



Australian Government
Financial Reporting Council

Financial Reporting Council

2025–26 Annual Report

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



Australian Government
Financial Reporting Council

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23 September 2026
The Hon Daniel Mulino MP
Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister

I present the Financial Reporting Council (FRC) annual report for the year ended 30 June 2026.

This year has been a period of significant progress in Australia's financial reporting landscape, particularly in advancing sustainability reporting and assurance frameworks. The FRC acknowledges the strong efforts made by the Australian standard-setting boards in developing and supporting the implementation of high-quality sustainability and assurance standards. The FRC recognises the importance of these standards in benefiting investors and the broader public through greater transparency and utility of sustainability disclosures.

The FRC also monitored significant developments concerning standards of conduct in parts of the financial reporting ecosystem, including matters arising from Parliamentary and public scrutiny of reports concerning alleged governance, confidentiality and whistleblower issues involving large audit firms in Australia. These developments reinforced the importance of maintaining public confidence in the professions that underpin Australia's financial reporting framework. The FRC considers strong frameworks for governance, accountability and integrity to be fundamental to maintaining that confidence. The FRC also welcomed the Government's consultation on the regulation of accounting, auditing and consulting firms and the opportunity to re-examine whether existing regulatory arrangements remain fit for purpose in supporting the audit profession's public interest role.

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

Noting the recent enactment of the *Treasury Laws Amendment (Financial Reporting System Reform) Act 2026 (Cth)*, which gave effect to the Government's decision to merge the financial reporting bodies into a new body, External Reporting Australia (ERA), in accordance with paragraph 357(2)(a) of the ASIC Act, this will be the final annual report of the FRC, with the FRC's operations in 2026–27 to be reported in the first annual report of ERA.

Yours sincerely

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

Andrew Mills

Chair

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Our past year

The Financial Reporting Council's (FRC) activities in the 2025–26 reporting year reflected its commitment to strengthening confidence in financial reporting in Australia. The FRC continued to enhance financial and sustainability reporting and assurance frameworks through:

- targeted environmental scans and strategic oversight
- active engagement with domestic and international stakeholders
- support for the implementation of climate and sustainability reporting standards aligned with global frameworks.

The FRC continued its collaboration with the Australian Accounting Standards Board (AASB), Auditing and Assurance Standards Board (AUASB) and other stakeholders. By doing so, the FRC promoted international consistency and comparability, which helped shape Australia's sustainability reporting standards.

This annual report outlines the FRC's priorities, actions and achievements during 2025–26. It highlights the FRC's commitment to maintaining an effective and inclusive financial reporting system for the benefit of all Australians.

Forthcoming changes to operating environment

The *Treasury Laws Amendment (Financial Reporting System Reform) Act 2026 (Cth)* (ERA Act) gives effect to the Australian Government's November 2023 decision to combine the FRC, AASB and AUASB, and their offices, into a single entity to be known as External Reporting Australia (ERA).

During 2025–26, the FRC continued to meet its existing obligations under the *Australian Securities and Investments Commission Act 2001 (Cth)* (ASIC Act), including by continuing to provide stable oversight of the financial reporting system, whilst ensuring its preparedness for the anticipated new operating environment associated with the transition to ERA. Some of the transition planning activities of the FRC included:

- engaging with Treasury on various aspects of the exposure draft legislation giving effect to the merger of the FRC, AASB and AUASB, and their offices
- identifying key milestones, risks, dependencies and critical decisions required of the FRC
- updating governance arrangements, including the 2026–27 Strategic Plan (see 'Updated governance arrangements' section below)
- considering AASB and AUASB composition and member succession to support continuity (see 'FRC Nominations Committee' section below)
- engaging with Treasury, the AASB and AUASB, regulated entities and other stakeholders regarding the status of the legislation giving effect to the merger.

The legislation giving effect to the merger was introduced into the Parliament on 12 February 2026 and was passed on 30 June 2026. It received Royal Assent on 6 July 2026, and a transition period commenced on 7 July 2026. Under the ERA Act, the FRC has additional functions and powers during the transition period to establish necessary arrangements for ERA's commencement, in addition to the FRC's existing obligations under the ASIC Act. ERA will commence on 1 December 2026, following the conclusion of the transition period on 30 November 2026 and the repeal of legislation that gives effect to the FRC.

The FRC's operations from 1 July 2026 to 30 November 2026 (that is, in the 2026–27 reporting year) will be reported in the first annual report of ERA. Accordingly, this is the FRC's final annual report.

1

Snapshot of key and ongoing initiatives

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Climate and sustainability-related standards

During 2025–26, the FRC continued to monitor developments in climate-related financial disclosures and the broader sustainability reporting landscape. The FRC considered implementation challenges arising from Australia's new reporting requirements, including the application of materiality and the interaction between mandatory and voluntary reporting. The FRC also considered the importance of resolving foundational sustainability reporting matters before progressing to future areas, including nature-related disclosures.

Recognising the evolving landscape of reporting, the FRC acknowledges the significant efforts made by the AUASB and AASB in developing, implementing and supporting the adoption of sustainability standards, guidance and educational resources. Providing guidance and resources helps ensure practitioners maintain best practice and adapt to changes in the breadth of reporting and assurance requirements. The FRC also noted measures announced in the 2026–27 Budget, including consultation on improving the efficiency of climate-related financial disclosures.



Audit Quality Management

Concerns about the audit profession

The FRC monitored developments affecting audit quality and confidence in the profession. This included issues related to firm governance, the way confidential information may be used and the treatment of whistleblowers arising in the context of Parliamentary scrutiny of the conduct of large audit firms. While such issues do not appear to relate to the veracity of specific audit conclusions, they are relevant to the broader environment in which high-quality audits are conducted. High standards of professional conduct, governance and organisational culture support the public interest role that audit plays within the financial reporting system. Serious matters, including the handling of confidential information, can undermine confidence in the profession and its ability to act as a trusted gatekeeper within that system.

In this context, the FRC welcomed the Government's consultation on the regulation of accounting, auditing and consulting firms and the opportunity to consider whether existing regulatory arrangements remain fit for purpose in supporting audit quality, professional accountability and public confidence in the profession. From an oversight perspective, the FRC considers these matters to be connected to the effectiveness of the broader financial reporting system.

Other matters

The FRC observed a shift in international audit standard setting, with increased focus on matters including post-implementation reviews of issued standards, as standard setting projects reached completion.

The FRC also continued to consider the implications of recommendation 4.2 made by the Productivity Commission inquiry report, *Building a Skilled and Adaptable Workforce (2025)* to target qualification requirements to risk.

The FRC acknowledges the significant efforts made by the AUASB in developing comprehensive guidance and educational resources, as these materials help auditors implement auditing standards. Providing guidance and resources helps ensure audit practices keep pace with the increasing complexity and breadth of reporting requirements.

Other financial reporting developments

The FRC monitored Australian Government regulatory reform initiatives aimed at reducing regulatory burden. The FRC noted measures announced in the 2026–27 Budget, including increased reporting thresholds for large proprietary companies, and simplifying existing reporting relief for group entities. The FRC also observed the potential for increased digital financial reporting to streamline data collection and information sharing. The FRC continues to consider the implications of recommendation 5.1 made by the Productivity Commission inquiry report, *Harnessing Data and Digital Technology (2025)* to make digital financial reporting the default method of reporting.

The FRC also monitored the rapid growth of AI in financial reporting and assurance, including the release of the Information Sheet 'Impact of AI on Auditors' to provide guidance on the use of AI by auditors and the impact of AI used by audited entities by the AUASB. The FRC acknowledged the opportunities presented by emerging technologies while emphasising the importance of responsible implementation supported by appropriate governance arrangements to manage risks associated with the use of AI.





International Financial Reporting Standards

The FRC maintained its commitment to promote alignment of Australia's financial reporting framework with international standards. The FRC supported various appointments of Australians to international standard-setting bodies and forums of influence by identifying and nominating suitable candidates, reinforcing Australia's standing in global standard-setting discussions. For example, on 16 March 2026, the Trustees of the IFRS Foundation announced that the AASB was accepted as a member of the Sustainability Standards Advisory Forum (SSAF) for a 3-year period between 2026–2028.

The FRC emphasised the importance of proactive engagement in international forums to ensure that Australia's standards reflect global trends and domestic needs. The AASB and AUASB regularly report to the FRC on their activities to strengthen and expand relationships with global and national standard-setting bodies. This allows the boards to effectively monitor and contribute to international developments.

