



Subject: Agenda for the 126th meeting of the AUASB
Venue: Videoconference
Time: Tuesday 7 September 2021 10:00 am – 2:30pm and
Friday 10 September 2021 9:00 am – 12:30pm

Members of the public are advised this will be a virtual meeting. Public attendance is via registration only. Public attendees should register their interest in attending the public sessions by emailing enquiries@auasb.gov.au detailing:

- Name
- Entity
- Email address and
- Details of the agenda items they wish to attend

by no later than Friday 3 September 2021. Registered attendees will be provided the relevant zoom details prior to the meeting

DAY 1 * NB: Agenda item 0 is a closed session

Time	Agenda Item No.
10:00am	0. Private Session*
10:45am	1. Preliminary Session
11:15am	2. FRC and Audit Quality Update
12:00pm	<i>Lunch</i>
12:30pm	3. ASA 560 – Approval of final Standard
12:45pm	4. Preamble – Approval of final Standard (incl. consequential amendments to the Foreword and ASA's)
1:00pm	5. Narrow-Scope Projects – Revised Due Process
1:30pm	6. ASA 800 – Consequential Amendments arising from changes to the AASB Reporting Framework
2:00pm	7. GS 010 Update
2:30pm	<i>Day 1 Close</i>

DAY 2

Time	Agenda Item No.
9:00am	8. AUASB Technical Work Program – Review of 2020-21 and 2021-22 Plan
9:45am	9. LCE Consultation Paper – Review and Approval
10:30am	<i>Morning Tea</i>
	LCE Consultation Paper – Review and Approval (continued)
11:15am	10. IAASB Agenda
12:15pm	11. Other Business
12:30pm	<i>Day 2 Close</i>



AUASB Agenda Paper

Project:	FRC and Audit Quality	Meeting:	7 September 2021
Topic:	Audit Quality	Agenda Item:	2
Strategic Objective:	Identify and implement initiatives to enhance Audit Quality	Decision-Making:	For noting and feedback
ATG Staff:	Anne Waters	Project Status:	Ongoing
AUASB Sponsor:	Bill Edge		

Action Required and Decisions to be Made

- 1 The purpose of this agenda item is to provide an update on Audit Quality matters.

Matters for the Board Consideration

- 2 FRC Update
 - (a) The FRC and AUASB Audit Quality Action Plan has been updated. (Refer to Sep-21_2.1_FRCAUASBAQActionPlan).
 - (b) The AUASB Technical Group (ATG) are continuing to support the FRC in implementing this action plan.

Question 1	Does the AUASB have any comments on the FRC and AUASB Audit Quality Action Plan?
-------------------	--

- 3 PJC Inquiry into Regulation of Auditing in Australia
 - (a) At the time of finalising this paper the Australian government is yet to respond to the PJC's final report. Representatives from the FRC, ASIC, AASB, AUASB, APESB and AICD are continuing to work together planning how to implement the recommendations.

AUASB Agenda Paper

(b) Verbal report on developments since last AUASB meeting:

Recommendation 1: ASIC's reporting on severity

Recommendation 3: Audit fees categories and disclosure

Recommendation 6: Auditor tenure disclosure

Recommendation 8: Going concern and fraud

4 ASIC Inspection Program

- (a) The ATG have had a number of discussions with ASIC about their inspection findings and whether there is any standard setting or guidance we could provide to assist.
- (b) In response ASIC have provided a detailed analysis where they believe auditing standards need enhancement to improve audit quality. Note not all of these have resulted in inspection findings.
- (c) The ATG have also reviewed the latest ASIC Inspection Report to identify if there is any areas we could assist. The largest number of findings continues to be asset impairment and revenue.
- (d) Refer to document Sep21_2.2_SummaryASICfeedbackonASAs which provides a summary of ASIC's observations and how / if they have been addressed to date, and the ATG's recommendations going forward. Based on this the ATG believe that the AUASB has addressed many of the findings through revision of standards and issuing of guidance. A number of other areas identified by ASIC are currently in progress.
- (e) The ATG consider there may be value in issuing an AUASB Bulletin or similar document that provides a summary of the actions taken by the AUASB to address ASIC's inspection findings, and some reminders of the ASA requirements where we think this would assist practitioners.

AUASB Technical Group Questions for the Board

Question 2	Does the AUASB support issuing a Bulletin or communication summarising how we are working to assist practitioners in addressing ASIC's inspection findings?
-------------------	---

Materials Presented

Agenda Item	Description
2.1	Sep21_2.1_FRCAUASBAQActionPlan_PP
2.2	Sep21_2.2_SummaryASICfeedbackonASAs_PP



FRC AND AUASB

AUDIT QUALITY ACTION PLAN

Objective: Identify initiatives to support improvement in audit quality in Australia.

1. Identify initiatives to respond to ASIC's Inspection Findings

Actions to date:

- Revised Guidance Statement 5 *Evaluating the Appropriateness of a Management's Expert's Work* issued.
- Revised ASA 540 *Auditing Accounting Estimates and Related Disclosures* has been released and is now effective. Implementation support has been released.
- Revised ASA 315 *Identifying and Assessing the Risks of Material Misstatement* to require a more robust risk assessment process released and is effective 30 June 2022. Implementation support will be provided.
- Revised Quality Management Standards (QMS) have been issued and are effective 31 December 2022. Implementation support will be provided.
- ASIC have raised substantive testing methods (sampling and substantive analytical procedures) as possibilities of standards to revise.
- ASIC continually benchmark and review its Audit Inspection Program with the programs conducted by other regulators.

Future actions:

- Continue discussions with ASIC and the firms to:
 - identify where guidance or amendments to standards will assist in reducing findings;
 - determine how reporting of Audit Quality Indicators (AQI) will assist communication.
- Release implementation support for ASA 315 and QMS.

2. Implement the recommendations of the PJC Inquiry into Regulation of Auditing

To work with responsible standard-setting and regulatory bodies to implement the recommendations relevant to the FRC and AUASB. The Australian government is yet to respond to the report however planning for implementation of some recommendations is already in progress. Refer to Appendix 1 for the recommendations applicable to the FRC and AUASB.

Actions to date:

- The FRC PJC Inquiry Working Group consisting of representatives from the FRC, AUASB, AASB, APESB, and ASIC has been meeting to plan how to implement the recommendations in a co-ordinated manner. Refer to Appendix 1 for more detail.

Future actions:

- Continue the FRC PJC Inquiry Working Group meetings.



- Work with the AICD and ASIC on guidance / communication to Audit Committees on their monitoring of audit quality and disclosure of audit tenure.
- Monitor IAASB's projects on going concern and fraud and continue to consider if other actions are required in Australia.

3. Work with ASIC, Accounting Firms and Professional Bodies to define and report on Audit Quality Indicators

Actions to date:

- The Report of the PJC in February 2019 recommended that ASIC devise and conduct, alongside or within its current Audit Inspection Program, a study which will generate results which are comparable over time to reflect changes in audit quality.
- ASIC have reported some AQIs in Report 649 (2019) and 678 (220) *Audit Quality Measures, Indicators and Other Information* which accompanied their report on the annual Audit Inspection Program. ASIC have indicated they will not issue this report in 2021 due to concerns that this report was not widely read and was time consuming to produce, however are considering including some limited AQIs in their Audit Inspection Program report.
- A review of professional and academic literature was conducted by the FRC in 2018 which identified a range of AQIs (over 30), with various degrees of measurability. A summary of the literature was prepared and analysed by the FRC.

Future actions:

- Work with ASIC and the firms to obtain consensus on what AQI will be reported and by whom. Options for reporting AQIs are by ASIC, the FRC, the AUASB or by the firms in their Transparency Reports.

