



MINUTES

DATE: 4 December 2024
TIME: 09:00 – 15:00
LOCATION: Level 29, 201 Kent Street, Sydney NSW 2000, AUSTRALIA

ITEM	AGENDA ITEM
PUBLIC SESSION	
1	INTRODUCTION
1A	The Chair began with an acknowledgement of country and welcomed all attendees to the meeting.
1B	ATTENDEES AND APOLOGIES
	Members in attendance:
	Andrew Mills (Chair)
	Dr Keith Kendall (AASB Chair)
	Doug Niven (AUASB Chair)
	Michele Embling (XRB Chair)
	Rachel Grimes
	Emma Herd
	Pru Bennett
	Amy Fox
	Alison White
	Guests:
	Mark Babington (UK Financial Reporting Council)
	Thea Eszenyi (ASIC)
	Luci Tucker (ASIC)
	Claire LaBouchardiere (ASIC)
	Anne Waters (AUASB)
	Justin Williams (AASB)
	Dr Caralee McLiesh (Auditor-General, ANAO)
	Channa Wijesinghe (APESB)
	Jacinta Hanrahan (APESB)
	Observers:
	Jesse Chen (Treasury)
	Christie Yang (Treasury)
	Adam Foda (Treasury)
	Apologies:
	N/A

	Simon Grant (CA ANZ)	
	Amir Ghandar (CA ANZ)	
	Chelsea Wymer (CA ANZ)	
	Samantha Wilson (CA ANZ)	
	Members of the public:	
	John Ngiam (CA ANZ) - virtual	
	Nikole Gyles (Greenway Avenue Consulting) - virtual	
1C	DECLARATIONS OF INTEREST	
	Michele Embling noted that her Declarations of Interest had dropped off the meeting pack. FRC Secretariat agreed to reinstate Michele’s declarations for the next meeting. Other members did not raise any changes to their declarations of interest.	
2	UK MODEL FOR A MERGED FINANCIAL REPORTING BODY	
	<p>Mark Babington provided a comprehensive update on the UK’s plans to establish the Audit, Reporting and Governance Authority (ARGA) as a successor to the UK Financial Reporting Council. He noted that legislative progress for ARGA has been slow, however a draft bill is expected for pre-legislative scrutiny in Q1 2025, with a new regulator planned to commence in early 2027.</p> <p>The ARGA framework aims to enhance regulatory oversight and address gaps in enforcement powers. Mr Babington explained that ARGA will have statutory authority over accountants, auditors, and directors, including those who are not members of a professional accounting body. He stressed the primary objective is to improve audit quality, particularly for mid-tier firms.</p> <p>Members discussed firm operational separation and the key drivers for this in the UK. Mr Babington highlighted that the operational separation has built on the robust governance structures within audit firms, including enhanced independent non-executive oversight to maintain audit quality and public trust. He explained that the fee provisions within ethical guidelines require audit firms to set fees that cover their costs.</p> <p>Members also discussed the relevance of the UK experience to Australia’s ongoing regulatory reforms, particularly in the context of sustainability reporting. Mr Babington noted that regulation should also apply to relevant professionals other than accountants and auditors, in relation to the public interests.</p> <p>Members queried the potential for mandatory audit tendering in the UK. Mr Babington noted that there is still a commitment to mandatory tendering and rotation as large firms see the largest value of services they can provide is the audit services.</p>	
3	MATTERS FOR NOTING / ACTION	
3A	MINUTES OF PREVIOUS MEETING – 19 SEPTEMBER 2024	