The FRC continued to monitor international financial reporting developments and the increasing integration of financial and sustainability reporting. Members considered emerging international perspectives on reporting requirements and differences between Australian and international standards. They also identified key areas impacting international standard setting.

The FRC also undertook engagement with international bodies and counterparts, including the International Federation of Accountants (IFAC), New Zealand XRB and UK Financial Reporting Council.



Public sector reporting developments

Public sector reporting continued to be a focus area for the FRC during 2025–26.

The FRC continued to monitor developments affecting public sector financial reporting through updates from the Public Sector Advisory Group (PSAG). PSAG members observed implementation challenges arising from Australia's new climate-related financial reporting requirements and observed varying levels of preparedness across jurisdictions as implementation of climate-related financial disclosures progressed, highlighting the different levels of maturity across jurisdictions.

PSAG members noted a growing focus across the Commonwealth on improving the efficiency and effectiveness of public sector reporting. Members also considered broader developments affecting the public sector, including the impact of the geopolitical environment on fiscal strategy, government budget measures and international capacity-building initiatives to strengthen accounting and financial management practices in the Pacific region.

PSAG members continued to monitor developments in public sector audit quality through updates from the Australasian Council of Auditors-General (ACAG). PSAG members noted the findings of ACAG's paper, *Audit Quality in the Public Sector* (2026), including improvements in workforce capacity following the COVID-19 pandemic, while recognising that recruitment and retention challenges remained at junior levels of the profession.

Through its public sector focus, PSAG also monitored reforms to Australia's financial reporting framework generally, including the then proposed legislation to establish ERA. Consideration was given to implications for the public sector, particularly in relation to transition planning, governance arrangements and funding.

For further information on PSAG, including membership, see 'FRC Public Sector Advisory Group (PSAG)'.

Other international developments

The FRC closely monitored international regulatory reforms and considered their relevance to Australia. In particular, members noted developments in the United Kingdom (UK) concerning modernising corporate reporting, sustainability standards, private equity investment in audit firms and use of AI in auditing.

Through its international engagement with the New Zealand External Reporting Board (XRB), members also noted consultations concerning the New Zealand Draft Climate Reporting Roadmap (2026) and targeted consultation on internationally aligned climate-disclosures. Members noted planned consideration of New Zealand's multi standard, sector-based accounting standards framework.





Stakeholder engagement

Engagement with stakeholders remained central to the FRC's strategy to identify and address emerging issues in financial reporting, auditing and assurance. Activities during 2025–26 included engagement with domestic and international stakeholders to remain informed of these emerging issues. Through these engagements, the FRC received updates on international standard-setting priorities, including challenges relating to the quality of standards, collaboration across jurisdictions, funding arrangements and workforce capacity, which supported the FRC's understanding of developments that shaped the domestic and global reporting environment.

The FRC's active stakeholder engagement ensured it remained responsive to sector developments and allowed it to adapt its oversight strategies effectively. This proactive approach supports continuous improvements in Australia's financial reporting, auditing and assurance frameworks. For example, this includes the FRC's support of the AASB and AUASB to work closely together to support the implementation of sustainability accounting and assurance standards, along with engagement with ASIC concerning its audit surveillance program. For further information, see 'Oversight of Australian standard setting' and 'Audit quality' below.



Updated governance arrangements

During 2025–2026, the FRC updated its Rules of Procedure and Nominations Committee Charter to ensure they remained fit-for-purpose and reflected best practice. The FRC also released its 2026–2027 Strategic Plan which is intended to cover the FRC's priorities for 2026–2027, recognising that ERA will commence on 1 December 2026. The FRC's strategic priorities for 2026–27 focus on strengthening financial reporting, responding to regulatory and market developments, and enhancing international collaboration.

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FRC objectives and functions

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The financial reporting system

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

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

Functions of the FRC

The FRC is the peak body responsible for overseeing the effectiveness of the financial reporting system in Australia. The FRC's functions, as set out in the ASIC Act, include:

- providing broad oversight of the accounting, sustainability and auditing standard setting processes and giving the Minister reports and advice about such matters
- establishing appropriate consultative mechanisms
- appointing members of the AASB and AUASB (other than the Chairs)
- giving advice or feedback to the AASB and AUASB on their priorities, business plans and procedures
- giving advice or feedback to the offices of the AASB and AUASB on their budget and staffing arrangements
- determining the broad strategic direction of the AASB and AUASB
- monitoring the operation of accounting, sustainability and auditing standards and the effectiveness of consultative arrangements of the AASB and AUASB
- giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors
- monitoring the development of international accounting, sustainability and auditing standards
- furthering the development of a single set of accounting, sustainability and auditing standards for world-wide use
- promoting the continued adoption of international best practice standards in the Australian standard setting processes.

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

Statutory obligations

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

- Made appointments to the AASB and AUASB (see 'Appointment of members to the AASB and AUASB' below)
- Continued work directed at enhancing the quality of financial reports, which:
 - contributed to the development of common international accounting, sustainability and auditing standards
 - facilitated the harmonisation of Australian standards with international standards.

This work included monitoring developments in international standards and promoting a coordinated approach to Australian standards. As a result, the FRC:

- facilitated investor confidence in Australian firms
- promoted cross-border comparisons by investors
- enhanced the ability of Australian firms to access international capital markets at lower cost.
- Monitored the impact of macroeconomic conditions and skill shortages on the financial reporting system and audit quality.
- Continued to obtain qualitative and quantitative data from stakeholders on matters including:
 - auditor disciplinary processes
 - talent retention
 - skill shortages
 - sustainability.

This work facilitated the development of financial reporting standards and investor confidence by enabling any impacts of such matters on accounting, sustainability and auditing standards and practices to be identified and addressed.

- Corresponded with Australian Government ministers about digital reporting.
- Corresponded with IFRS Foundation Trustees, endorsing the nomination of the AASB to SSAF.
- Continued to monitor financial reporting and auditing issues relevant to the public sector through its FRC Public Sector Advisory Group, comprising members of the FRC and the public sector.

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Oversight of Australian standard setting

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

The FRC primarily provides advice to the AASB, AUASB and their offices at meetings of the FRC. The Chairs of the AASB and AUASB were members of the FRC until 30 June 2026 (inclusive). They provide written and oral reports on the activities of their respective boards at each FRC meeting. In 2025–26, AASB and AUASB reports included items covering:

- AASB and AUASB strategies
- AASB and AUASB Corporate Plans for 2025–26
- AASB and AUASB's key activities including progress on key strategic priorities.

FRC members reviewed these reports and provided advice and feedback to the AASB and AUASB at FRC meetings, including on AASB and AUASB strategic priorities, business plans and emerging topics. The FRC did not directly provide advice to the offices of the AASB and the AUASB on their budgets and staffing in 2025–26. However, the FRC did contribute to the strategic priorities and thereby influenced budgets and staffing indirectly.

The FRC continued to encourage alignment of AASB and AUASB plans, projects and activities where practicable and welcomed the ongoing collaboration between the boards in 2025–26. In particular, the FRC supported the boards to work closely together to support the implementation of:

- AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information
- AASB S2 Climate-related Disclosures
- ASSA 5000 General Requirements for Sustainability Assurance Engagements.

The AASB and the AUASB undertook the following activities in 2025–26.

AASB

- Issued AASB 1061 General Purpose Financial Statements – Not-for-Profit Private Sector Tier 3 Entities.
- Issued amendments to Australian Accounting Standards:
 - AASB 2026-2 Amendments to Australian Accounting Standards – Extending the Application of the Conceptual Framework and Limiting the Ability of Not-for-Profit Entities to Prepare Special Purpose Financial Statements
 - AASB 2026-1 Amendments to Australian Accounting Standards – Disclosures about Uncertainties in the Financial Statements
 - AASB S2025-1 Amendments to Greenhouse Gas Emissions Disclosures
 - AASB 2025-4 Amendments to Australian Accounting Standards – Translation to a Hyperinflationary Presentation Currency
 - AASB 2025-3 Amendments to Australian Accounting Standards – Contracts Referencing Nature-dependent Electricity: Tier 2 Disclosures.
- Issued the following exposure drafts:
 - ED 341 Updating AASB 1060 to Align the Classification and Presentation Requirements with AASB 18
 - ED 340 Amendments to the Fair Value Option for Investments in Associates and Joint Ventures
 - ED 339 Risk Mitigation Accounting
 - ED 338 Application of AASB 18 and AASB 107 by Superannuation and Not-for-Profit Entities and Operating Cash Flow Reconciliation.
- Issued the following invitation to comment:
 - ITC 57 AASB 2027–2031 Agenda Consultation
 - ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2.