4. Obtain views of users of audit services on audit quality

Actions to date:

Audit Committee Chairs

- A survey conducted in 2018 and repeated in 2021, which was a joint initiative of the FRC and the AUASB and replicated the selected questions from a survey of this nature carried out previously by the United Kingdom's FRC.
- The survey was sent to ACCs with the assistance of ASIC and the Australian Public Policy Committee (APPC – made up of representatives from the Big 6 accounting firms and the accounting bodies).
- Overall, the results indicate that ACCs are very satisfied with the quality of their auditors (in the 2021 survey 94% considered their external auditor to be 'above average' or 'excellent' which is up from 92% in 2018).
- The reports are available on the FRC and AUASB websites and the results were included in ASIC's Report 649 (2019) and 678 (220) *Audit Quality Measures, Indicators and Other Information*.



Investors

- The FRC and the AUASB conducted a survey of Professional Investors in late 2018 with the assistance of FSC, ACSI, AIST, APRA and CRUF (Corporate Reporting Users Forum) for its distribution to investors. The survey was a replication of a survey conducted by the CFA Institute (a global association of investment professionals). There were 47 responses and final report was distributed in April 2019. Overall, the results revealed that 60 per cent considered that audit quality was above average – however 33 per cent considered that audit quality was average. The full report *Audit Quality in Australia: The Perspectives of Professional Investors* is available on the FRC and AUASB websites.
- The results of FRC and AUASB's survey were included in ASIC's Report 649 *Audit quality measures, indicators and other information*.
- This survey was repeated in 2021 however the response rate was too low to provide meaningful information. Due to the low response rate this survey will not be repeated.
- CA ANZ issued *Investor Confidence Survey Report* in 2020 and 2021 which captured the views of approximately a thousand retail investors in Australia. Results for 2021 showed that 91 per cent (up slightly from 87 per cent Of 2020) of retail investors have confidence in the audited financial reports produced by Australian public companies.

Chief Financial Officers

- A survey was conducted in September 2019 with the assistance of the Group of 100, to CFOs of the ASX top 300 companies.
- The survey response was disappointingly low at 27 responses. Of those, 25 of the 27 responded that their external auditor was 'above average' or 'excellent'. The survey results did not raise any significant concerns over audit quality. Due to the low response rate this survey will not be repeated.

Future actions:

- The ACC survey will be conducted every two years to enable the tracking of views over time.

5. To review the adequacy of repercussions for auditors of poor audit quality;

Actions to date:

- The Report of the PJC in 2018 recommended that the adequacy of auditor disciplinary functions be reviewed. The Government requested the FRC conduct the review. The FRC's review was conducted over a period of four months, using evidence provided by the Australian Securities and Investments Commission (ASIC), the Companies Auditors Disciplinary Board (CADB), Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia and the Institute of Public Accountants (IPA). The FRC's report Auditor Disciplinary Processes: Review was presented to the Government in March 2019. It included 18 recommendations relating to:
 - ASIC detection, investigation and enforcement processes, including that ASIC outline how their 'why not litigate' enforcement strategy will apply to misconduct by Registered Company Auditors (RCAs);



- CADB processes, including adopting a less formal and more timely approach to the carriage of CADB matters;
- ASIC's Audit Inspection Program, including publishing the results of audit inspections in greater detail, in particular naming firms, and for ASIC to be given the power to compel remediation of defective audits; and
- Professional accounting bodies processes, including formalising processes for advising each other and the FRC of their disciplinary proceedings.

In its response the Government agreed or supported all but one of the recommendations.

6. To engage with professional accounting bodies, firms providing audit services, and other stakeholders to support new initiatives that improve audit quality.

Actions to date:

- The accounting firms and professional bodies, collaborated and shared best practices for the benefit of the accounting profession and developed the following documents:
 - *An External Auditor's Guide to Improving Audit Quality Using Root Cause Analysis.*
 - *An External Auditor's Guide to Improving Audit Quality Using an Individual Recognition and Accountability Framework.*
- The accounting bodies conduct a wide range of education and communication initiatives and produce a variety of guidance materials related to audit quality. The FRC meets with the accounting bodies on a regular basis and is confident that they are demonstrating a clear commitment to improve audit quality.
- The International Organisation of Securities Commissions (IOSCO) issued in January 2019 its *IOSCO Report on Good Practices for Audit Committees Supporting Audit Quality*. This document complements the publication *Audit Committees – A Guide to Good Practice – 3rd edition* produced jointly by AUASB, AICD and IIA.
- The FRC is also monitoring developments in the UK and are awaiting the UK government's response to the report of the CMA, the Kingman Report and the Brydon Report.

Future actions:

- Work with ASIC, Professional bodies and AICD on future initiatives to promote audit quality with the director community.



APPENDIX 1

PJC RECOMMENDATIONS RELEVANT TO THE FRC AND AUASB

Recommendation 3

4.145 The committee recommends that the Financial Reporting Council, in partnership with ASIC, by the end of the 2020–21 financial year, oversee consultation, development and introduction under Australian standards of:

- defined categories and associated fee disclosure requirements in relation to audit and non-audit services; and
- a list of non-audit services that audit firms are explicitly prohibited from providing to an audited entity.

Status

- The AASB have a project to determine the defined categories and disclosure requirements in relation to audit and non-audit services which includes benchmarking how other jurisdictions define and the associated fee disclosure requirements. The AASB will issue an exposure draft once a government response is received.

The IESBA have made amendments to the International Code in relation to prohibited non-audit services. Based on this the APESB have issued an ED with proposed amendments to the Australian code ie. APES 110 including a list of non-audit services and defined categories of audit and non-audit services.

Recommendation 6

4.151 The committee recommends that the Financial Reporting Council, by the end of the 2020–21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosure should include both the length of tenure of the entity's external auditor, and of the lead audit partner.

Status

- The FRC, AUASB, AASB and AICD have been considering where this may be disclosed and by which entities. It has been agreed to not amend any standards until a government response is received.
- As an interim measure the AICD, AUASB the Accounting Professional Bodies are considering issuing non-authoritative guidance to Audit Committees on their responsibility in relation to monitoring audit quality including recommending that disclosure is made on this as well as audit tenure

Recommendation 8

5.64 The committee recommends that the Financial Reporting Council oversee a formal review, to report by the end of the 2020–21 financial year, of the sufficiency and effectiveness of reporting requirements under the Australian standards in relation to:

- the prevention and detection of fraud; and
- management's assessment of going concern.



Status

- The current reporting requirements are consistent with those of the International Accounting Standards Board and the International Auditing and Assurance Standards Board (IAASB).
- The IAASB has recently commenced projects on both these topics, however they will not be completed for several years.
- The IASB do not have going concern on their agenda however the AASB are preparing a thought leadership paper exploring how the reporting requirements may be enhanced, and to request this be prioritised by the IASB.



ASIC's observations on where the Auditing Standards could be enhanced

ASIC have provided detailed feedback where they believe the Auditing Standards could be enhanced to assist with audit quality. The following is a summary prepared by AUASB staff of ASIC's observations and options on how / if we can address. Note many of these areas have NOT resulted in inspection findings.

