA Australia has developed and published a [guidance document](#) that explores an organisation's dependence on nature, as well as the climate-related risks and opportunities.
- CPA Australia published its [Business Technology Report 2024](#). This report analyses the data from our annual member survey of technology use by accounting and finance professionals across the Asia-Pacific. It showed an increase in the percentage of companies using AI technologies in 2024, however only a small percentage of respondents reported using AI daily. The biggest reported benefit of AI are improved efficiency, increased productivity and improved decision making. The biggest hurdle was integrating it with existing technologies.
- In acknowledgment of the great work of the audit profession, for the **2024 Auditor Proud Day**, CPA Australia embark on a series of campaigns as below:
  - **Podcast** – [My career as an auditor \(and why I love it\)](#)
  - **Media** - [Auditor Proud Day hits decade of international recognition](#)
  - **Social media posts** – To promote the audit profession



# STAKEHOLDER REPORT: ASA

## KEY ISSUES/DEVELOPMENTS

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

- ASA continues engagement and education of retail shareholders. In October 2024, we held an online event, ASA ENGAGE, which provides ASA members with complimentary access to expert insights from top ASX-listed companies. Also, in October we held our Virtual Investor Summit which had an investment focus.
- We were pleased with the tabling of the final report of the [Statutory Review of the Meetings and Documents Amendments](#) in time for AGM season, with a continuation of the allowance of hybrid meetings, while still requiring listed companies to gain shareholder approval to hold exclusively virtual shareholder meetings.

## KEY ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES

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

- ASA is currently almost halfway through AGM Season. Aside from the usual (and some unusual at Wisetech and Mineral Resources) governance and remuneration report issues, we have seen a number of companies tender their audit after the Ethics and Professional Accountability inquiry heightened scrutiny. Some companies have changed their auditor as a result and are seeking shareholder approval for the new appointment at the 2024 AGM. ASA typically supports such resolutions. We note Downer EDI are appointing PWC as auditor after commencing legal action against KPMG, the auditor at the time of the of accounting irregularities identified in 2022 in its Australian Utilities business. The irregularities involved historical misreporting of revenue and work in progress in one of Downer EDI's maintenance contracts, which had resulted in a historical overstatement of pre-tax earnings. ASA is pleased to see the added attention paid to the directors' obligations in terms of choosing an audit partner, and the greater effort in explaining the decision processes to shareholders.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*
  - *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*

- ASA considers digital reporting would accelerate the use of applications to enable more comparability and consistent employ of appropriate figures from the financial accounts by retail shareholders. Our response to questions on notice from December 2023 covers our position: *Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry – Response to QoN*
- *What activities are being undertaken in relation to the recent developments of sustainability reporting and assurance?*

ASA is querying companies on their readiness for mandatory reporting and will look for good examples in the reporting of early adopters, that we can share to inspire other companies to produce reports the communicate effectively with their retail shareholders.

## **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 CEO Rachel Waterhouse took part in a panel discussion at the recent Australian Accounting Standards Board (AASB) Research Forum in Sydney on the topic, Is Australia ready for 'nature' disclosures? Current practice and perspectives. The session covered off the current state of play and highlighted the high levels of company commitment to and activity associated with mandatory climate reporting. ASA perspective is that 'nature' disclosures will evolve but it needs to be in a way that allows for some digestion of the climate reporting in the shorter term.

# STAKEHOLDER REPORT: KPMG Australia

## 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 policy makers 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 cyber security threats pose a risk to the broader industry and economy, as firms seek to keep up with best practice. A range of cyber security related legislation is also before parliament that may impose mandatory reporting obligations on audit firms.
- 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 the use by our people. KPMG Australia was proud to be the first organisation in the world to achieve certification by BSI to a globally applicable standard designed to empower safe management of AI (international standard information technology. Artificial intelligence. Management system (BS ISO/IEC 42001).
- 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*). A bill is currently before Committee for inquiry and the Rules that accompany the Bill will be released following the passage of legislation.