- Engaged in the following Post-implementation Review (PIR) activities:
 - continued working on the PIR of AASB 1060 General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities and AASB 2020-2 Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities (ITC 56 Post-implementation Review of Tier 2 and the Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities and Further Update of Tier 2)
 - continued working on the PIR of the Leases Standard (ITC 55 PIR of AASB 16 Leases covering the IASB's IFRS 16 PIR for for-profit private sector entities and the AASB's domestic PIR of AASB 16 for not-for-profit and public sector entities)
 - completed the PIR of certain not-for-profit topics (ITC 51 Post-implementation Review of Not-for-Profit Topics – Control, Structured Entities, Related Party Disclosures and Basis of Preparation of Special Purpose Financial Statements)
 - continued working on the PIR of AASB 1059 Service Concession Arrangements: Grantor (ITC 49 Post-implementation Review of AASB 1059 Service Concession Arrangements: Grantors).
- Released the following Research Reports:
 - AASB-KSSB (Korea Sustainability Standards Board) Joint Research Report Biodiversity, Ecosystems and Ecosystem Services (BEES) Disclosure Practices: Observations in Australia and Korea (2025)
 - Research Report 25 Statement of Cash Flows and Related Matters (2025)
 - AASB-AUASB Joint Research Report in collaboration with Chartered Accountants Australia and New Zealand (CA ANZ) Preparedness of ASX-listed entities for climate-related reporting and assurance requirements (2025).
- Made the following submissions:
 - AASB submission on the International Sustainability Standards Board (ISSB) Exposure Draft/2025/1 and ISSB Exposure Draft/2025/2 Proposed Amendments to the SASB Standards and Proposed Amendments to the Industry-based Guidance on Implementing IFRS S2
 - AASB submission on IASB Request for Information on Post-implementation Review of IFRS 16 Leases.

- As the Asian-Oceanian Standard-Setters Group (AOSSG) Chair, made the submission to IASB Exposure Draft/2026/1 Amendments to the Fair Value Option for Investments in Associates and Joint Ventures: Proposed amendments to IAS 28.
- The AASB hosted 3 forums across 17–19 November 2025. The 2025 AASB Research Forum, themed 'Accounting and Reporting in the Digital Era', was co-hosted by University of Melbourne on 17 November 2025. The Sustainability Research Forum was held on 18 November 2025, followed by the Applied Research – Shaping Standard Setting Forum on 19 November 2025. In 2026, the AASB offered the opportunity to attend in Melbourne, or virtually from any other location worldwide. As a result, there were 280 in-person attendees and 356 virtual attendees.

AUASB

- Released an Information Sheet – Impact of AI on Auditors to provide guidance on the use of AI by auditors and the impact of AI used by audited entities.
- Issued the following exposure drafts and consultation papers:
 - Exposure Draft 02/25 – Proposed amendments to ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the *Corporations Act 2001 (Cth)* (Corporations Act), in relation to assurance covering the directors' declaration and voluntary reporting and assurance under the Corporations Act
 - Exposure Draft 03/25 – Proposed Australian Standard on Sustainability Assurance ASSA 2025-11 Amendments to ASSA 5000 General Requirements for Sustainability Assurance Engagements, which focused on illustrative Corporations Act auditor's reports
 - Consultation Paper – International Auditing and Assurance Standards Board (IAASB)'s Proposed Narrow Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project (2025)
 - Consultation Paper – IAASB Proposed International Standard on Review Engagements ISRE 2410 (Revised) Review of Interim Financial Information Performed by the Independent Auditor of the Entity's Annual Financial Statements (2026). AUASB and NZAuASB staff worked on the IAASB's development of the proposed revised standard under IAASB direction.
- Issued ASA 240 The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements and consequential amendments to other standards.

- Issued amendments to the Australian auditing and assurance standards:
 - AUASB 2025-5 Amendments to AUASB Standard (ASA 102)
 - AUASB 2025-6 Amendments to AUASB Standard (consequential amendments to other standards from Revised Standard ASA 240)
 - AUASB 2025-7 Amendments to AUASB Standard (ASSA 5000, ASA 102)
 - AUASB 2025-8 Amendments to AUASB Standard (consequential amendments from changes in the APESB Code)
 - AUASB 2025-9 Amendments to AUASB Standard (consequential amendments from narrow scope amendments to the ISQMs and ISAs)
 - AUASB 2025-10 Amendments to ASSA 5010
 - AUASB 2025-12 Amendments to AUASB Standard (consequential amendments from AASB 18 Presentation and Disclosure in Financial Statements)
 - AUASB 2026-1 Amendments to AUASB Standard (ASA 620).
- Released a RSE Illustrative Auditor's Report – Prudential Standard SPS 310 Audit and Related Matters (2025).
- Issued the following revised Australian-specific Guidance Statements:
 - GS 002 Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities (and related illustrative assurance report)
 - GS 011 Third Party Access to Audit Working Papers
 - GS 018 Franchising Code of Conduct – Auditor's Report for a new Franchising Code.
- Commenced projects to update Guidance Statements:
 - GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services
 - GS 015 Audit Implications for Investment in Associates.
- The AUASB also commenced planning for new guidance on assurance work on the valuation of unlisted investments in externally Managed Investment Schemes.
- Withdrew Guidance Statement GS 021 Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes.
- Issued an AASB-AUASB Joint Research Report: Preparedness of ASX-listed entities for climate-related reporting and assurance requirements (2025).

- Made the following submissions on:
 - IAASB's Post-Implementation Survey on ISA 540 on auditing accounting estimates
 - The International Ethics Standards Board for Accountants (IESBA) and IAASB Joint Stakeholder Survey on matters affecting the development of the 2028–31 strategies and work plans of the international boards
 - IAASB's Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project.
- The AUASB participated in the October 2025 and May 2026 IAASB/IESBA Stakeholder Advisory Council meetings, providing strategic advice to the international boards.
- The AUASB also participated in the IAASB's Jurisdiction Standard Setters meeting in April–May 2026.

Determining the strategic direction of the AASB and AUASB

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

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

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

Monitoring international developments

The FRC monitors the development of international standard setting in a range of ways, including by:

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

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

International accounting standards

In line with the AASB's mandate under the ASIC Act to participate in and contribute to the development of a single set of accounting standards for world-wide use, the FRC supports the AASB's adoption of the IFRS accounting standards issued by the IASB. These standards continue to have the most widespread impact, having been adopted in over 140 countries.

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

International auditing standards

The FRC supports the AUASB's adoption of the international auditing standards issued by the IAASB. This is consistent with the AUASB's mandate under the ASIC Act to participate in and contribute to the development of a single set of auditing standards for world-wide use. IAASB standards have been adopted in over 130 countries.

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

- the AUASB Chair's membership of the IAASB and IESBA Stakeholder Advisory Council
- participating in the Jurisdictional Standard Setters meetings with the IAASB
- outreach to stakeholders and submissions on IAASB exposure drafts
- meetings with the Chair and staff of the IAASB on developments and key issues

- supporting a member of the IAASB by reviewing IAASB papers and providing suggestions on issues to be raised at IAASB meetings. The AUASB Director (Technical) acts as an IAASB technical adviser and provides detailed AUASB input to the member.

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

International sustainability standards

During 2025–26, the FRC closely monitored the ISSB's activities, including its release of exposure drafts and sustainability standards.

The AASB and AUASB continued to support the implementation of Australia's sustainability reporting and assurance standards and contribute to the development of international sustainability reporting standards.

- Following the release of AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information and AASB S2 Climate-related Disclosures in September 2024, the AASB continued implementation support activities for AASB S2 throughout 2025–26.
- The AASB lodged submissions to the ISSB on SASB/ED/2025/1 Proposed Amendments to the SASB Standards and ISSB/ED/2025/2 Proposed Amendments to the Industry-based Guidance on Implementing IFRS S2.
- The AASB lodged a submission to the ISSB on Exposure Draft Amendments to Greenhouse Gas Emissions Disclosures – Proposed amendments to IFRS S2. The AASB also lodged a joint submission, together with the UK Financial Reporting Council and the Sustainability Standards Board of Japan, on the same Exposure Draft.
- In December 2025, the AASB issued AASB S2025-1, amending AASB S2 Climate-related Disclosures to clarify and extend relief from certain greenhouse gas (GHG) emissions disclosure requirements and amend the classification requirements for some GHG emissions. The amendments were informed by feedback received on ED SR2 Amendments to Greenhouse Gas Emissions Disclosures – Proposed amendments to AASB S2.
- The AASB continued to coordinate the AASB S2 Implementation Advisory Panel (IAP), a dedicated forum established to support consistent, principles-based application of AASB S2 across Australia. The IAP met 3 times during 2025–26.