Topic	ASIC's observation	Options on how / if we can address
ASA 240 <i>The Auditor's Responsibilities Related to Fraud in an Audit of a Financial Report</i>	Rebuttal of revenue fraud risk is either not being done and not documented why or is not being done based on different types of revenue and risk profiles or at the assertion level.	<ul style="list-style-type: none"> ASA 240 para 26 says evaluate which types of revenue, revenue transactions or assertions give rise to fraud risk. ASIC have a view this is not being consistently applied. This is being looked at by the IAASB in their Fraud project. We could issue guidance / reminder of what is currently in ASA 240.
Internal controls	A number of specific points, in summary insufficient testing of internal controls.	<ul style="list-style-type: none"> Some points can be addressed through ASA 315 implementation guidance / FAQs as ASA 315 has more focus on systems of internal controls.
ASA 230 <i>Materiality in Planning and Performing an Audit</i>	Standard has insufficient guidance on how to determine materiality resulting in inconsistencies. Materiality not always based on appropriate benchmarks.	<ul style="list-style-type: none"> Profession Judgement issue - Limited ability for the AUASB to issue specific guidance to assist.
ASA 330 <i>The Auditor's Response to Assessed Risks</i>	Inconsistent application of Paragraph 18 (performing substantive testing for all material class of transactions, balances and disclosures), in particular not at the assertion level.	<ul style="list-style-type: none"> ASA 315 Conforming amendments includes additional application material which clarifies this requirement. Will cover in ASA 315 FAQs Could issue guidance / reminder Submission on IAASB 2022-23 Work Plan has requested this is a priority to be updated globally



Topic	ASIC's observation	Options on how / if we can address
ASA 402 <i>Audit Considerations Relating to an Entity Using a Service Organisations</i>	User auditors incorrectly relying on reports where only design of controls has been tested and not their effectiveness. User auditors relying on reports where substantive testing conducted by the service organization auditor using materiality at the service organization level rather than materiality for the entity being audited.	<ul style="list-style-type: none"> No inspection findings have been raised on this point. GS 007 does cover these points however further guidance / clarification may be required. Recommend further detail is required from ASIC and firms as to the issues, and analysis is required on whether GS 007 requires updating.
ASA 520 <i>Analytical Procedures</i>	Ineffective SAP being performed, such as relationship doesn't make sense, not setting appropriate expectation, not being performed at appropriate level. ASIC think the standard needs a significant rewrite. A few points on reliability of data which may be addressed by the IAASB's ISA 500 revision. (to be considered further). ASIC has raised with the IAASB.	<ul style="list-style-type: none"> AUASB could issue guidance on the principles of effective SAP but not sure would address the issues. The ATG will discuss with the audit firms to get more detail before deciding of guidance on the principles of effective SAP would assist. Submission on IAASB 2022-23 Work Plan has requested this is a priority to be updated globally
ASA 530 <i>Audit Sampling</i>	The standard does not include enough requirements and guidance including the need for a consistent approach to determining sample sizes across firms. Many specific points relation to sampling. ASIC have raised this with the IAASB	<ul style="list-style-type: none"> Submission on IAASB 2022-23 Work Plan has requested this is a priority to be updated globally Cannot be addressed by the AUASB ahead of IAASB.
ASA 540 <i>Audit of Accounting Estimates and Related Disclosures</i>	Many detailed points which were raised with the IAASB and some have been reflected in revised ASA 540. However, there are three remaining areas not addressed in revised ASA 540: <ul style="list-style-type: none"> - Audit work in relation to the valuation of financial instruments - Use of experts - Sampling 	<ul style="list-style-type: none"> New ASA 540 and AUASB's FAQs will assist in estimates overall, and GS 005 will also assist. ASIC's view further guidance is required specifically on valuation of financial instruments. Needs further analysis on what this guidance may encompass.
ASA 620 <i>Using the Work of an Auditor's Expert</i>	Many points	<ul style="list-style-type: none"> Addressed through updating GS 005



AUASB Agenda Paper

Project:	Amendments to ASA 560	Meeting:	7 September 2021
Topic:	Amendments to ASA 560	Agenda Item:	3
Strategic Objective:	Develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC)	Decision-Making:	For Approval
ATG Staff:	See Wen Ewe	Project Status:	Finalisation
AUASB Sponsor:	None		

Action Required and Decisions to be Made

- 1 The AUASB is requested to review and approve the Auditing Standard ASA 2021-2 *Amendments to Australian Auditing Standard ASA 560 Subsequent Events* (Agenda Item 3.1 *SP) and the Explanatory Statement (Agenda Item 3.2 *SP).

*SP: AUASB Supplementary Papers Pack

Background and previous discussions on topic

- 2 The AUASB approved ED 03/21 Proposed Auditing Standard ASA 2021-2 *Amendments to Australian Auditing Standard ASA 560 Subsequent Events* out-of-session in June 2021 and both the ED and the Explanatory Memorandum were posted on the AUASB website for a 30-day comment period.

Matters for Discussion and ATG Recommendations

- 3 The AUASB received responses from CA ANZ and CPA Australia with both professional bodies indicating that they support all of the proposed amendments and therefore have no further comments. There are no other submissions were received.
- 4 Based on the discussion with the Office of Best Practice Regulation (OBPR), it was concluded that ASA 2021-2 does not have any regulatory impact and therefore no regulatory impact analysis is required.



Next steps/Way Forward

- 5 Subject to AUASB's approval, the ATG will lodge ASA 2021-2 and the Explanatory Statement with Federal Register of Legislation and both documents will be posted on the AUASB website.
- 6 The amendments will then be compiled together with the ASA 315 compilations work that is current in progress and an updated, compiled version of ASA 560 will be released.

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Does the AUASB approve the Auditing Standard ASA 2021-2 and the Explanatory Statement?	With no changes made from the exposure draft the ATG recommends the AUASB to approve the Auditing Standard ASA 2021-2 and the Explanatory Statement.

Materials Presented

Agenda Item	Description
3.1 (*SP)	Auditing Standard ASA 2021-2 Amendments to Australian Auditing Standard ASA 560 Subsequent Events
3.2 (*SP)	Explanatory Statement: Auditing Standard ASA 2021-2 Amendments to Australian Auditing Standard ASA 560 Subsequent Events

*SP: AUASB Supplementary Papers Pack



AUASB Agenda Paper

Project:	AUASB Framework and Processes Plan	Meeting:	7 September 2021
Topic:	Revised ASA 101 – Preamble to AUASB Standards and Conforming Amendments	Agenda Item:	4.0
Strategic Objectives:	Develop and Issue Australian Auditing Standards	Decision-Making:	Final Approval
ATG Staff:	Johanna Foyster	Project Status:	Completion

A. Action Required and Decisions to be Made

- 1 The **objective** of this Agenda Item is for the AUASB to **approve to issue**:
 - (a) **Revised Auditing Standard ASA 101 Preamble to AUASB Standards** (and accompanying **Explanatory Statement to ASA 101 and ASA 2021-3**);
 - (b) **Auditing Standard ASA 2021-3 Amendments to Australian Auditing Standards** (conforming amendments to ASA 200 and ASA 700); and
 - (c) Conforming amendments to the **Foreword to AUASB Standards** (issued March 2021, updated September 2021).

AUASB Technical Group (ATG) Recommendations Overview and Questions for the Board

Question for the Board	ATG Recommendations Overview
1. Does the AUASB agree with: <ol style="list-style-type: none"> (a) the revised ASA 101, included at Agenda Item 4.1 (*SP); and (b) accompanying Explanatory Statement to the revised ASA 101 and ASA 2021-3, included at Agenda Item 4.2 (*SP)? 	Approve to issue revised ASA 101. Fatal flaw review of the Explanatory Statement to ASA 101 and ASA 2021-3.
2. Does the AUASB agree with the conforming amendments to ASA 200 and ASA 700, included at Agenda Item 4.3?	Approve to issue Amending Standard ASA 2021-3.
3. Does the AUASB agree with the conforming amendments to the <i>Foreword to AUASB Standards</i> , included at Agenda Item 4.4 (*SP)?	Approve conforming amendments to the revised Foreword to AUASB Standards (issued March 2021, updated September 2021).