	Members noted the minutes from the FRC meeting on 19 September 2024 which had been approved out-of-session.
3B	ACTION ITEMS
	Members reviewed the Action Items list and confirmed items that had been actioned. The Secretariat noted the AASB’s ongoing engagement with entities on digital reporting and the form of disclosures.
4	ENVIRONMENTAL SCAN
4A	MEMBERS REFLECTIONS
	Members’ discussion focusing on the challenges and opportunities in sustainability reporting. A member noted the high costs associated with reconciling third-party data with internal datasets, which can lead to inefficiencies. A member highlighted the need for clear guidance to streamline reporting processes and reduce duplication. Public sector sustainability reporting continues to be an emerging challenge, with Amy Fox noting the need to build capability and a lack of sustainability expertise due to high costs and geographical limitations with the supply of talent predominantly in Sydney and Melbourne. She emphasised the importance of building capability and resourcing in the public sector including in the ACT (Canberra) where most Commonwealth public sector entities are located, particularly as reporting requirements expand. Doug Niven and Keith Kendall provided updates on the efforts of the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) to align with international standards. Members acknowledged the need for strong collaboration with regulators and stakeholders to ensure effective implementation.
4B	STAKEHOLDER REPORTS
	Members noted the stakeholder reports submitted by stakeholders and the Chair’s report of stakeholder engagement.
5	MONITORING AND INFLUENCING INTERNATIONAL DEVELOPMENTS
5A	XRB UPDATE
	Michele Embling reported on New Zealand’s progress in climate-related disclosures and sustainability reporting. She highlighted the phased implementation of standards, with mandatory disclosures for Scope 1 and 2 emissions now in place, while Scope 3 disclosures have been deferred for an additional year. Michele also shared insights on New Zealand’s efforts to integrate indigenous perspectives into sustainability frameworks, including the development of a draft conceptual framework. She emphasised the importance of considering long-term societal impacts and organisational purpose in sustainability reporting.

	Members discussed how these approaches could inform Australia’s frameworks, particularly in fostering stakeholder engagement and addressing cultural dimensions of sustainability.
5B	INTERNATIONAL DEVELOPMENTS
	Members noted the information attached in the meeting pack.
6	<p>FINAL REPORT OF PARLIAMENTARY JOINT COMMITTEE ON CORPORATIONS AND FINANCIAL SERVICES ON ETHICS AND PROFESSIONAL ACCOUNTABILITY: STRUCTURAL CHALLENGES IN THE AUDIT, ASSURANCE AND CONSULTANCY INDUSTRY</p> <p>Members noted the final report presented by the Parliamentary Joint Committee on Corporations and Financial Services (PJC) to the Senate on 7 November 2024 in relation to the recommendations on ethics and professional accountability in the audit industry.</p> <p>Members discussed how the PJC recommendations relating to the governance and operations of standard-setting boards would intersect with existing frameworks of the FRC, the AASB and the AUASB, as well as the role of professional bodies.</p> <p>Members discussed Recommendations 22 and 23 outlined in the PJC report and noted while it might be a challenge for a standard setter to have all independent members without having current financial interests in an entity under the direct governance of the standard setter, it is important to note the standard setting boards operate under the ASIC Act and their own operating requirements. All members are expected to act in the public interest.</p> <p>Michele Embling noted that New Zealand does not have a separate ethical standard board as outlined in Recommendation 28, however the XRB has authority to issue ethical standards to ensure audit and assurance engagements comply with international requirements.</p> <p>Members discussed the impact of mandating audit tendering outlined in Recommendation 40 and stressed the importance of balancing regulatory measures. Members acknowledged the positive impact on increasing competition within the audit sector but also noted that mandating audit tendering could potentially cause a disruption and high costs associated with bringing in new audit providers. Members highlighted the importance of building a sustainable relationship with audit firms and attracting innovative perspectives to the audit industry.</p>
7	PROFESSIONAL DEVELOPMENT PATHWAYS
	<p>Simon Grant, Chelsea Wymer and Samantha Wilson from CA ANZ presented on the CA ANZ’s work in relation to professional development pathways:</p> <ul style="list-style-type: none"> • CA ANZ identified that negative perception of accounting professions among students is one of the main causes in declining enrolments in accounting programs across Australia and New Zealand. • CA ANZ has developed new pathways in a more flexible and accessible approach, including a revised Fundamentals pathway for high school graduates. The revised program will be piloted in 2025, and it aims to make the profession more appealing and cost-effective to younger cohorts.