- The AASB expanded the AASB S2 Knowledge Hub, publishing educational materials on:
 - comparing AASB S2 with the TCFD recommendations
 - greenhouse gas emissions disclosures under AASB S2
 - proportionality mechanisms in AASB S2
 - climate-related risks and opportunities and the disclosure of material information in AASB S2
 - climate resilience and climate-related scenario analysis requirements in AASB S2, including supporting video and slide resources
 - a comparison of GHG emissions reporting under AASB S2 and the National Greenhouse and Energy Reporting Scheme developed in conjunction with the Commonwealth Scientific and Industrial Research Organisation.
- The AASB partnered with ASIC and the University of Technology Sydney to develop 8 educational modules supporting foundational learning across the emerging climate reporting ecosystem. The modules cover the Corporations Act sustainability reporting requirements, climate-related risks and opportunities, emissions accounting, scenario analysis, governance and risk management.
- The AASB and ASIC also hosted a series in-person workshops and online webinars to support capacity-building for entities preparing for mandatory sustainability reporting requirements.
- The AASB facilitated 10 in-person Scenario Analysis Workshops across Australia to support reporting entities in applying the climate resilience and scenario analysis requirements of AASB S2.
- In partnership with the IFRS Foundation, the AASB delivered 2 workshops in conjunction with the ISSB Vice-Chair and ISSB Technical Director, focused on AASB S2 implementation. The AASB also facilitated an assurance practitioner-focused event featuring representatives from the ISSB, Greenhouse Gas Protocol, ASIC and the International Auditing and Assurance Standards Board.
- Australia was appointed to SSAF, a global advisory body established by the IFRS Foundation to support the ISSB. Australia is represented on the SSAF by AASB staff.

- In July 2025, the AASB, AUASB and CA ANZ released an independent research report examining climate-related disclosures and assurance practices in the 2023 and 2024 annual reports of Australian Securities Exchange (ASX) listed entities, with a focus on entities expected to become subject to mandatory reporting and assurance requirements. A further research report on preparedness for mandatory sustainability assurance will be published by the AUASB and CA ANZ in August 2026.
- In September 2025, the AASB and the Korean Sustainability Standards Board published a joint research report analysing nature-related disclosures in annual and sustainability-related reports issued between 2021 and 2023 by 110 publicly listed entities across 11 Global Industry Classification Standard sectors in Australia and Korea.
- Throughout 2025–26, the AASB engaged extensively with stakeholders, discussing and/or presenting on sustainability reporting and climate-related financial disclosures at the:
 - 17th Annual Meeting of the AOSSG
 - 2026 Forest Valuation Summit
 - 2026 IFASS meeting, which was hosted by the AASB in Melbourne
 - 2026 Responsible Investment Association Australasia Conference
 - 24th Australasian Centre for Social and Environmental Accounting Research (A-CSEAR) Conference
 - AASB Sustainability Research Forum
 - CA ANZ Annual Conference
 - CA ANZ Sustainability Conference
 - The Fiji Institute of Chartered Accountants Annual Conference
 - Hunter Sustainability Network Champion Event
 - The Institute of Chartered Accountants of India Melbourne Chapter 7th Annual Conference
 - Industry Capability Network Virtual Climate Reporting and Procurement Roundtable
 - Resilience to Climate Change and Natural Hazards: Better Decisions, Strategy and Disclosure event hosted by WSP
 - Sustainability Business Live Conference
 - UN Global Compact Network Australia Sustainability Reporting Community of Practice.

- The AUASB amended ASSA 5000 and ASA 102 to adopt the revised APES 110 Code of Ethics for Professional Accountants that includes new ethical and independence requirements for sustainability assurance. In June 2025, the AUASB amended ASSA 5000 General Requirements for Sustainability Assurance Engagements to address practical implementation matters related to ethics and effective date matters. In July 2025, the AUASB made further amendments to ASSA 5000 and consequential amendments to ASA 102 to adopt the revised APES 110.
- The AUASB amended ASSA 5010 to require the approach for the phasing in of assurance for Group 1, 2 and 3 entities to be applied for voluntary sustainability reports under the Corporations Act.
- The AUASB issued exposure draft ED 03/25, which proposed to add 4 more illustrative Corporations Act auditor's reports to ASSA 5000 to promote consistent reporting. After considering feedback received, the AUASB issued Illustrative Corporations Act Sustainability Assurance Reports in early January 2026.
- The AUASB participated in the IAASB's Working Group developing supplementary illustrative assurance reports, which were released in November 2025.
- The AUASB engaged extensively with stakeholders, discussing and/or presenting on sustainability assurance matters at the following:
 - a virtual roundtable to seek feedback from stakeholders on ED 02/25 and ED 03/25
 - the CA ANZ Accounting and Audit Conference in May 2026
 - the Accounting and Finance Association of Australia and New Zealand Conference in July 2025
 - the Clean Energy Regulator's annual auditor forum in Melbourne and Sydney
 - a forum with larger audit firms, also involving the ISSB Vice Chair and a member of the GHG Protocol Group
 - a forum with mid-tier firms in Melbourne
 - Sustainability Live June 2026 in Melbourne
 - regular meetings of the CA ANZ Sustainability Research Group and the Large National Networks Discussion Group, as well as meetings with individual stakeholders.

- The AUASB issued implementation support materials that appear on the AUASB website, including:
 - key messages for preparers and auditors
 - FAQs on complex assurance matters under the local reporting framework
 - illustrative Corporations Act assurance reports
 - educative materials, including a table providing links to AUASB and IAASB standards and guidance for each assurance area.
- The AUASB has developed and is consulting on guidance on assurance for financed emissions using a data provider.

International appointments

In 2025–26 the FRC welcomed the following international appointments of Australian accounting and auditing profession leaders:

- The AASB was appointed to the ISSB's SSAF, effective from 16 March 2026. SSAF is a technical advisory body to the ISSB. The advice of SSAF members helps the ISSB develop high-quality Standards.
- Dr Keith Kendall (Chair, AASB) continued his role as Co-Chair of the International Forum of Accounting Standard Setters (IFASS) on behalf of Australia. IFASS comprises National Standard Setters, which foster evidence-based standard setting and share insights with international standard-setting bodies such as the IASB and the ISSB.
- Dr Kendall was appointed to represent Australia as Chair of AOSSG at its November 2025 meeting. AOSSG is a grouping of 30 accounting standard-setters in the Asian-Oceanian region. The Group was formed in 2009 in response to the adoption of International Financial Reporting Standards (IFRS) and to contribute to the development of a high-quality set of global accounting standards. As AOSSG Secretariat, the AASB helped secure AOSSG a seat on SSAF.
- Doug Niven (Chair, AUASB) continued his role as a member of the IAASB and IESBA Stakeholder Advisory Council, which provides strategic input and recommendations to IAASB and IESBA.

Regional relationships

Australia and New Zealand continued to facilitate harmonisation of trans-Tasman standard setting. This relationship was enhanced by cross appointments to financial reporting oversight and standard-setting boards between Australia and New Zealand.

The FRC Chair is a member of the XRB. The XRB Chair, Mr John Kensington, has represented the XRB as a guest of the FRC. This arrangement fosters trans-Tasman collaboration and the dissemination of jurisdictional insights. Consistent with the arrangement for cross appointments between Australia and New Zealand, the Chairs of the AASB, AUASB, New Zealand Accounting Standards Board (NZASB) and New Zealand Auditing and Assurance Standards Board (NZAuASB) are members of their counterpart boards.

Monitoring the operation of accounting and auditing standards

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

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

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

4

Audit quality

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FRC's role on audit quality

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

The Corporations Act framework gives legal effect to the auditing standards developed by the AUASB. The auditing standards require auditors to adhere to relevant ethical standards issued by the APESB.

The FRC's functions under the ASIC Act include providing strategic policy advice and reports to the Minister and the professional accounting bodies in relation to the quality of audits conducted by Australian auditors. This advice may include advising and reporting on the Corporations Act audit framework, auditing standards or codes of conduct, and the quality assurance reviews, auditor disciplinary processes and education on professional ethics undertaken by the professional accounting bodies.