*SP: AUASB Supplementary Pack



B. Background

- 2 At the September 2020 AUASB meeting the AUASB supported a proposal to replace [ASA 100 Preamble to AUASB Standards](#) and [ASA 101 Preamble to Australian Auditing Standards](#) with a single comprehensive preamble that will apply to all AUASB Standards; that is, to expand the scope of ASA 101 to also include AUASB Standards other than Auditing Standards.
- 3 Drafts of the proposed revised ASA 101 were tabled at AUASB meetings in April 2021 (see [Agenda Item 4](#)) and June 2021 (see [Agenda Item 3](#)), for Board consideration and feedback.
- 4 At the June 2021 AUASB meeting, the Board unanimously approved [ED 02/21 Proposed Auditing Standard ASA 101 Preamble to AUASB Standards](#) to be issued for public comment.
- 5 For further background on the approach followed by the AUASB in updating ASA 101 and details of changes made to the existing ASA 101, refer to the [Explanatory Memorandum to ED 02/21](#).

C. Matters for Board Consideration

Finalising ASA 101 (Agenda Items 4.1 and 4.2)

- 6 Exposure Draft ED 02/21 was issued on 16 June 2021 with a 45-day comment period ending 30 July 2021.
- 7 The AUASB received feedback from CPA Australia and CA ANZ indicating support for the proposed revised ASA 101 with no issues raised for further Board consideration. No other responses to the exposure were received.
- 8 In finalising the proposed standard, the ATG have made minor editorial improvements to paragraphs A23 and A43 – refer to Appendix 1 of this Agenda Paper for a mark-up of changes made to these paragraphs subsequent to the June 2021 AUASB meeting.
- 9 The final standard (clean version) to be approved by the AUASB at this meeting, is included in the AUASB Supplementary Pack as Agenda Item 4.1.

Conforming Amendments – ASA 200 and ASA 700 (Agenda Item 4.3)

- 10 As explained in the April 2021 and June 2021 AUASB meeting papers, the revised ASA 101 will require minor amendments to be made to Auditing Standards ASA 200 and ASA 700. These amendments are consequential and conforming amendments to address inconsistencies between standards and to ensure that the suite of Auditing Standards can continue to be applied together without conflict. This was explained in the Explanatory Memorandum that accompanied the Exposure Draft of the proposed revised ASA 101.

Conforming Amendments – ASA 200

- 11 For proposed conforming amendments to ASA 200 – refer to paragraph 8 of Draft Amending Standard ASA 2021-3 (Agenda Item 4.3)

This amendment is an editorial correction required to align paragraph A56 of ASA 200 with its international equivalent ISA 200 and the IAASB's *Preface to the International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements* (paragraph 18), as well as paragraph A34 of the revised ASA 101.

Conforming Amendments – ASA 700

- 12 For proposed conforming amendments to ASA 700 – refer to paragraphs 9-15 of Draft Amending Standard ASA 2021-3 (Agenda Item 4.3)

- Section 336(4) of the *Corporations Act 2001* requires that where an auditor elects to early adopt an Auditing Standard made under section 336 of that Act, that election must be recorded in the auditor's report. An additional paragraph A35 has been included in the revised ASA 101 as "Application and Other Explanatory Material" to provide guidance to auditors when early adopting AUASB Standards.
- The ATG is proposing that this Corporations Act requirement be added to ASA 700 as a paragraph Aus 42.1 requirement, inserted in the standard between the section on "Auditor's Responsibilities ..." and "Other Reporting Responsibilities".



- The ATG is also proposing that an additional paragraph Aus A57.1 (linked to the new requirement in paragraph Aus 42.1) be added to the “Application and Other Explanatory Material” to provide the necessary linkages to the revised ASA 101 and ASA 200, and to ASA 706 for further requirements and guidance where the auditor decides to use an “Other Matter” paragraph to report the early adoption of standards.

The proposed guidance explains that:

- the auditor is permitted to apply an Auditing Standard before the operative date specified therein;
 - where an Auditing Standard is early adopted, all relevant conforming and consequential amendments are also to be early adopted; and
 - the election may be recorded in the auditor’s report as an “Other Matter” paragraph.
- As this is an Australian specific legislative requirement, the ATG have concluded that this addition to ASA 700 passes the Compelling Reasons Test in accordance with the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#).

13 The ATG do not believe it is necessary to expose these conforming amendments separately as:

- the proposed amendments to ASA 200 and ASA 700 are narrow in scope and intended to align ASA 200 and ASA 700 to the revised ASA 101, which has been publicly exposed and no issues identified;
- the need for making conforming amendments to these ASAs has been fully explained in April 2021 and June 2021 public AUASB meeting papers as well as the accompanying Explanatory Memorandum to ED 02/21 (proposed revised ASA 101); and
- the additional paragraph Aus 42.1 reflects a current requirement of the Corporations Act and is therefore not a new requirement for auditors.

Conforming Amendments – Foreword to AUASB Standards (Agenda Item 4.4)

14 As the Foreword is not a legislative instrument, amendments to this document do not require an Amending Standard to be prepared. However, as the Foreword is a formal AUASB pronouncement, amendments to the Foreword will require Board approval in accordance with AUASB approval and voting protocols set out in the Board Charter and summarised in Appendix 5 of the AUASB’s *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications* (Due Process Framework).

15 The ATG have updated the *Foreword to AUASB Standards* approved and issued by the Board in March 2021 as follows:

- made amendments to paragraphs 6, 14, 16, 19 and 22 to conform to the amended wording of paragraphs A7-A8 of the revised ASA 101 which was updated in June 2021 as a result of independent legal advice obtained in consolidating the existing ASA 100 and existing ASA 101 into a single revised preamble;
- replaced references to extant ASA 100 an extant ASA 101 with references to the revised consolidated preamble (revised ASA 101); and
- amended the *Preface* to the Foreword to explain the reasons for updating the March 2021 version of the Foreword; and
- included a new Appendix 3 to the Foreword to provide a summary of the revisions made to the March 2021 version of the Foreword.

A full mark-up of amendments made to the Foreword subsequent to the March 2021 AUASB meeting, is included for the Board’s information under Agenda Item 4.4 in the AUASB Supplementary Pack.

Conforming Amendments – Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications (also refer to Agenda Item 5)

16 In the main, amendments to the Due Process Framework are conforming amendments arising from amended wording included in the revised *Foreword to AUASB Standards* (paragraphs 6, 14, 16, 19 and 22) and revised ASA 101 (paragraphs A7-A8) – see paragraph 15 above.



- 17 The Board is not required to review and formally approve the updated Due Process Framework document, as this is an internal policy document. However, a full mark-up of all changes made to the Due Process Framework subsequent to the December 2020 AUASB meeting, is included for the Board's information under Agenda Item 5.1 in the AUASB Supplementary Pack.

D. Next Steps

- 18 Regulatory Impact Statement Assessments (RIAs) have been prepared for ASA 101 and ASA 2021-3. The RIAs have been cleared by the Office of Best Practice Regulation.
- 19 Finalise AUASB internal Quality Assurance (QA) processes and other internal processes.
- 20 Update hyperlinks in each of the approved documents to the revised ASA 101, revised Foreword and updated Due Process Framework (as applicable) once finalised and uploaded to the AUASB website.
- 21 Issue final approved Auditing Standards, accompanying Explanatory Statement and updated Foreword in the last week of September 2021, to align the issuance date of the revised Standards as close as possible to the 1 October 2021 operative date of the Standards.
- 22 Prepare Compilations for ASA 200 and ASA 700.
- 23 Reissue relevant AUASB Standards (ASAEs, ASREs, ASRSs) with updated Authority Statements to reference ASA 101 instead of ASA 100.