## **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 or are in the process of making submissions to:

- Responses to a range of tax related consultations including responding to the tax practitioner code of conduct instrument consultation, TPB draft guidance on the Code of Conduct Determination and the review of Tax Promoter Penalty Laws,
- AUASB proposed standard on sustainability assurance – ASSA 5010;
- Defining Australian business for Commonwealth procurement released by the Department of Finance,
- AML / CTF Bill and Committee related consultation;
- Responding to the Commonwealth consultation paper: Introductory mandatory guardrails for AI in high-risk settings: proposals paper; and
- Appearing before the *Tax Laws Amendment (Incentivising Food Donations to Charitable Organisations) Bill 2024* Inquiry.

## 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 digital reporting that require improvement to better align with industry practices or regulatory expectations?*
  - *Are there any barriers or challenges your organisation/members have identified in this area?*
  - *From an investor's perspective, are there any areas that could be strengthened to ensure more reliable and accurate information for report users?*

KPMG understands that 14 G20 countries have already implemented mandatory digital financial reporting, including the United States, United Kingdom, France and Germany.

The December 2002 Treasury Consultation paper on Climate-related financial disclosure noted that no listed companies have lodged digital financial reports with ASIC in the decade since the voluntary regime commenced. The accounting profession, through CA ANZ and CPA Australia, have been advocating for mandatory digital financial reporting for listed companies.

A greater uptake in digital reporting aligns with KPMG's vision for its audits to be more digitally enabled, data-driven and ultimately more real-time. The government should conduct a regulatory impact statement to fully assess the costs and benefits of mandatory digital financial reporting, noting that costs would be trending down over time as more information is made digitally accessible.

Where benefits clearly exceed costs, KPMG would support the introduction of mandatory digital reporting. This should enhance the consistency and transparency of information available to investors. Our recent response to Treasury's review into the regulation of the profession also noted our support for the introduction of mandatory digital financial reporting with a rollout focused on listed companies initially. We also noted that to lower cost, the International Financial Reporting Standards Taxonomy should be adopted with limited local amendment.

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

KPMG Australia is taking several actions to ensure its organisation and members are prepared to engage with the recent requirements in relation to sustainability reporting and assurance. These include:

- Having a very mature and sizeable Climate Change & Sustainability team that works with organisations to manage the risks and opportunities associated with climate change and sustainability matters, and to enhance all aspects of reporting and communication. The team also provides assurance services over climate and other sustainability-related disclosures to enhance the credibility of reported information.
- Offering services to help organisations understand and identify the material issues that have the most impact on their business, develop performance monitoring and evaluation frameworks, design and implement robust governance models and processes for collecting and reporting information, or provide assurance over market disclosures.
- Hosting internal and external webinars on the ISSB Sustainability Disclosure Standards, discussing the changes and their impact on the Australian sustainability-related disclosures landscape. The webinars covered an overview of the developments in international sustainability reporting standards, the implications of the Treasury proposals for Australian entities, and a roadmap of activities to consider as organisations prepare to report. In addition to this, KPMG Australia also offers regular Accounting and Reporting Webinars that provide timely insight into the changing world of accounting, including sustainability standards.

- Delivering global training programs to our Australian Audit and Assurance practitioners in preparation for delivery of assurance engagements performed on Sustainability Reports prepared in accordance with ASRS
- Participation in global network calls on interpretation of corporation sustainability reporting topics and frameworks to gain consistency in application
- Development of publications to assist our clients in understanding the ongoing developments and progress of legislation and sustainability standards in Australia
- Preparing a submission on the Auditing and Assurance Standards Board (AUASB)'s Exposure Draft: 'Proposed Australian Standard on Sustainability Assurance ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001* (September 2024)' and the AUASB's Consultation on Prohibiting Sustainability Assurance Practitioners from Using Direct Assistance by Internal Auditors
- Preparing a submission on ASIC's Consultation Paper 380 *Sustainability reporting* which seeks stakeholder feedback on the draft Regulatory Guide 000 *Sustainability reporting*

## **OTHER ACTIVITIES / MATTERS RELEVANT TO THE FRC OBJECTIVES**

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

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

# 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**

On 7 November 2024, the Parliamentary Joint Committee on Corporations and Financial Services issued its [Report](#) for its Inquiry into Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry. The report included 40 recommendations from the Committee, 4 additional recommendations from Liberal Members and 5 additional recommendations from the Greens Senators.

We note recommendation 28, which recommends that the government consider how ethical standards and professional matters are to be treated, including the role of the APESB.

APESB Technical Staff are analysing the report and will provide an update to the APESB Board at its December 2024 meeting.