As part of carrying out the FRC's responsibilities, the FRC established the Auditor Review Working Group to consider supply and demand issues in the auditing sector including the application of the registered company auditor (RCA) concept in various contexts. The working group comprised members from the public sector and professional accounting bodies. The Working Group advised the FRC on its research, including audit requirements under Commonwealth, State and Territory legislation, the use of the RCA designation and other auditor designations. While the working group has met its initial objectives by providing an overview of issues affecting supply and demand in the audit sector, it was recognised that additional work could be undertaken but that such work should be deferred until after ERA was established when Working Group members' roles would be clarified.

To be informed of the current audit environment, the FRC received information concerning audit quality programs from ASIC and professional accounting bodies, which is set out below. Only information that is publicly available has been verified by the FRC.

ASIC initiatives to support and review audit quality

ASIC oversees the integrity and quality of financial reporting and auditing in Australia. Strategic priority 2 of ASIC's 2025–26 Corporate Plan is to strengthen market disclosure and conduct by ASIC-regulated professionals, focusing on promoting high-quality financial reporting, climate reporting and audit. ASIC's enforcement priorities for 2026 include a new priority for financial reporting misconduct, including failure to lodge financial reports and a continuing focus on auditor misconduct. ASIC uses a range of regulatory tools including engagement, guidance, surveillance, and enforcement actions to promote high-quality financial reporting and audit outcomes.

ASIC financial reporting and audit surveillance program

ASIC's financial reporting and audit surveillance program focuses on the entire financial reporting system. The program provides stakeholders with information about ASIC's surveillance to help improve financial reporting and audit quality. ASIC routinely communicates audit findings to directors of audited entities to support remediation and improvement in both reporting and audit quality. Information Sheet 224 provides further information on ASIC's approach to financial reporting and audit surveillances.

2024–25 surveillance program

In September and October 2025, ASIC published 3 reports summarising findings from ASIC's surveillance programs for the period 1 July 2024 to 30 June 2025. They highlight areas where the quality of financial reporting and audits and auditor compliance can be improved.

In September 2025, ASIC published Report 816 Accounting for your super: ASIC's review into the financial reporting and audit of super funds (2025) (REP 816) setting out findings from its review of financial reporting and auditing of Registrable Superannuation Entities (RSEs). RSEs were required to lodge audited financial reports with ASIC for the first time for financial years commencing on or after 1 July 2023 and these reports were lodged during the 2024–25 financial year. ASIC reviewed the financial reports of 60 RSEs and contacted 17 superannuation trustees about their valuation and disclosure of investments and disclosure of expenses.

ASIC also reviewed 5 RSE audit files across 5 audit firms and reported findings to each firm and the trustees of the audited RSE on the sufficiency of audit evidence about investment valuations and application of materiality levels. ASIC has indicated that RSE reporting and audit will remain part of its ongoing surveillance program.

In October 2025, ASIC published Report 817 Building trust: Auditors' compliance with independence and conflict of interest obligations (2025) (REP 817), which reported on a data-driven surveillance of auditor independence and conflict-of-interest obligations. The surveillance assessed potential independence risks across approximately 2,900 auditors and involved detailed reviews of 48 auditors from 19 audit firms.

ASIC found that many auditors were unable to effectively demonstrate compliance with prescriptive and general independence obligations. 15 auditors were identified as likely in breach of rotation requirements, prohibited relationship rules or prohibited non-audit-service requirements.

ASIC highlighted deficiencies in auditors' consideration and documentation of independence threats, including narrow or tick-box approaches, insufficient consideration of independence in appearance and failure to proactively report potential breaches to ASIC.

ASIC reissued Regulatory Guide 34 Auditor obligations: Reporting to ASIC (2025) (RG 34) to consolidate and simplify guidance on auditor breach notification and contravention reporting obligations to ASIC including the auditor's obligation to report their own contraventions including conflicts of interest situations to ASIC.

In October 2025, ASIC also published Report 819 ASIC's oversight of financial reporting and audit 2024–2025 (2025) (REP 819) on its oversight of financial reporting and audit including findings from its surveillance program for the 12 months to 30 June 2025, excluding the surveillance of RSEs, which is included in REP 816.

ASIC reviewed 254 financial reports of listed and large proprietary companies and contacted 22 companies about their financial reporting. Most of the issues related to disclosure in the operating and financial review, impairment and asset values and financial report disclosures. Following ASIC's enquiries, 18 entities made changes or agreed to make changes to their financial reports.

ASIC reviewed 10 audit files of listed and unlisted companies across 8 audit firms and reported findings about revenue recognition and impairment and asset values to 9 auditors and directors of the 9 audited companies. ASIC closed one audit surveillance file with no findings. ASIC selected audit files for surveillance where ASIC identified concerns from its financial report reviews and financial report surveillances.

ASIC observed that it continues to have the largest number of findings on the audit of revenue recognition and impairment and asset values. ASIC has advised that these areas are subject to a high degree of estimation uncertainty and significant judgement.

2025–26 surveillance program

In May 2025, ASIC published its focus areas for its 2025–26 program and announced an expanded program to support financial reporting and audit quality. ASIC advised that it has moved from issuing financial reporting and audit focus areas twice annually to publishing a single annual update, with focus areas now released once each year in May.

ASIC advised that in 2025–26, it broadened audit file selection to include files linked to financial reporting concerns, files selected by reference to potential independence or conflict-of-interest risks, other internal and external intelligence and random selection.

ASIC stated that its financial reporting and audit surveillance report for reviews conducted between 1 July 2025 and 30 June 2026 will be published in the second quarter of 2026–27.

ASIC has indicated it is taking a pragmatic and proportionate approach to sustainability reporting and that it has supported implementation during 2025–26 through guidance, education and relief. ASIC updated FAQs to reflect changes to the law and respond to stakeholder questions. ASIC partnered with the AASB to commission the University of Technology Sydney and Studio 3 to publish 8 interactive educational modules about the foundational concepts underlying sustainability reporting supported by webinars, videos and in-person workshops. ASIC also reviewed a selection of Group 1 sustainability reports and published early observations to assist preparers and the market.

2026–27 surveillance program

In May 2026, ASIC published its focus areas for financial reporting, audit and sustainability for 2026–27 in 26–098MR, indicating it will enhance its surveillance of audits, including a review of auditor compliance with their obligations to lodge annual statements.

ASIC has indicated it will continue reviewing 25 audit files, maintaining its focus on listed and unlisted companies and RSEs, while expanding the program to include selected Managed Investment Schemes. ASIC noted it will continue to select the audit files from a mix of sources including concerns about financial reports, other internal or external data (including independence threats) which indicate a risk to audit quality and a random selection process.

In responding to ASIC's audit findings, audit firms indicate the remedial actions they intend to take. In 2026–27, ASIC has indicated it will monitor and report on firms' implementation of those actions.

ASIC has also stated that it will continue to engage with larger firms to understand their firm-wide actions taken in response to findings in REP 817 about their compliance with independence and conflict of interest obligations.

ASIC has conveyed that it will also review compliance by registered company auditors with their obligations to lodge their annual statements. ASIC has emphasised that these obligations are fundamental requirements that support audit quality and auditor competence.

ASIC also noted that its administration of the mandatory climate reporting framework will continue, with a focus on the sustainability reports being submitted by Group 1 entities and engagement with large audit firms on assurance methodologies as appropriate. ASIC has indicated it will publish its detailed observations from the review of sustainability reports in Q1 2026–27.

ASIC surveillance on audit firm complaints

ASIC advised that it commenced surveillance examining internal complaints received by large audit firms about their audit practice. ASIC indicated it will communicate outcomes of this surveillance in the third quarter of 2026–27.

ASIC enforcement and compliance outcomes

ASIC has advised that auditor misconduct continues to be an enforcement priority. ASIC continued to take enforcement actions against registered company auditors during 2025–26, including:

- issuing an infringement notice to an authorised audit company for allegedly providing a prohibited non-audit service to an audit client
- accepting court enforceable undertakings from 3 auditors for auditor rotation failures
- applying to CADB to cancel the registration of one auditor for breaching duties across 10 listed company audits
- accepting the request from 2 auditors to cancel their registration following independence concerns raised by ASIC.

ASIC stakeholder engagement

ASIC indicated it wrote to all registered company auditors reminding them of their legal, ethical and professional obligations and the importance of protecting public confidence in the audit profession. ASIC took this step at a time when there is heightened focus on auditor conduct and the behaviour of audit firms. ASIC is concerned about impacts on trust and confidence in the profession and emphasised the importance of auditors fulfilling their obligations.