E. Attachments to the Agenda Paper

Agenda Item	Description
4.1 (*SP)	Revised ASA 101 <i>Preamble to AUASB Standards</i> – clean version
4.2 (*SP)	Explanatory Statement for ASA 101 and ASA 2021-3
4.3	Amending Standard ASA 2021-3 (conforming amendments to ASA 200 and ASA 700)
4.4 (*SP)	<i>Foreword to AUASB Standards</i> (issued March 2021, updated September 2021) – marked up from March 2021 to show amendments

*SP: AUASB Supplementary Pack



Appendix 1 Mark-up of changes made to proposed ASA 101, subsequent to the June 2021 AUASB meeting

Note:

- Strikethrough shows deletions
- Underlining shows additions

~~Consequential and Confirming~~ Amendments of Standards made under Section 336 of the Corporations Act

A23. As standards made under section 336 of the Corporations Act are legislative instruments, they can only be amended by another legislative instrument. An “Amending Standard” is a legislative instrument made by the AUASB for the sole purpose of amending another legislative instrument (referred to as the “principal standard”). Amending Standards provide an efficient way of processing amendments which affect a number of standards without reissuing all the standards affected.

A43. However, for audits or reviews conducted in accordance with the Corporations Act, where in rare and exceptional circumstances, factors outside the assurance practitioner’s control prevent the practitioner from complying with an essential procedure contained within a relevant requirement, the practitioner is required:

- (a) if possible, to perform appropriate alternative audit procedures; and
- (b) under ASA 230³⁴ or ASRE 2410³⁵, as applicable, to document:
 - (i) the circumstances surrounding the inability to comply;
 - (ii) the reasons for the inability to comply; and
 - (iii) justification of how alternative procedures achieve the objectives of the requirement.³⁶

Footnotes:

³⁴ See ASA 230 *Audit Documentation*, paragraph Aus 12.1.

³⁵ See ASRE 2410, paragraph 7

³⁶ See ASA 200, paragraph Aus 23.1

ASA 2021-3
(September 2021)

Auditing Standard ASA 2021-3 *Amendments to Australian Auditing Standards*

Issued by the **Auditing and Assurance Standards Board**

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007
AUSTRALIA

Draft

COPYRIGHT

© 2021 Commonwealth of Australia. The text, graphics and layout of this Auditing Standard are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the Australian Auditing and Assurance Standards Board (AUASB).

Requests and enquiries concerning reproduction and rights for commercial purposes should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Auditing Standard may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 1833-4393

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	1-2
Operative Date	3
Introduction	
Scope of this Auditing Standard	4
Objective	5
Definition	6
Amendments to Auditing Standards	7
Amendments to ASA 200	8
Amendments to ASA 700	9-15

Draft

PREFACE

Reasons for Issuing ASA 2021-3

The Australian Auditing and Assurance Board (AUASB) issues Auditing Standard ASA 2021-3 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard makes amendments to the requirements and application and other explanatory material of the following Auditing Standards:

- | | |
|---------|--|
| ASA 200 | <i>Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards</i> (issued October 2009 and amended to June 2020) |
| ASA 700 | <i>Forming an Opinion and Reporting on a Financial Report</i> (issued December 2015 and amended to June 2020) |

These amendments are consequential and conforming amendments arising from the issuance of the revised ASA 101 *Preamble to AUASB Standards* in September 2021. Under its mandate, the AUASB is required to maintain the quality and relevance of the Auditing Standards. Accordingly, amendments to existing Auditing Standards are made whenever necessary to correct editorial issues or to resolve conflicts between standards.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2021-3 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: 7 September 2021

W R Edge
Chair - AUASB

Draft

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Draft

AUDITING STANDARD ASA 2021-3

Amendments to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
 - an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Auditing Standard is operative for financial reporting periods commencing on or after 1 October 2021.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to Australian Auditing Standards. The amendments are consequential and conforming amendments arising from the issuance of the revised ASA 101 *Preamble to AUASB Standards* (September 2021).

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
 - (a) *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (Issued October 2009 and amended to June 2020)
 - (b) *ASA 700 Forming an Opinion and Reporting on a Financial Report* (Issued December 2015 and amended to June 2020)

Definition

6. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

Amendments to Auditing Standards

7. This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to ASA 200

8. Existing paragraph A56 is amended to read as follows:

The scope, effective date and any specific limitation of the applicability of a specific Auditing Standard is made clear in the Auditing Standard. Unless otherwise stated in the Auditing Standard, the auditor is ~~not~~ permitted to apply an Auditing Standard before the effective date specified therein.

Amendments to ASA 700

9. The existing third paragraph of “Conformity with International Standards on Auditing” is amended to read as follows:

The following requirements are additional to ISA 700:

- Paragraph Aus 28.1(c) requires the auditor to identify the relevant ethical requirements applicable within Australia when providing the basis for opinion.
- Aus 42.1 requires that when the auditor elects to early adopt an Auditing Standard made under 336 of the *Corporations Act 2001*, in accordance with section 336(4) of that Act, that election is required to be recorded in the auditor’s report.
- ...

10. The existing fourth paragraph of “Conformity with International Standards on Auditing” is amended to read as follows:

The following application and other explanatory material is additional to ISA 700:

- Paragraph Aus A57.1 identifies the *Auditing and Assurance Standards Board* and its website address when an auditor refers to a description of the auditor’s responsibilities on a website.
- Paragraph Aus A57.2 includes guidance on how the election to early adopt an Auditing Standard made under section 336 of the *Corporations Act 2001* could be reported in the auditor’s report and includes a reference to ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report* for further requirements and guidance relevant to Other Matter paragraphs.
- ...

11. Following existing paragraph 42, and before the sub-heading “Other Reporting Responsibilities”, the following sub-heading is inserted:

Early adoption of Auditing Standards

12. Following the sub-heading inserted above, the following paragraph Aus 42.1 is inserted:

When the auditor elects to early adopt an Auditing Standard made under section 336 of the *Corporations Act 2001*, in accordance with section 336(4) of that Act, that election is required to be recorded in the auditor’s report.

13. Following existing paragraph Aus A57.1, and before the sub-heading “Other Reporting Responsibilities (Ref: Para. 43-45)” the following sub-heading is inserted:

Early adoption of Auditing Standards

14. Following the sub-heading inserted above, the following paragraph Aus A57.2 is inserted:

Unless otherwise stated in an Auditing Standard, the auditor is permitted to apply the standard before the operative date specified therein. Where an Auditing Standard is early adopted, all relevant conforming and consequential amendments must also be early adopted.[#] Where the auditor elects to early adopt an Auditing Standard, the election may be recorded in the auditor's report as an Other Matter paragraph. Refer to ASA 706 for requirements and guidance relevant to Other Matter paragraphs.

15. A new footnote, referenced to paragraph Aus A57.2 of this Auditing Standard, is inserted to read as follows:

[#] See ASA 200, paragraph A56 and ASA 101 *Preamble to AUASB Standards*, paragraphs A33-A35.

Draft



AUASB Agenda Paper

Project:	Review of AUASB Processes and Framework documents	Meeting:	7 September 2021
Topic:	Narrow-Scope Projects - Revised Due Process Framework	Agenda Item:	5.0
Strategic Objectives:	1 & 2	Decision-Making:	AUASB discussion and feedback
ATG Staff:	Johanna Foyster	Project Status:	Finalisation
AUASB Sponsor	Bill Edge		

A. Action Required and Decisions to be Made

- The objective of this Agenda Item is to seek AUASB support and feedback on the proposed simplified due process for making narrow-scope amendments to existing AUASB Standards.