- **Firm Culture and Governance**

At the IESBA [September 2024](#) Board meeting, APESB CEO Channa Wijesinghe, as Chair of IESBA's Firm Culture and Governance Working Group, presented an update on the Working Group's activities, along with a [preliminary report](#) containing preliminary views and recommendations. The Working Group recommended that two new work streams be commenced to:

- undertake a standard-setting project to develop provisions on how firms can establish and maintain a firm-wide ethical culture, addressing the importance of ethical leadership and governance, with key elements such as the provision of independent input, continuous education and training, and transparency about a firm's ethical performance; and
- develop non-authoritative material that highlights the key characteristics of an ethical firm, the importance of ethical culture, and the role of key stakeholders in helping to promote ethical behaviour within firms.

The Working Group will present its final report and recommendations at the IESBA December 2024 Board meeting.

- **Ethics and Independence Standards on Sustainability**

At the recent IESBA [November 2024](#) Board meeting, the IESBA Board considered proposed key revisions to the text of their proposed standards ([International Ethics Standards for Sustainability Assurance \(IESSA\)](#) and [Using the Work of an External Expert](#)). The IESBA also discussed coordinating with the IAASB on a project, "Narrow Scope Amendments Arising from IESBA's Using the Work of An External Expert project," with anticipated approval of a project proposal and exposure draft in March and June 2025, respectively.

The IESBA will consider a second-read draft of the Sustainability standards at its December 2024 Board meeting with a view to final approval.

APESB's Sustainability Taskforce will meet in mid-December 2024 to consider the outcomes of the IESBA December 2024 meeting and commence the process of developing the Australian ethics and independence standards for Sustainability.

- **Changes to the TASA Act and the TPB Determination**

On 1 August 2024, the [Tax Agent Services \(Code of Professional Conduct\) Determination 2024](#) (Determination) introduced 8 additional obligations that will supplement the existing obligations under the Tax Practitioners Board's (TPB's) Code of Professional Conduct.

At the APESB's September 2024 Board meeting, APESB Technical Staff [provided an update](#) on key changes to the [Tax Agent Services Act 2009](#) (TASA Act), and its new Code obligations for tax practitioners. APESB also made a submission in September 2024 to the TPB on its [draft guidance](#) relating to the determination changes.

The initial Determination was later revised on 9 October 2024, following further consultation on [Amending the tax practitioner code of conduct instrument](#). The TPB is in the process of developing guidance information sheets on these new obligations.

APESB Technical Staff are preparing a submission to the TPB on its consultation for [six draft guidance statements](#), with the comment period closing on 21 November 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 an Exposure Draft for *Revisions to APESB Transaction Advisory Services Related Pronouncements (ED 04/24)* for Code conforming amendments, with the comment period closed on 31 October 2024. The ED proposed amendments to three pronouncements:
  - 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*.
- Issued the revised APESB pronouncements for:
  - [APES 210 Conformity with Auditing and Assurance Standards](#) in September 2024;
  - [APES 305 Terms of Engagement](#) in September 2024;
  - [APES 310 Client Monies](#) in October 2024;
  - [APES 215 Forensic Accounting Services](#) in October 2024;
  - [APES 225 Valuation Services](#) in October 2024; and



- Prepared for the upcoming release (by the end of December 2024):
  - a new Compiled APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, which incorporates two Amending Standards to APES 110, including the revisions relating to [Definitions of Listed Entity and Public Interest Entity](#) and [Technology](#); and
  - APES GN 20 *Scope and Extent of Work for Valuation Services*.
- Analysing submissions received on two Exposure Drafts relating to revisions for tax planning and related services with the following proposed standards being presented for the Board’s approval at the 9 December 2024 Board meeting:
  - *Proposed Standard: APES 220 Taxation Services (ED 02/24)*; and
  - *Revisions to APES 110 Code of Ethics for Professional Accountants (including Independence Standards) Addressing Tax Planning and Related Services (ED 03/24)*.
- Made two submissions to the Tax Practitioners Board (TPB)’s consultation on new obligations under the *Tax Agent Services (Code of Professional Conduct Determination 2024)* for the following draft guidance:
  - [TPB\(I\) D54/2024 and TPB\(I\) D55/2024](#) on 24 September 2024; and
  - TPB(I) D56/2024, TPB(I) D57/2024, TPB(I) D58/2024, TPB(I) D59/2024, TPB(I) D60/2024, and TPB(I) D61/2024 is set for submission by its comment closing date on 21 November 2024.