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

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

In April 2026, IFIAR released its 14th annual survey of results of its member regulators' inspections of audit firms affiliated with the 6 largest global audit firm networks. Similar to ASIC, IFIAR's areas with the highest level of findings included accounting estimates, including fair value measurement and revenue recognition.

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

Professional accounting bodies

Each professional accounting body conducts a review program to support the quality of audits and auditors in Australia. Each organisation's program is different, with complementary risk management, participants and types of engagement. Accordingly, statistics gathered by each organisation may not be comparable. Professional accounting bodies also support their members to adhere to professional standards.

This section outlines the review process undertaken by each professional accounting body, as well as actions each professional accounting body has reported that they undertook to contribute to audit quality in 2025–26.

Chartered Accountants Australia and New Zealand

The Chartered Accountants Australia and New Zealand (CA ANZ) Quality Review Program assesses whether practices offering services to the public have an appropriate system of quality management in place to meet professional, technical and legislative requirements.

The reviews allow CA ANZ to assist its members in achieving and maintaining quality and understanding where members need additional guidance to stay up to date with changes in requirements.

CA ANZ have indicated that in 2026, the program concentrated on quality reviews of practices of larger sizes rather than a broader representation of practices. As a result, a greater number of audit engagement files were reviewed over a reduced number of practitioners and practices compared to 2025. According to CA ANZ, their reviews found the majority of practices had adequate systems of quality management in place.

CA ANZ observed that during the year, the program solidified initiatives introduced in previous years, including:

- expanding the scope, consistency and comparability of reviews of large firms
- targeted inquiries for areas of focus
- expanding resources to assist in increasing future review numbers

CA ANZ stated that over the past year, it contributed to supporting audit and assurance practices through awareness raising and knowledge building, particularly in the context of sustainability. A guide on estimates and forward-looking information for sustainability assurance engagements was developed by CA ANZ, featuring a case study that has illustrative procedures for both reasonable and limited assurance.

CA ANZ also highlighted that it provided input on audit quality and related matters to inform government consultations.

CA ANZ advised that it held a large-scale training initiative to enhance audit quality and an annual audit conference, which was attended by over 3,000 participants. The event featured presentations from regulators, policymakers, standard-setters, and audit firms, fostering dialogue and professional development.

To support auditors in navigating changes to standards and the economic environment's impact on audit quality, CA ANZ produced biannual Assurance Essential Guides and webinars. CA ANZ also indicated it disseminated developments from standard setters and regulators through a fortnightly technical newsletter, reaching over 20,000 subscribers.

CA ANZ stated that it facilitated monthly dialogues among stakeholders – including ASIC, ACNC, AASB, AUASB, APESB, and audit firms – to address technical matters central to audit quality.

CPA Australia

CPA Australia Best Practice Program is directed at maintaining professional and ethical standards by its members in public practice. The program's assessments are designed to ensure CPA Australia's public practice certificate (PPC) holders who provide public accounting services in Australia and New Zealand:

- have implemented a system of quality management
- adhere to the relevant professional and ethical standards for their services
- continue to meet the CPA Australia by-law requirements relevant to PPC holders.

CPA Australia conveyed that its members who provide audit and assurance services complete a full assessment that includes review of client engagement files to demonstrate compliance with the standards and adherence to procedures in their system of quality management. The annual results of the program are contained in the CPA Australia Professional Standards Report (2025).

CPA Australia have indicated that it uses insights from its annual assessments and member queries responded to during the year to provide practice support for all its members to promote compliance and the delivery of public accounting services. Common assessment findings are shared with CPA Australia members to inform, educate and promote proactive self-review and access to CPA Australia's tools and resources. This information is also provided in the CPA Australia 2025 Professional Standards Report.

CPA Australia have contributed to standard-setting activities during the period through its submissions and advocacy activities, including by providing written submissions to Australian and international standard-setters to support the development of financial, sustainability, auditing, assurance and independence standards. CPA Australia noted it also regularly engaged with national and international standard-setters, government agencies and regulators to support reporting and audit practices in Australia.

CPA Australia develops practical resources such as guides, webinars, podcasts and articles, to assist members in their roles as auditors.

Additionally, CPA stated that in late 2025, it transitioned its ASQM1 tool from a spreadsheet into an automated online solution, to help its members ensure their systems of quality management are established and maintained for their firms, consistent with the processes used in the engagements.

Institute of Public Accountants

The Institute of Public Accountants (IPA) have indicated that in 2025, it completed approximately 3,500 quality assurance reviews of its members and their practice entities. The data and results are used to revise and update its member tools and resources, particularly the APES 320¹, APES 325² and ASQM 1³ Manuals. IPA members rely on these manuals as part of the quality review process and to ensure their practices are compliant with all relevant standards and obligations. IPA advised that it has further revised the manuals to support single partner and multi-partner practices, with additional templates, examples, case studies and checklists which have been tailored to specific services provided by the practice, including audit and assurance.

Tools and resources are supported by education and training with Continuing Professional Development (CPD) being offered by the IPA. The risk management training course, which encompasses audit and assurance engagements, is provided online and in-person and IPA observed that the course was well attended over the last year.

IPA have stated that, based on feedback including an annual member engagement survey and an annual Professional Standards Declaration, its members are appreciative of the tools and resources being provided to them, which provide them with a higher level of understanding of their obligations. IPA have indicated this has also improved their level of practice oversight and level of risk management, which they believe improves the level of consumer protection.

IPA have observed that their quality review compliance rates have improved on average by nearly 8 per cent from 2024 to 2025. The highest increase was for APES 325 Risk Management for Firms and IPA have noted that this reflects their focus on this aspect of practice.

Further changes have been made to improve the level of CPD compliance rates by changing from a 3-year CPD cycle to a one-year CPD cycle. IPA have expressed that this has been well received by its members who have specifically commented that it will be easier to track and comply with CPD requirements. IPA members must complete CPD across 3 categories with minimum requirements for each category, being professional and ethical standards, technical and product knowledge, and management and professional skills.

1 APES 320 Quality Management for Firms that provide Non-Assurance Services.

2 APES 325 Risk Management for Firms.

3 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.

Audit quality

IPA highlighted that it participated in consultations and made submissions on a range of topics to the AASB, AUASB, ASIC and APESB relating to matters relevant to audit quality and financial reporting.

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

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

Institute of Public Accountants (IPA)^a

Outcome	2024–25 No.	2024–25 %	2025–26 No.	2025–26 %
Satisfactory/fully compliant	23	61	27	79
Corrective actions required	0	0	0	0
Minor corrective actions required	4	11	3	9
Major corrective actions required	11	28	4	12
Unsatisfactory/disciplinary action required	0	0	0	0
Total^a	38	100	34	100

Chartered Accountants Australia and New Zealand (CA ANZ)^b

Outcome	2024–25 No.	2024–25 %	2025–26 No.	2025–26 %
Satisfactory/fully compliant	118	80	121	87
Corrective actions required	27	19	17	12
Minor corrective actions required	N/A	N/A	N/A	N/A
Major corrective actions required	N/A	N/A	N/A	N/A
Unsatisfactory/disciplinary action required	2	1	1	1
Total^a	147^c	100	139^c	100

CPA Australia^d

Outcome	2024–25 No.	2024–25 %	2025–26 No.	2025–26 %
Satisfactory/fully compliant	82	65	144	74
Corrective actions required	44	35	51	26
Minor corrective actions required	N/A	N/A	N/A	N/A
Major corrective actions required	N/A	N/A	N/A	N/A
Unsatisfactory/disciplinary action required	0	0	0	0
Total^a	126	100	195	100

Notes:

- (a) The IPA classifies its member review program outputs into compliant, minor non-compliance or major non-compliance. The non-compliances reported in Tables 4.1 and 4.2 have been divided into these categories. The results are inputted into the IPA's risk management framework and processes, with some members being reviewed more frequently.

The program assesses compliance with the professional and ethical standards promulgated by APESB, including APES 320 and 325, as well as IPA's Constitution and By-Laws, and the requirements of the Professional Standards Legislation.

The program is conducted at an individual member level, compliant with the IFAC Statement of Membership Obligations (SMO) 1 Quality Assurance. Members of the same practice may be assessed simultaneously. Entity Members have the option of being assessed as an entity.

Table 4.1 reports the program results for practices with 2 or more partners and Table 4.2 reports the QRP results for single partner practices.

- (b) CA ANZ's review program assesses whether a firm has implemented an appropriate system of quality management as set out in APES 320 Quality Management for Firms that provide Non-Assurance Services; and ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements and antecedent standards.