AUASB Technical Group (ATG) Recommendations Overview and Questions for the Board

Questions for the Board	ATG Recommendations Overview
Does the AUASB agree with the proposed simplified process for making narrow-scope amendments to existing AUASB Standards as outlined in paragraphs 172-190 of the updated <i>Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications</i> (September 2021) (Due Process Framework)? Refer to Appendix 1 of this Agenda Paper for an extract.	Endorse the simplified process for making narrow-scope amendments to AUASB Standards.
Does the AUASB have any other feedback on the conforming amendments to the Due Process Framework arising from the updated Foreword, Preamble and CHC Policy in Agenda Item 5.1?	All changes to the Due Process Framework are accepted.

Note: The Board is not required to review and re-approve the updated Due Process Framework. However, a full mark-up of all changes made to the Due Process Framework subsequent to it being approved and issued in December 2020, is included for the Board's information – see AUASB Supplementary Papers Pack, Agenda Item 5.1.

B. Background

- The AUASB finalised and approved the Due Process Framework at its December 2020 meeting.
- As outlined in the December 2020 AUASB meeting papers (Agenda Item 4 - closed session), the Due Process Framework was designed to complement and operate in conjunction with other framework pronouncements and documents, including the AUASB's Board Charter, *Foreword to AUASB Standards* and *Preamble to AUASB Standards*.
- Subsequent to the issuance of the Due Process Framework, the AUASB has finalised the following revised framework pronouncements and policies:
 - Foreword to AUASB Standards* (issued March 2021, updated September 2021) (Foreword);



- (b) Revised Auditing Standard ASA 101 *Preamble to AUASB Standards* (September 2021) (Preamble); and
- (c) *AUASB Policy and Process for International Conformance and Harmonisation of Standards* (March 2021) (CHC Policy).

As the Due Process Framework includes overlapping content and cross references to these documents, it has also been necessary to update the December 2020 version of the Due Process Framework to ensure all framework documents align.

- 5 At the June 2021 AUASB meeting, the Board identified a need for the Due Process Framework to be updated to include a simplified process for making narrow-scope amendments to existing AUASB Standards that meet certain criteria. This was to ensure that due process activities are appropriate and proportionate, weighing up the time and effort of the due process activity and the additional information needs of the Board.

C. Matters for Board Consideration

Proposed Simplified Process for making Narrow-Scope Amendments to Existing Standards

- 6 The ATG have also updated the December 2020 version of the Due Process Framework to include a simplified process for addressing changes to existing standards considered to be narrow in scope.

The relevant section from the updated Due Process Framework to be reviewed by the Board, is included as Appendix 1 to this Agenda Paper.

Refer to Appendix 1:

- paragraphs 172-175, for further information on projects that may qualify as narrow-scope projects;
- paragraphs 176-190, for the proposed simplified process for making narrow-scope amendments to existing standards; and
- paragraphs 191-202, for content carried over from the December 2020 version of the document, updated to align with the new paragraphs 172-190 and to reflect conforming amendments arising from the subsequent revision of the Foreword and Preamble.

- 7 The updated Due Process Framework now distinguishes between:

- (a) comprehensive revisions of standards; and
- (b) making narrow-scope amendments to standards.

- 8 Any comprehensive revision of a published standard is subject to the same due process (including the same public exposure process) as for a new AUASB Standard.

- 9 The process for making narrow-scope amendments to existing standards differs as follows from the process for developing new standards or comprehensive revisions of existing standards:

For narrow-scope projects -

- It may be possible to transition quickly through the initial research, stakeholder consultation and information gathering stages of the due process, depending on the nature of the underlying issues and the manner in which the AUASB became aware of the issues.
- There is no requirement for a formal Project Plan (using the *AUASB Project Plan Template*) to be approved by the AUASB. Instead, AUASB technical staff prepare an Agenda Paper that meets a streamlined set of requirements as outlined in paragraph 182 of Appendix 1, for Board consideration at a public AUASB meeting.
- Whether narrow-scope amendments to standards are exposed for public comment is determined on a case by case basis by the AUASB. However, to ensure transparency and that proposed amendments are included on the public record, it is a requirement for a draft of the proposed amendments to be tabled at a public AUASB meeting for deliberation and formal Board approval.
- Where the AUASB deems it necessary to issue an Exposure Draft (ED) for public comment:
 - A shorter comment period than that required for new standards or comprehensive revisions of standards may be appropriate but no less than 30 days.



- The Invitation to Comment included in the ED includes targeted commentary and questions that direct stakeholders to specific elements of the existing standard identified for amendment.

- 10 In updating the Due Process Framework to accommodate narrow-scope projects, the ATG:
- referred to the *IAASB Framework for Activities* (May 2021) (specifically the section “Component III Narrow Scope Maintenance of Standards”);
 - conferred with senior AASB staff, to ensure consistency in approach; and
 - checked the requirements of the *Legislations Act 2003* to confirm that the decision to publicly expose a document is at the discretion of the AUASB.

Other Conforming Amendments

- 11 The ATG have reviewed the Due Process Framework and made necessary conforming amendments arising from:
- (a) the updated Foreword, Preamble and CHC Policy (Agenda Item 4); and
 - (b) the new section added to the Due Process Framework to address narrow-scope projects.
- 12 The Board is not required to review and re-approve the updated Due Process Framework. However, a full mark-up of all changes made to the Due Process Framework subsequent to the December 2020 AUASB meeting, is included for the Board’s information – see AUASB Supplementary Papers Pack, Agenda Item 5.1.

D. Next Steps

- 13 Update hyperlinks included in the Due Process Framework document to the final Foreword and Preamble once these pronouncements have been approved for issuance by the AUASB and uploaded to the AUASB website (Agenda Item 4).

E. Attachments to the Agenda Paper

Agenda Item	Description
5.1 (*SP)	Revised <i>Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications</i> (September 2021)

*SP: AUASB Supplementary Pack



Extract from *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications* (September 2021)

Amendments to Existing Standards

170. AUASB Standards may require amendment for a variety of reasons, such as consequential and conforming amendments from other new or revised AUASB Standards⁶³, improvements or clarifications identified through post-implementation reviews⁶⁴, updates to account for changes in legislation or updating references to other external documents that are not legislative instruments.⁶⁵

Projects to Comprehensively Revise Existing Standards

171. Any comprehensive revision of a published standard is subject to the same due process (including the same public exposure process) as for a new AUASB Standard.⁶⁶

Narrow-Scope Projects

172. The AUASB has adopted a simplified due process for addressing changes to existing standards that are considered to be narrow in scope.
173. Narrow-scope projects are intended to achieve a limited number of targeted changes to either a single standard or across multiple standards, and may include replacing unclear wording in existing standards or providing additional requirements and/or explanatory material where a gap in an existing standard has been identified. Narrow-scope projects are not intended for amending the overall scope, purpose, objectives, underlying principles or structure of an existing standard.
174. The criteria to assess the need for a narrow-scope project include:
- a standard-setting response is required but does not require a full-scope revision of one or more standards;
 - due to the urgency of the need for change it is not in the public interest to wait for a full-scope revision of the standard; and
 - the proposed changes are not comprehensive and will not fundamentally change the requirements of the standard.
175. Narrow-scope changes to standards may be required for a variety of reasons including, for example:
- to clarify application of certain aspects of a standard or to provide additional guidance to ensure consistent implementation and application of standards in practice;
 - to correct minor unintended consequences, oversights or conflicts between standards;
 - to address conforming and consequential amendments to standards that do not originate from an active AUASB project⁶⁷; and
 - for periodic maintenance of standards.