- **APESB’s involvement in the International Standard Setting Process**

Since January 2022, APESB CEO Channa Wijesinghe has been a public interest board member of IESBA. The Public Interest Oversight Board (PIOB), which oversees the activities of the IESBA and IAASB, has recently re-appointed Mr Wijesinghe for a second term of three years (2025-27) and also as IESBA’s Vice Chair for the first two years of that period. This is the first time that an Australian representative has been appointed as the Vice Chair of the IESBA. The new role presents a valuable opportunity to represent the APESB and Australia’s interests in the international standard-setting arena.

During his first term, Mr Wijesinghe has been a member of the IESBA’s Planning Committee which provides strategic direction with respect to IESBA’s Work program, the [Sustainability Taskforce](#), which developed proposed Sustainability Ethics and Independence Standards scheduled for finalisation by December 2024; the [Tax Planning Services Taskforce](#), which developed [Revisions to the Code Addressing Tax Planning and Related Services](#) in April 2024; and the Chair of the [Firm Culture and Governance Working Group](#), which is currently recommending a standard-setting project and the development of Non-Authoritative Material (NAM) to develop provisions on how firms can establish and maintain a firm-wide ethical culture across all service lines.



**ITEM 5A**  
**4 DECEMBER 2024**

**XRB UPDATE**

Report provided by Chair of the XRB, Michele Embling.

**ACTION**

- FRC to note.



## ITEM 10B

4 DECEMBER 2024

### INTERNATIONAL DEVELOPMENTS

**Attachment A** summarises key recent media releases by international financial reporting bodies and other stakeholders.

#### **ACTION**

- FRC to note.

## RECENT MEDIA RELEASES

### Sustainability

- The International Sustainability Standards Board (ISSB) has made significant progress in advancing global sustainability reporting, according to its [latest update](#) - 30 jurisdictions have taken steps to incorporate ISSB standards into their legal frameworks. Nearly all of the jurisdictions it reviewed are mandating Scope 3 greenhouse gas emissions disclosures, requiring companies to report on emissions across their value chain.
- On 17 September 2024, the [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024](#) received Royal Assent. This will implement mandatory climate-related disclosures on climate risks and opportunities for large businesses and financial institutions, starting from 1 January 2025.

### Artificial Intelligence

- On 9 October 2024, [Chartered Accountants Australia and New Zealand \(CA ANZ\)](#) and the [Association of Chartered Certified Accountants \(ACCA\)](#) have released the *Audit and technology playbook: A practitioner's guide*, a guide aimed at providing practical guidance for audit firms of all sizes, particularly small and medium-sized practices, on integrating digital tools and staying competitive in an increasingly tech-driven environment.
- On 17 October 2024, KPMG Australia announced that the firm has become the first organisation globally to achieve ISO 42001 (AI) certification by BSI. ISO 42001 (AI) is a new international standard that specifies requirements for establishing, implementing, maintaining, and continually improving an Artificial Intelligence Management System (AIMS) within organisations.

### The Big 4

- On 25 September 2024, KPMG Australia announced to acquire national technology and solutions firm [Chartertech Pty Ltd](#). Around 140 specialist technology and accounting staff will join the firm's mid-market business, KPMG Enterprise, expanding team size and bringing new technology capability including IBM TM1 Planning Analytics.
- PwC Australia released its fourth [annual Transparency Report](#) on 24 September 2024, indicating its revenue was \$2.5 billion for the 12 months ended 30 June 2024, reflecting an underlying revenue reduction of 26.1 per cent and a profit reduction of 24.4 per cent.
- Deloitte's [latest Investment Monitor](#) reveals that global investment flows in 2023 have slowed significantly, with a marked decline in cross-border investments, particularly in Asia-Pacific. The report highlights how economic uncertainties, geopolitical tensions, and rising interest rates are impacting investment decisions. Despite these challenges,

there are positive signs in sectors like renewable energy, technology, and healthcare, which continue to attract investor interest.