- (c) CA ANZ's review of these 139 practices included the work of 170 individual members who complete audit engagements and 331 audit files. CA ANZ's focus on larger practices during 2026 has resulted in a substantial increase in the number of audit file engagements reviewed.

- (d) As detailed above, CPA Australia's Best Practice Program assessment of audit and assurance practitioners covers their system of quality management, adherence to professional and ethical standards as well as CPA Australia by-laws, including a sample review of client engagement files. For the purposes of this table, assessments are classified as:

- satisfactory/fully compliant refer to members who had moderate or low-rated findings which can be rectified by the member or no findings or only recommendations for improvement
- corrective actions required refer to members who had high-rated corrective actions and/or a follow-up assessment required in 12–18 months
- Unsatisfactory/disciplinary action required refers to members who were referred for conduct investigation or disciplinary action due to significant and/or pervasive non-compliance or failure to engage in the assessment.

CPA Australia clarified that it disciplines members rather than firms. As a result, firm referrals to the Professional Conduct Unit for non-engagement are no longer included in the reported data.

- (e) Results may differ because the professional accounting bodies use different ways to categorise the statuses of 'satisfactory' or 'requires review'. As such, this would affect direct comparability between the bodies' results.

Table 4.2: Outcomes of review programs – quality assurance reviews of individual members^a

Institute of Public Accountants (IPA)^b

Outcome	2024–25 %	2025–26 %
Satisfactory / fully compliant	65	80
Requires rereview / non-compliant	0	0
Minor corrective actions required	5	6
Major corrective actions required	30	14
Unsatisfactory / disciplinary action required	0	0
Total ^c	100	100

CPA Australia^c

Outcome	2024–25 %	2025–26 %
Satisfactory / fully compliant	65	75
Requires rereview / non-compliant	34	24
Minor corrective actions required	N/A	N/A
Major corrective actions required	N/A	N/A
Unsatisfactory / disciplinary action required	1	1
Total ^c	100	100

Notes:

- (a) CA ANZ review program completes quality assurance reviews based on firms, not individual members. Inclusion of individual members is in Table 4.1.
- (b) See note (a) to Table 4.1.
- (c) See note (d) to Table 4.1.

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FRC Nominations Committee

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Nominations Committee members

As of 30 June 2026, the Nominations Committee comprised FRC members Rachel Grimes (Chair), Andrew Mills (ex officio), Keith Kendall, Doug Niven and Pru Bennett.

Operations of the Nominations Committee

In 2025–26, the Nominations Committee:

- made recommendations to the FRC for the appointment of members to the AASB and AUASB
- considered board composition, member succession and appointment requirements to support continuity and effective governance in light of the then potential passage of the ERA Act
- considered the performance of the AASB and AUASB, including through peer review
- made changes to the Nominations Charter to the FRC.

Appointment of members to the AASB and AUASB

In 2025–26, while legislation to give effect to the merger of financial reporting bodies was before the Parliament, the Nominations Committee recommended making short-term reappointments to AASB and AUASB to ensure the continuity of the boards. These reappointments were made by the FRC in 2 tranches, initially 5 AASB and 4 AUASB members were reappointed from 1 January until 30 June 2026. The FRC subsequently reappointed 12 AASB and 9 AUASB members from 1 July to 31 October 2026.

Following the commencement of relevant parts of the ERA Act, by virtue of section 351 of the ASIC Act, the terms of all current AASB and AUASB members were extended for the balance of the transitional period, to 30 November 2026.

AASB

The following appointments were made from 1 July 2026 until 31 October 2026:

- **Dean Hanlon**
- **Toby Langley**
- **Caroline Spencer**
- **Moana Overton**
- **Rebecca Gordon**
- **Carolyn Cordery**
- **Sean Osborn**
- **Liza Maimone**
(prior to this, Liza was appointed from 1 January 2026 until 30 June 2026)
- **Stephen Taylor**
(prior to this, Stephen was appointed from 1 January 2026 until 30 June 2026)
- **David Holland**
(prior to this, David was appointed from 1 January 2026 until 30 June 2026)
- **Mathew Nelson**
(prior to this, Mathew was appointed from 1 January 2026 until 30 June 2026)
- **Adrian King**
(prior to this, Adrian was appointed from 1 January 2026 until 30 June 2026)

AUASB

The following appointments were made from 1 July 2026 until 31 October 2026:

- **Jennifer Travers**
- **Joanne Lonergan**
- **Merilyn Gwan**
- **Noel Harding**
- **Graeme Pinfold**
(prior to this, Graeme was separately appointed from 1 September 2025 until 30 June 2026)
- **Jason Thorne**
(prior to this, Jason was appointed from 1 January 2026 until 30 June 2026)
- **Andrew Porter**
(prior to this, Andrew was appointed from 1 January 2026 until 30 June 2026)
- **Chi Woo**
(prior to this, Chi was appointed from 1 January 2026 until 30 June 2026)
- **Terence Jeyaretnam**
(prior to this, Terence was appointed from 1 January 2026 until 30 June 2026)

Outgoing members

The FRC wishes to acknowledge the contributions of outgoing AUASB members.

The late Klynton Hankin served from 1 January 2022 to 30 June 2026. Klynton was a greatly appreciated member of the AUASB. The FRC extends its sympathies to Klynton’s family, friends and colleagues. During his terms, the AUASB oversaw a transformative period for assurance and corporate reporting, and Klynton’s contributions are warmly remembered.

Julie Crisp, former Deputy Chair of the AUASB, served from 1 January 2018 to 30 June 2026. Julie’s leadership and contributions to the AUASB’s public sector work, including the update of ASAE 3150 as Project Advisory Group Chair, have been greatly appreciated.

Attendance at FRC Nominations Committee meetings

The FRC Nominations Committee held 3 meetings in 2025–26. Members’ attendance is in Table 5.1.

Table 5.1: FRC Nominations Committee meeting attendance in 2025–26

Member	Number of eligible meetings attended
Rachel Grimes (Chair)	3 of 3
A Mills (ex officio)	3 of 3
D Niven	3 of 3
K Kendall	3 of 3
P Bennett	3 of 3



FRC Public Sector Advisory Group

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FRC Public Sector Advisory Group (PSAG)

The FRC monitors financial reporting and auditing issues relevant to the public sector through its FRC PSAG. The group comprises members of the FRC and public sector representatives.

As of 30 June 2026, the PSAG members were:

- **Amy Fox** – Department of Finance – First Assistant Secretary (Chair)
- **Andrew Mills** – Chair of FRC (ex-officio)
- **Keith Kendall** – Chair of AASB
- **Doug Niven** – Chair of AUASB
- **Andrew Greaves** – Auditor-General of Victoria and ACAG representative
- **Sean Osborn** – NSW Treasury representative and HoTARAC representative
- **Lasantha Samaranayake** – Department of Finance – Assistant Secretary – Commonwealth representative and HoTARAC representative

PSAG focus areas for 2025–26

- Talent attraction and retention in the public sector
- Public sector sustainability reporting, including reforms
- Audit quality and audit themes in the public sector
- Geopolitical impacts and international capacity building
- Opportunities to streamline reporting.

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FRC membership

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FRC members

Members of the FRC are appointed on a part-time basis by the Minister. The FRC was constituted by a Chair and 7 other members during 2025–26, with members as of 30 June 2026 listed below.



Mr Andrew Mills

Chair of the FRC

Andrew has over 40 years' experience in senior commercial, accounting and legal practice, government and academic roles. He is Chair of the Independent Planning Commission (NSW), member of the XRB (NZ) and of the Board of Taxation among other governance roles. Andrew is also a Principal Fellow of the University of Melbourne Law School.

Previously, Andrew served as Second Commissioner of Taxation at the Australian Taxation Office. He was also a Director-Partner at Greenwoods & Freehills for over 20 years, including Managing Director of the firm between 2006 and 2011 and has held senior roles in the financial services industry.

Andrew has a Bachelor of Business, a Master of Laws and a Graduate Diploma in Tax Law. He is also a Graduate Member of the Australian Institute of Company Directors, a Fellow of CPA Australia, a Fellow of the Governance Institute of Australia, and a Chartered Tax Adviser (Life).



Ms Rachel Grimes AM

Member of the FRC

Rachel has over 30 years' experience specialising in the financial services sector after which time she has focused on Non-Executive Director roles.

In 2011, Rachel was appointed President of the Institute of Chartered Accountants Australia and was the President of IFAC – the global organisation for the accountancy profession from 2016 to 2018. Rachel is a Non-Executive Director on ASX-listed Boards including HUB24 and Platinum.