Simplified Due Process for making Narrow-Scope Amendments to Existing Standards

176. The AUASB has adopted a simplified due process for addressing narrow-scope amendments to standards to ensure due process activities are appropriate and proportionate, weighing up the time and effort of the due process activity and what additional information needs the Board has. Depending on the nature, scope and urgency of the proposed amendments, narrow-scope projects may move quickly through the various stages of the due process.

⁶³ For example, to change references to other standards, or to be consistent with new auditing and assurance requirements and/or application and explanatory material.

⁶⁴ See paragraphs 241-245 of this document.

⁶⁵ For example, pronouncements issued by the APESB do not have the same legal status as auditing standards made under the Corporations Act (which are legislative instruments). APESB pronouncements are treated as 'external documents' under the *Legislation Act 2003*. A reference in an Auditing Standard to an external document is stationary (that is, fixed to the document in force at the time the standard was made) as opposed to a reference in a standard to a second standard or another legislative instrument, which is ambulatory (that is, automatically moving forward to refer to the most recently issued version).

⁶⁶ The process adopted will depend on whether the AUASB Standard is based on an equivalent international standard developed and issued by the IAASB (see Process 1 described in paragraphs 84-134) or a domestic AUASB Standard (see Process 2 described in paragraphs 135-169).

⁶⁷ For example, to make changes to AUASB Standards as a result of changes made to related AASB Standards or APESB Standards.



AUASB members or AUASB technical staff identify potential narrow-scope projects

177. Technical staff, through relevant monitoring activities, and AUASB members, through their professional activities, may identify a need to make narrow-scope amendments to standards, for example, to address recent changes in legislation. Narrow-scope projects may also be initiated in response to, for example, specific requests from stakeholders for additional clarification or guidance, performing post-implementation reviews, or where the AUASB, as part of the process of harmonisation with New Zealand standards, considers that changes made to the international standards by the NZAuASB are also relevant in Australia⁶⁸.

Conduct initial outreach and information gathering in accordance with the AUASB EISS Strategy

178. AUASB technical staff undertake any necessary research and stakeholder consultation on the issues underlying the identified narrow-scope project to assess the scope of the issues and the rationale for needing a 'standard-setting' solution.⁶⁹
179. Depending on the nature of the issues and the manner in which AUASB technical staff became aware of such issues, it may be possible to transition quickly through the initial research, stakeholder consultation and information gathering stages of the due process. However, technical staff need to be satisfied that the AUASB will have sufficient information to understand the underlying issues and the available solutions to address the issues.
180. Where potential compelling reasons for modification of any issued IAASB Standard are identified for Australia, the AUASB technical staff communicates and discusses these issues with the NZAuASB, in accordance with AUASB/NZAuASB communication protocols.

Prepare an Agenda Paper to be presented for AUASB consideration and approval

181. Based on the initial research, stakeholder consultation and information gathering activities, the Technical Director, in consultation with the AUASB Chair, may recommend that the AUASB consider adding a narrow-scope project to its work plan, which are then deliberated upon by the AUASB at a public meeting.
182. AUASB technical staff prepare an Agenda Paper⁷⁰ for Board consideration which sets out:
- the objective(s) and scope of the project (and identifying issues out of scope);
 - justification for the project, including:
 - information gathering activities undertaken by technical staff to understand the problem, how pervasive the problem is, and the stakeholder groups impacted;
 - why there is an urgency to make narrow-scope amendments to an existing standard instead of waiting for a full-scope revision of the standard at a later stage;
 - the rationale for why a standard-setting solution is recommended as the most appropriate response to address identified issues and to serve the public interest, taking into account the factors outlined in paragraphs 24-34 of this document; and
 - whether the project is likely to effectively address the underlying issues(s) and how achievement of project objectives would serve the public interest;
 - the underlying issues to be addressed by the AUASB, and technical staff recommended actions to respond to issues;
 - where applicable:
 - application of the Compelling Reasons Test, where compelling reasons to modify an issued international standard have been identified;
 - collaboration with the NZAuASB, in particular to identify and discuss Trans-Tasman issues and compelling reason modifications; and
 - the nature, timing and extent of further input to be obtained from stakeholders.

⁶⁸ After applying the AUASB's Compelling Reasons Test, having regard to public interest considerations in Australia.

⁶⁹ See Section IV of this document under the subheading "Choice of Pronouncement or Publication".

⁷⁰ Formal Project Plans (using the *AUASB Project Plan Template*) are a requirement for all major projects such as the development of a new standard and for comprehensive revision of an existing standard.



Develop the proposed amendments (in conjunction with the NZAuASB where appropriate)

183. Narrow-scope amendments to existing AUASB Standards are made through either re-approving a revised standard or, in the case of standards made under section 336 of the Corporations Act, issuing an Amending Standard (see paragraphs 191-192).
184. Where narrow-scope amendments are made to AUASB Standards that are not legislative instruments:
 - the title page of the proposed revised standard indicates the date of original issue and the date of the latest revision; and
 - a revision table is included in the proposed revised standard which details the date of the revision, nature of the amendments and operative date.
185. Some proposed amendments to standards are sufficiently minor or narrow in scope that they can be packaged together in a single Amending Standard for Board deliberation and approval, even though the amendments are unrelated.
186. Where possible, in accordance with its strategic objectives, the AUASB will coordinate the development of proposed narrow-scope amendments jointly with the NZAuASB in accordance with the Board's harmonisation policy. However, differences may arise where different regulatory requirements apply and/or different practices are considered appropriate, and there is no requirement to fully align AUASB and NZAuASB Standards.
187. In cases where compelling reasons modifications have been identified for Australia, any proposed deletions from the international standard are clearly noted, and any proposed additions or modifications clearly marked as an Australian paragraph or additional appendices commencing with an 'Aus' prefix.

Approve and, where deemed necessary, expose for public comment a draft of the proposed amendments

188. A draft of the proposed amendments is presented to the AUASB at a public meeting for deliberation and approval. See paragraphs 203-231 of this document.
189. Whether narrow-scope amendments to AUASB Standards are exposed for public comment is determined on a case by case basis by the AUASB. The comment period may vary depending on the nature and urgency of the amendments but if public exposure is deemed necessary it should be for no less than 30 days.⁷¹
190. Where the Board deems it necessary to issue an ED of the proposed amendments for public comment:
 - (a) The Invitation to Comment included in the proposed ED includes targeted commentary and questions that direct stakeholders to specific elements of the existing standard identified for amendment. Stakeholders are requested to comment only on the proposed narrow-scope additions, deletions or amendments.
 - (b) The ED is accompanied by an Explanatory Memorandum that outlines the proposed narrow-scope amendments, as well as the rationale behind the amendments. Although narrow in scope, the Explanatory Memorandum includes sufficient information to enable stakeholders to understand the proposed amendments.

The Explanatory Memorandum is prepared by technical staff and reviewed by AUASB members for fatal flaws. The AUASB Chair and Technical Director approve the final wording for the Explanatory Memorandum.
 - (c) At the completion of the public comment period, technical staff accumulate and consider all comments received from stakeholders, prepare an analysis of stakeholder feedback for Board consideration, and finalise the proposed amendments. Where appropriate, a draft Basis for Conclusions⁷² is prepared at the time of finalising the proposed amendments.
 - (d) Technical staff present the proposed final amendments and, where appropriate, accompanying draft Basis for Conclusions, together with a collation of stakeholder comments and technical staff analysis of comments received and how these comments have been addressed, to the AUASB for its consideration at a public meeting.