- EY has established the [EY AI Global Advisory Council](#) to guide its artificial intelligence strategy and help adapt to rapid technological and market changes. The council will bring together leaders from various industries to provide insights on AI developments, ethical considerations, and business applications.



## FINAL REPORT OF PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES ON ETHICS AND PROFESSIONAL ACCOUNTABILITY

On 7 November 2024, the Parliamentary Joint Committee on Corporations and Financial Services (PJC) presented its final report to the Senate. The PJC's recommendations have been put into two categories which reflect their respective importance. The priority recommendations (1 to 12, 18, 19, 22, and 29) are those which the PJC considers are of key importance for immediate action. The other recommendations are matters which should be the subject of government consideration and action.

The recommendations highlighted in yellow relate to the Financial Reporting Council (FRC), the Australian Accounting Standards Board (AASB), and the Auditing and Assurance Standards Board (AUASB), focusing on improving their governance and operations. Meanwhile, the recommendations highlighted in green address regulatory bodies, such as the Australian Securities and Investments Commission (ASIC), Companies Auditors Disciplinary Board (CADB), and professional accounting bodies, emphasising the need for stronger oversight and regulatory measures in managing the influence of consultancy firms.

### **Recommendation 1**

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2.67 The committee recommends that the Australian Government not permit PwC or any of its related entities to tender for government work until the completion of all ongoing investigations including but not limited to those by the Tax Practitioners Board, Australian Federal Police and Australian Taxation Office. Prior to PwC being eligible to tender for government work, PwC must demonstrate it has taken all appropriate remedial action in response to the outcomes of the investigations.

### **Recommendation 2**

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3.54 The committee recommends that the Australian Government implement the recommendation of the Senate Finance and Public Administration Committee that the government commission an appropriate body to review and make recommendations on the long-term goal of regulation of large partnerships, including in relation to: the appropriate regulator and its powers, applicable governance principles, transparent reporting obligations, penalties for breach, and a roadmap for implementation given the complexities of overlapping jurisdictions.

### **Recommendation 3**

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3.61 The committee recommends that the Australian Government reduce the allowable size of partnerships for accountants to a maximum of 400 partners, to align with the limits of legal partnerships. The government should establish a suitable transition period of up to 5 years for this change to enable the implementation of this recommendation whilst minimising disruption



to the sector. A review of progress to this end should be conducted after 2 years, if at that time the entity has not chosen to incorporate.

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#### **Recommendation 4**

3.62 The committee recommends that the Australian Government consider increased accountability and response mechanisms, including a suitable penalty regime calibrated to the seriousness of the misconduct, for partnerships who have engaged in misconduct.

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#### **Recommendation 5**

3.63 The committee recommends that the audit, accounting, and consulting partnerships of firms with greater than 3000 staff be required to implement the Corporations Act 2001 requirements for governance and accountability, if appropriate through the adoption of the Australian Securities Exchange Corporate Governance principles. This should include the requirement for multidisciplinary partnerships to prepare their own general purpose financial reports, including remuneration disclosures and other obligations which may be applicable to partnerships. The government should review the operation of this measure within 3 years, with a view to extending its scope to mid-size partnerships.

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#### **Recommendation 6**

3.64 The committee recommends that the Australian Government enhance the transparency of large professional service firms by designating them as Public Interest Entities and requiring them to:

- subject them to audit if they are not already subject to these requirements, which would be filed with ASIC and be available for public inspection; and
- potentially be required to implement the Global Reporting Initiative Standards or the Public Interest Firm Code.

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#### **Recommendation 7**

3.65 The committee recommends that the Australian Government ensure that the financial statements disclosure requirements cover all relevant fees (that may raise a conflict of interests) paid to the entity's auditor for audit and non-audit services. This should cover any single entity and their associated entities in Australia or overseas.

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#### **Recommendation 8**

3.112 The committee recommends that multi-disciplinary large accounting firms (and their associated entities both in Australia and internationally) should not be permitted to supply both audit and non-audit/consultancy services to the same client (and their associated entities both in Australia and internationally).

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#### **Recommendation 9**

3.113 The committee recommends that multi-disciplinary large accounting firms (including those required to lodge annual transparency reports under section 332A of the Corporations Act 2001) should be required to implement operational separation of their audit practice from their non-audit practice. The principles of operational separation should be materially consistent with those applying in the United Kingdom or other global best practice.