Rachel is also a Director on Australian Payments Plus, Angus Knight and the Accounting Professional and Ethical Standards Board and serves as the Chair of the Finance and Risk Committee for Surfing Australia. Rachel has a Bachelor of Business in Accounting from the University of Technology Sydney.

Rachel was appointed as a Member in the General division for significant service in the field of accountancy and to professional associations.



Ms Pru Bennett

Member of the FRC

With over 30 years' experience in corporate governance and investment stewardship, Pru is a Senior Advisor to Brunswick Group and Oasis Capital.

Pru is a member of the ASX Corporate Governance Advisory Group and a council member of the Asian Corporate Governance Association.

Until 2019, Pru was a Managing Director and Head of Investment Stewardship APAC for BlackRock. She is the former Chair of the National Foundation for Australia-China Relations, a former director of the Global Compact Network Australia and a former member of the Monetary Authority of Singapore's Corporate Governance Advisory Committee.

Pru is a Fellow of Chartered Accountants Australia and New Zealand and a graduate of the Australian Institute of Company Directors.



Ms Amy Fox

Member of the FRC

Amy is a First Assistant Secretary at the Australian Government Department of Finance. She has over 2 decades of experience in various roles including at the Department of Agriculture, Fisheries and Forestry, the Australian National Audit Office, and as a consultant to the World Bank.

Amy holds a Master of Business Administration from Deakin University, is a fellow of CPA Australia, fellow of Chartered Accountants Australia and New Zealand and graduate of the Australian Institute of Company Directors.

Amy's term ended on 30 June 2026.



Ms Alison White

Member of the FRC

Alison is the leader of the Accounting and Corporate Reporting team in Deloitte's Audit and Assurance division. She has over 26 years audit and accounting advisory experience in Australia, Hong Kong and South Africa, specialising in the resolution of complex accounting issues.

Alison served as a member of the AASB and has recently completed her 6-year term as the Deputy Chair. She is also a member of the Business Combinations Project Advisory Panels of the AASB.

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

Alison's term ended on 30 June 2026.



Dr Keith Kendall

Member of the FRC

Dr Keith Kendall joined the AASB as Chair in May 2020.

Prior to his appointment, he was a Partner at Rigby Cooke Lawyers, a Victorian barrister, and a Senior Lecturer at La Trobe University. His experience across law, academia, accounting, and government (as a member of the Administrative Appeals Tribunal), allows him to bring a well-rounded perspective to the AASB's projects and strategic direction.

Dr Kendall's term as a member of the FRC ended on 30 June 2026.



Mr Doug Niven

Member of the FRC

Doug Niven joined the AUASB as Chair in September 2023 and was acting Chair from July 2023.

Doug has more than 40 years of experience in financial reporting and audit. He worked at Deloitte Touche Tohmatsu for 15 years, where he audited companies in the financial services sector and other industries. He joined ASIC as Deputy Chief Accountant in 1998 and was ASIC's Senior Executive Leader, Financial Reporting and Audit, from 2008 to 2020, and Chief Accountant from 2020 to 2023.

Doug was responsible for ASIC's financial reporting surveillances and audit inspections, ASIC's strategy and policy on financial reporting, audit and periodic sustainability reporting, and digital financial reporting. Doug represented ASIC externally on financial reporting and auditing matters.

He was a member of the IOSCO Committee 1 on Accounting, Audit and Disclosure, the IOSCO Sustainability Reporting and Assurance Workstreams and the International Forum of Independent Audit Regulators.

Doug is also a member of the IAASB/IESBA Stakeholder Advisory Council.

Doug's term as a member of the FRC ended on 30 June 2026.



Ms Emma Herd
Member of the FRC

Emma has 25 years' experience in finance, sustainability, and non-financial reporting with specialisation in commercial climate change finance and investment.

She is a Partner of Climate Change and Sustainability Services at Ernst and Young Oceania.

Emma's previous roles include Chief Executive Officer of Investor Group on Climate Change, Environment Commissioner with the NSW Greater Cities Commission, and Head of Sustainability and Executive Director, Emissions and Environment at Westpac Institutional Bank.

She is also currently a member of the ASIC Consultative Panel, Queensland Land Restoration Fund Investment Panel, and the Green Building Council of Australia Green Star Advisory Board.

Emma is a former Co-Chair of the Australian Sustainable Finance Institute Technical Advisory Group, former member of the Victorian Government Independent Expert Panel on Interim Targets, and former Board Member of the Carbon Market Institute.

Emma's qualifications include a Bachelor of Asian Studies (Thai) (Hons) and United Nations Environment Programme Finance Initiative/United Nations Institute for Training and Research Climate Change: Risks and Opportunities for the Finance Sector certification.

Emma's term ended on 30 June 2026.

Transparency

In 2025–26 the FRC continued to allow members of the public to observe its meetings. Advance notices of meetings and minutes of the public session are published on the FRC website. This demonstrates the FRC’s strong commitment to transparency and stakeholder engagement.

Disclosure and conflict of interests

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

Attendance at FRC meetings

The FRC held 4 quarterly meetings in 2025–26: September 2025, December 2025, March 2026 and June 2026. Members’ attendance is in Table 7.1.

Table 7.1: FRC meeting attendance in 2025–26

Member	No. meetings attended/No. eligible to attend
A Mills (Chair)	4 of 4
A Fox	3 of 4
A White	4 of 4
D Niven	4 of 4
E Herd	3 of 4
K Kendall	4 of 4
P Bennett	4 of 4
R Grimes	4 of 4

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Other matters

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Communication and consultation

The FRC primarily communicates and consults with stakeholders and other interest groups via meetings and through its website. A communique from each FRC meeting is published on the website and is available to stakeholders. The website includes information about FRC members, minutes of meetings, published reports and procedural rules.

The FRC did not use its formal information gathering powers under section 225A of the ASIC Act in 2025–26.

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

Finances

In 2025–26, the Australian Government provided funding through the Treasury to support the FRC. The FRC's Secretariat is provided by staff members from Treasury's Markets Group. Expenditure and performance of the FRC's functions are included in Treasury's annual financial statements.

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

Information Publication Scheme

Part II of the *Freedom of Information Act 1982 (Cth)* requires Australian Government agencies to publish an Information Publication Scheme plan on their website. These plans must explain how the agency will meet its obligations to proactively publish information.

The FRC's Information Publication Scheme plan is on the home page of the FRC's website.

Impact Analysis Statements

The FRC did not submit any Impact Analysis Statements in 2025–26.

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Glossary

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Glossary

Term	Definition
AASB	Australian Accounting Standards Board
ERA Act	Treasury Laws Amendment (Financial Reporting System Reform) Act 2026 (Cth)
APES	Accounting Professional and Ethical Standards
APESB	Accounting Professional and Ethical Standards Board
AI	Artificial intelligence
AOSSG	Asian–Oceanian Standard–Setters Group
ASIC	Australian Securities and Investments Commission
ASIC Act	Australian Securities and Investments Commission Act 2001 (Cth)
ASX	Australian Securities Exchange
AUASB	Auditing and Assurance Standards Board
CA ANZ	Chartered Accountants Australia and New Zealand
CADB	Companies Auditors Disciplinary Board
Corporations Act	Corporations Act 2001 (Cth)
CPD	Continuing Professional Development
ERA	External Reporting Australia
FRC	Financial Reporting Council
GHG	Greenhouse gas
HoTARAC	Heads of Treasury Accounting and Reporting Advisory Committee
IAASB	International Auditing and Assurance Standards Board
IAP	Implementation Advisory Panel
IASB	International Accounting Standards Board
IESBA	International Ethics Standards Board for Accountants
IFAC	International Federation of Accountants

Term	Definition
IFASS	International Forum of Accounting Standard Setters
IFIAR	International Forum of Independent Audit Regulators
IFRS	International Financial Reporting Standards
IOSCO	International Organisation of Securities Commissions
IPA	Institute of Public Accountants
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
ISSB	International Sustainability Standards Board
NZASB	New Zealand Accounting Standards Board
NZAuASB	New Zealand Auditing and Assurance Standards Board
PIR	Post-implementation Review
PPC	Public practice certificate
PSAG	Public Sector Advisory Group
QRP	Quality Review Program
RSEs	Registrable Superannuation Entities
SSAF	Sustainability Standards Advisory Forum
TCFD	Task Force on Climate-related Financial Disclosures
Treasury	The Treasury
XRB	External Reporting Board of New Zealand



Australian Government
Financial Reporting Council