	<ul style="list-style-type: none"> CA ANZ successfully promoted its branding through campaigns leveraging social media, cinema advertising, and partnerships with schools. Members emphasised the importance for ongoing engagement with universities and employers to attract young talent to the accounting profession.
8	UPDATE FROM ACCOUNTING PROFESSIONAL & ETHICAL STANDARDS BOARD (APESB)
	<p>Channa Wijesinghe and Jacinta Hanrahan from APESB presented updates on the APESB Strategy Plan 2021-2025:</p> <ul style="list-style-type: none"> APESB reissued APES 320 on Quality Management for firms providing non-assurance services. APESB issued ED 03/24 on Proposed Revisions to Code for Tax Planning and Related Services in July 2024. Approval of Amending Standard to the Code will be considered at the APESB meeting in December and the proposed revisions will be effective from 1 July 2025. APESB engaged with Parliamentary inquiries and a number of APESB recommendations have been incorporated into PJC’s final recommendations to the Senate. APESB continues to collaborate with the AASB and the AUASB on sustainability reporting, with the final amending standard expected to be approved towards the end of 2025.
9	ADDRESS FROM NEW AUDITOR-GENERAL FOR AUSTRALIA
	<p>Dr Caralee McLiesh, as the new Auditor-General for Australia spoke about her background and expressed that she is keen to engage with the FRC on a range of shared goals and priorities in the future. Dr McLiesh outlined her priorities as the newly appointed Auditor-General, focusing on enhancing the capability and impact of public sector auditing. She emphasised the importance of attracting and retaining skilled auditors, noting that the ANAO faces similar workforce challenges to the private sector.</p> <p>Drawing on her experience in New Zealand, Dr McLiesh highlighted the benefits of a staged approach to implementing sustainability reporting, which allows agencies to build capability and improve data quality over time. She also discussed the ANAO’s commitment to promoting transparency and integrity in government institutions.</p>
10	OVERSIGHT OF AUSTRALIAN STANDARDS (ACCOUNTING AND AUDITING) PER ASIC ACT S 225(1) TO (2A)
10A	AASB REPORT
	<p>Keith Kendall provided a verbal update on the AASB’s work and international engagement:</p> <ul style="list-style-type: none"> The AASB finalised the sustainability standards, with implementation for Group 1 commencing in January 2025. The AASB is prioritising stakeholder engagement and educational resources to support the entities with implementation. The AASB hosted the 2024 AASB Research Forum in conjunction with the University of Technology Sydney on Wednesday, 6 November 2024, in Sydney and online. The event

	<p>focused on accounting and reporting standard setting, and successfully brought a diverse audience of local and international academics.</p> <ul style="list-style-type: none"> • The AASB has been successful in being appointed to the Accounting Standards Advisory Forum (ASAF) as part of a joint application with New Zealand. This appointment commences on 1 January 2025, and the first meeting is scheduled in late March 2025. • Keith will be the Chair of Asian-Oceanian Standard-Setters Group (AOSSG) commencing November 2025. • Keith attended the AOSSG conference in Islamabad, Pakistan in late November.
10B	AUASB REPORT
	<p>Doug Niven provided a verbal update of the AUASB’s developments in financial report and sustainability auditing and assurance:</p> <ul style="list-style-type: none"> • Doug reported on the AUASB’s progress with sustainability assurance standards, including the AUASB’s upcoming consideration of the <i>International Standard on Sustainability Assurance 5000</i> (ISSA 5000) and phasing in of assurance at the 16 December AUASB meeting. • The AUASB is actively collaborating with international bodies to ensure alignment with global best practices. The IAASB is expected to approve a revised going concern standard in December 2024 and a revised fraud standard in March 2025. • The AUASB continues working on guidance and education materials for auditors.
11	PUBLIC SECTOR ADVISORY GROUP
	<p>Amy Fox provided a verbal update on themes raised in the recent PSAG meeting, including:</p> <ul style="list-style-type: none"> • Challenges in attracting students to study accounting and entry level cohorts to the accounting profession, especially in attracting and retaining talent in the public sector. • The need for further guidance on AASB S2 for public sector in light of its ongoing implementation. • The need for work on service performance reporting measurement in different public sector jurisdictions.
12	OTHER BUSINESS
12A	NOMINATIONS COMMITTEE
	Rachel Grimes AM, as Chair of the Nominations Committee, noted the re/appointments of members to the AASB and AUASB who will commence on 1 January 2025.
12B	CORRESPONDENCE RECEIVED AND SENT
	Members noted the correspondence sent.

12C	KEY ACTION ITEMS SUMMARY
	No action item noted.
	NEXT MEETING
	Next meeting will be held on 5 March 2025 at the Melbourne Treasury Office.
	Public session closed at 15:00.