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#### **Recommendation 10**

3.114 The committee recommends that the Australian Government legislate to give further powers to the Australian Securities and Investments Commission to oversee audit to cover all



partners within multidisciplinary firms regardless of which part of the firm they work in, as required in the UK Financial Reporting Council Audit Firm Governance Code.

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#### **Recommendation 11**

4.53 The committee recommends that the Australian Securities and Investments Commission:

- re-establish a program of random audit inspections;
- supplement its existing risk-based approach by also reviewing audit files where conflicts of interest arise from the Big Four firms providing other services to their audit clients (noting that such conflicts should not occur from the time of implementation of operational separation); and
- increase the level of resources that it devotes to financial report inspections and audit inspections until there is a significant improvement in audit quality.

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#### **Recommendation 12**

4.54 The committee recommends that the Australian Government implement a legislative requirement that the Australian Securities and Investments Commission publish all individual audit firm inspection reports.

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#### **Recommendation 13**

4.55 The committee recommends that the Australian Government implement the Financial Reporting Council recommendations to the Minister to pursue legislative change on disclosure of auditor tenure and audit fees in directors' reports and going concern assessments in directors' declarations.

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#### **Recommendation 14**

4.56 The committee recommends that the Corporations Act 2001 be amended to expand the auditor's independence declaration to require the auditor to specifically confirm that no prohibited non-audit services have been provided.

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#### **Recommendation 15**

4.57 The committee recommends that the Corporations Act 2001 be amended to implement a mandatory tendering regime such that Public Interest Entities (including listed companies and the large multidisciplinary partnerships, such as the Big Four) required to have their financial reports audited under the Act must undertake a public tender process every ten years.

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#### **Recommendation 16**

4.58 The committee recommends that the Corporations Act 2001 be amended (following consultation with relevant stakeholders) such that entities required to have their financial reports audited must establish and maintain an internal controls framework for financial reporting, including requirements that:

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

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#### **Recommendation 17**

4.63 The committee recommends that the Australian Government:





- consider mandating digital financial reporting for listed companies and other public interest entities in Australia; and following such implementation and evaluation:
- consider options for resolving barriers to implementing digital financial reporting for privately owned companies, not-for-profits and charities in Australia.

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#### **Recommendation 18**

4.70 The committee recommends that the Australian Government legislate to enhance the Australian Security and Investments Commission's power to take enforcement action against audit firms, not just individuals, including for quality management standards.

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#### **Recommendation 19**

4.71 The committee recommends that the Australian Government consider requiring audit firms, or the audit section of multidisciplinary firms, to incorporate.

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#### **Recommendation 20**

5.67 The committee recommends that:

- the Australian Government adopt a phased approach and proceed with its proposal to integrate the accounting and audit standards boards with the Financial Reporting Council; and
- the Australian Government then establish an organisation in Australia equivalent to the United States Public Company Accounting Oversight Board.

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#### **Recommendation 21**

5.75 The committee recommends that the Australian Government reform the Companies Auditors Disciplinary Board (CADB) to improve its efficiency and effectiveness by:

- implementing improved, more stable and transparent arrangements for staffing and resourcing auditor disciplinary functions;
- providing more clarity around what cases trigger referral to CADB;
- removing the Australian Security and Investments Commission's (ASIC's) discretion over whether auditors can avoid a disciplinary process by resigning;
- compelling the findings of ASIC audit surveillance reports to be automatically referred to CADB; and
- giving CADB the power to make own-motion investigations, in addition to receiving referrals from ASIC or the Australian Prudential Regulation Authority.

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#### **Recommendation 22**

5.85 The committee recommends that the Australian Government consider additional mechanisms to ensure the Financial Reporting Council and any related standards boards, the Companies Auditors Disciplinary Board, the Australian Securities and Investments Commission, the Tax Practitioners Board, and the Australian Taxation Office and other government regulatory bodies are independent and are seen to be independent, including by ensuring that the bodies do not include individuals with a current financial interest in entities under the direct governance of the body. This may include revision of internal governance structures, independent review or audit of decision making and internal governance structures by an external third party, such as a government department or parliamentary committee or



appropriate expert to ensure that the revolving door between the public and private sectors does not lead to perceived or actual conflicts of interest.

#### **Recommendation 23**

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5.86 The committee recommends that the Australian Government ensure that the new Financial Reporting Council has structural, governance and administrative arrangements which are independent from Treasury, including by ensuring that the new Financial Reporting Council do not include individuals with a current financial interest in entities under the direct governance of the body.

#### **Recommendation 24**

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5.91 The committee recommends that the Australian Government enhance and harmonise codes of conduct and requirements for disclosure of conflicts of interest for all bodies established under the Australian Securities and Investments Commission Act 2001, including the new Financial Reporting Council.

#### **Recommendation 25**

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6.37 The committee recommends that the professional accounting bodies' reports to the Professional Standards Councils are published on the professional accounting bodies' websites.

#### **Recommendation 26**

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6.39 The committee recommends that the Australian Government review the professional accounting bodies' investigatory and disciplinary processes and, if appropriate, establish a single, independent body to perform these functions. Such a body should incorporate a positive disclosure standard so that relevant entities would be required to disclose incidents that are flagged to the Australian Securities and Investments Commission and the new integrated Financial Reporting Council.

#### **Recommendation 27**

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6.42 The committee recommends that the Australian Government bring forward legislation to make the term 'accountant' a protected term, so that only qualified accountants who are members of a professional body can use it.

#### **Recommendation 28**

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6.44 The committee recommends that the Australian Government, as part of establishing the new integrated Financial Reporting Council (FRC), consider how ethical standards and professional matters are to be treated (including the FRC's role in creating standards, and the role of the Accounting Professional and Ethics Standards Board). Appropriate measures should be adopted to address the conflict of interest inherent in professional bodies setting and enforcing their own standards whilst overseeing entities who are their own fee-paying members.

#### **Recommendation 29**

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6.91 The committee recommends that the Australian Government consult with industry with a view to creating a consultancy code and associated consultancy code compliance body (with sufficient powers to ensure compliance with the code) within government that will register individual consultants and have graduated registration requirements for firms based on firm size. Government entities, including Corporate Commonwealth Entities, should be required to only engage consultancies who are members of this body. At a minimum the body should apply to persons providing consultancy services not subject to other mandatory obligations and



membership requirements should include mandatory reporting of misconduct witnessed by other consultants. This should be reviewed three years after implementation.

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#### **Recommendation 30**

6.92 The committee recommends that the Australian Government consider the creation of a voluntary industry code for public interest entities' engagement of consultancies, which includes the exclusive use of consultants subject to the code and/or registration body determined in recommendation 29. After three years, the government should review the capacity and effectiveness of the code becoming mandatory for public interest entities.

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#### **Recommendation 31**

6.93 The committee recommends that consulting firms undertaking government work be required to make a declaration if subject to supervised remediation whilst undertaking government work, and the exact terms of such supervised remediation. Upon tendering for government work, consulting firms should also be required to provide specific information regarding the engagement of the firm with global leadership, including but not limited to the provision of information regarding what oversight, if any, exists with respect to that firm's engagement with Australian regulatory and legal bodies.

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#### **Recommendation 32**

6.94 The committee recommends that the Australian Government explore options to enhance accountability for consultants, potentially including the establishment of a public register (maintained by the relevant registration body) to record for public view all instances of malpractice.

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#### **Recommendation 33**

6.95 The committee recommends that the Australian Government and professional bodies develop mechanisms to enhance the transfer of misconduct information between regulators and all relevant professional bodies.

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#### **Recommendation 34**

6.96 The committee recommends that the Department of Finance consider further mechanisms to increase usage of small and medium-sized consulting firms in government procurement, including firms which exclusively undertake government work.

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#### **Recommendation 35**

6.97 The Committee recommends that the Australia Government consider options to improve the Australian Taxation Office's tax settlement procedures with a view to making their details more transparent to all taxpayers and setting out appropriate procedures and protocols for their use, negotiation and terms.

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#### **Recommendation 36**

7.73 The committee recommends that the Australian Government take action to ensure greater alignment of whistleblower protection laws across the public and private sectors.

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#### **Recommendation 37**

7.76 The committee recommends that whistleblowing protections be applied to large audit, accounting and consulting firms.

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#### **Recommendation 38**

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7.78 The committee recommends that the Australian Government consider options for greater practical support of whistleblowers such as a Whistleblower Protection Authority (covering both the public and private sectors), including access to civil remedies and financial compensation particularly in instances where disclosures result in the imposition of a penalty on the relevant entity or organisation.

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**Recommendation 39**

7.79 The committee recommends that the Australian Government continue to monitor and review legal frameworks and regulations that have been implemented to protect workers from harmful internal cultures and unsafe working environments in the form of bullying, sexual harassment and exploitation.

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**Recommendation 40**

8.52 The committee recommends that the Australian Government consider mechanisms to increase competition within the audit sector. This may include mandating tendering, mandating firm rotation for auditors, and mandating public interest entities be subject to joint audits which include smaller firms.

**ACTION**

- FRC to note.



## ITEM 7

4 DECEMBER 2024

### PROFESSIONAL DEVELOPMENT PATHWAYS

Amir Ghandar and Simon Grant of Chartered Accountants Australia and New Zealand (CA ANZ) will provide an update on the CA ANZ's work in relation to professional development pathways.

#### **ACTION**

- FRC to note.



## ITEM 8

4 DECEMBER 2024

### UPDATE FROM ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD

Channa Wijesinghe and Jacinta Hanrahan of Accounting Professional & Ethical Standards Board (APESB) will provide an update on the latest APESB developments.

#### **ACTION**

- FRC to note.



## ITEM 9

4 DECEMBER 2024

### ADDRESS FROM NEW AUDITOR-GENERAL FOR AUSTRALIA

Dr Caralee McLiesh PSM, the new Auditor-General for Australia, will introduce herself to the FRC.

#### **BACKGROUND**

Caralee commenced her 10 year term as the Auditor-General for Australia on 4 November 2024. Supported by the Australian National Audit Office, the Auditor-General is an independent officer of the Australian Parliament and is responsible for auditing Commonwealth entities.

Caralee is a senior public service leader with more than 25 years' experience, having served as the Secretary and Chief Executive of the New Zealand Treasury since 2019. Before this, she was the Managing Director of TAFE NSW and a Deputy Secretary with the NSW Treasury.

#### **ACTION**

- FRC to note.







**ITEM 10A**  
**4 DECEMBER 2024**

**AASB CHAIR REPORT**

The AASB Chair's Report covering the key activities undertaken during September - November 2024.

**ACTION**

- FRC to note update from AASB Chair.



## ITEM 10B 4 DECEMBER 2024

### AUASB CHAIR REPORT

The AUASB Chair's Report covering the key activities undertaken during September – December 2024.

#### **ACTION**

- FRC to note update from AUASB Chair.



## ITEM 11

4 DECEMBER 2024

### PUBLIC SECTOR ADVISORY GROUP

#### DESCRIPTION

Chair of the PSAG, Amy Fox, to provide a verbal update about the PSAG meeting on 18 November 2024.

#### ACTION

- FRC to note.



## NOMINATIONS COMMITTEE

On 19 September 2024, the Financial Reporting Council (FRC) members endorsed the recommendations of the Nominations Committee to appoint and reappoint members to the Auditing and Assurance Standards Board (AUASB) and the Australian Accounting Standards Board (AASB).

The FRC appointed the following members to the AASB and AUASB who will commence on 1 January 2025:

### AASB

#### Appointment:

- Rebecca Gordon, IGO Ltd.

### AUASB

#### Reappointments:

- Klynton Hankin, Financial Services Assurance, PwC.
- Joanne Lonergan, Ernst & Young.

#### Appointment:

- Jennifer Travers, KPMG.

### ACTION

- FRC to note verbal update from the Nominations Committee Chair, Rachel Grimes.



## ITEM 12B

4 DECEMBER 2024

### CORRESPONDENCE

On 16 October 2024, the FRC Annual Report was tabled in Parliament and copies were sent to stakeholders in late October.

#### **ACTION**

- FRC to note.



## ITEM 12C

4 DECEMBER 2024

### KEY ACTION ITEMS SUMMARY

FRC Chair and Secretariat to provide a summary of action items from the 4 December 2024 meeting.

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

#### **ACTION**

- FRC to note.



## ITEM 13

4 DECEMBER 2024

### NEXT MEETING

Next meeting will be on 12 March 2025 in the Melbourne Treasury office on Level 16, 530 Collins Street.

#### **ACTION**

- FRC to note.