⁷¹ See paragraph 71 of this document.

⁷² See paragraphs 22 and 229-231 of this document.



- (e) The AUASB reviews the final amendments and supporting Board papers, taking into consideration how issues raised by Australian stakeholders have been addressed and votes on the approval of the final amendments. See paragraphs 203-231 of this document.

Amendment of Standards made under Section 336 of the Corporations Act

191. As standards made under section 336 of the Corporations Act are legislative instruments, they can only be amended by another legislative instrument. An “Amending Standard” is a legislative instrument made by the AUASB for the sole purpose of amending another legislative instrument. Amending Standards provide an efficient way of processing amendments which affect a number of standards without reissuing all the standards affected.
192. A *Preface* is included in the Amending Standard to explain the reasons for the amendments and to identify the standard or standards impacted.

Conforming and Consequential Amendments to Standards

193. Where the AUASB develops a new or revised standard, the AUASB also consider whether conforming and consequential amendments to other standards will be necessary, to address inconsistencies between standards and to ensure that the AUASB Standards can continue to be applied together without conflict.

Conforming Amendments

194. Conforming amendments are minor, obvious, straightforward and mostly editorial in nature, and generally involve little or no judgement in preparing them. Conforming amendments do not involve reconsideration of the scope, objectives, requirements and application material of a standard.

Consequential Amendments

195. Consequential amendments are of a more significant nature and require further analysis and application of judgement to resolve inconsistencies between standards so that the overall body of standards can be applied together without conflict.

Compilations

196. The compiled version of a standard reflects the content of a standard, considering all amendments that have become effective since the principal standard was originally made.⁷³ Compilations are a requirement of the *Legislation Act 2003* and are required to be lodged with the Office of Parliamentary Counsel for registration on the Federal Register of Legislation. A compilation is not a legislative instrument.
197. Where the AUASB issues a compiled version of a standard:
- (a) the title page of the standard indicates that it is a compiled version of the standard and shows the date of the compilation and the relevant Amending Standards that have been taken into account;
 - (b) a “Compilation Details” section is included in the standard which includes the following information:
 - (i) a “Table of Standards”, which sets out details of both the principal standard and subsequent Amending Standards, including the dates of both the principal and Amending Standards (date made, operative date and date registered on the Federal Register of Legislation);
 - (ii) a “Table of Amendments”, which provides details of amendments to the principal standard (paragraph of standard affected, how affected and a paragraph reference to the relevant Amending Standard); and
 - (iii) a statement that the compilation is not a separate Auditing Standard made by the AUASB but a representation of the relevant Standard which incorporates the original standard and subsequent amendments.

⁷³ For example, a standard might have a principal version issued in 2015 amended by Amending Standards (legislative instruments) that become effective, one each year, from 2016. Therefore, in 2020 the compiled version of the standard will reflect the amendments effective from 2016 through to 2020.



- (c) The Operative Date paragraph in the standard includes a reference to the Compilations Details section of the standard, for details about the operative dates of paragraphs changed or added by an Amending Standard.

198. Compilations are published periodically (on the AUASB website) as they are developed by technical staff.

Reissue

199. The AUASB may decide to reissue a new principle standard rather than amend a substantially revised standard. The title page of the reissued standard indicates the date of reissue. A *Preface* is included in the reissued standard to explain the reasons for reissuing the standard, to provide details of the revision and to identify the standard it supersedes.

Periodic Improvements and Editorials

200. For standards that are legislative instruments, periodic improvements and editorials must be made through another legislative instrument, that is, an Amending Standard. Some proposed amendments to standards are sufficiently minor or narrow in scope that they can be packaged together and exposed publicly in one document, even though the amendments are unrelated.⁷⁴ For example, changes that clarify wording to improve implementation, correct minor editorial issues or resolve conflicts with other AUASB pronouncements (for example, to align definitions or to update references).
201. Technical staff may make editorial corrections to pronouncements (other than standards to be registered on the FRL) after approval by the AUASB and prior to publication on the AUASB website to remedy drafting errors, provided the corrections do not alter the technical meaning of the text. Editorial corrections normally fix spelling errors, grammatical mistakes or incorrectly marked consequential amendments.
202. Where corrections to a pronouncement that are not of an editorial nature are identified, the amendments to correct these errors are required to be approved by the AUASB and subject to the same due process that applies to other amendments made to existing standards (see paragraphs 171-190). Corrections must be made through either re-approving a revised pronouncement or, in the case of standards made under section 336 of the Corporations Act, issuing an Amending Standard.

⁷⁴ Such improvements may be called Annual Improvements.



AUASB Agenda Paper

Project:	Narrow scope amendment to ASA 800	Meeting:	7 September 2021
Topic:	Updates to ASA 800 resulting from changes to the Accounting Standards	Agenda Item:	6
Strategic Objective:	Develop and issue Australian Auditing Standards	Decision-Making:	For Review/For Voting
ATG Staff:	Anne Waters	Project Status:	In Progress/Completion
AUASB Sponsor:			

Action Required and Decisions to be Made

- 1 The objective of this agenda item is for the AUASB to approve proposed narrow scope amendments to ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*, resulting from changes to the Australian Accounting Standards (AAS) impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements (SPFS).

Background

- 2 The AASB have made amendments to the AAS to remove the ability for certain for-profit entities to prepare special purpose financial statements (SPFS), which is effective for reporting periods beginning on or after 1 July 2021 (i.e., 30 June 2022 year ends).
- 3 The amendments made only impact for-profit private sector entities, and the AASB has an ongoing project looking at the financial reporting requirements for not for-profit entities, however, to date no changes impacting NFP entities have been made to the AAS.
- 4 The AUASB has previously been informed by the ATG at prior AUASB meetings that changes made to the AAS will result in a need to update ASA 800.

Justification for project and changing ASA 800 now

- 5 The changes made to date to the AAS are effective for reporting periods beginning on or after 1 July 2021 (i.e., 30 June 2022 year ends), and therefore ASA 800 needs to be updated now as it includes guidance which is not consistent with the AAS.
- 6 Further changes may need to be made to ASA 800 when the AASB complete their project for not for-profit entities, however any changes will be for future reporting periods.

Matters for Discussion and ATG Recommendations

- 7 The ATG have reviewed ASA 800 and have identified the following amendments in ASA 2021-4 *Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (ASA 2021-4). NB: Refer to Agenda Item 6.1 in the Primary Papers pack for the full details of the proposed wording.
 - (a) Paragraph Aus A1.1 – The purpose of this paragraph is to provide guidance to auditors when assessing the financial reporting framework and which entities are required to prepare General Purpose Financial Statements and who can elect to prepare SPFS. The ATG have discussed this current wording with the AASB staff and have agreed this should change to reflect the changes made to the AAS. The ATG propose to include this in ASA 800 now, and will make further amendments if necessary, for not-for profit entities.

As this is an Australian specific legislative matter the ATG have concluded that this passes the Compelling reason test and in accordance with our [Principles of Convergence to International Standards](#) of the IAASB it is still appropriate to make this AUS paragraph amendment to ISA 800.
 - (b) Appendix 1 *Aus Illustration 4: An auditor’s report on a financial report prepared by a non-reporting entity under the Corporations Act 2001* is for a small proprietary company controlled by a foreign company. Under the changes to AAS these entities can no longer prepare SPFS and therefore this Aus Illustration has been removed. The ATG considered if this should be replaced by another Aus Illustration and concluded that this is not necessary as the remaining Illustrative audit reports are sufficient.
- 8 The ATG have concluded that the other Aus paragraphs in ASA 800 are still relevant and do not require amendment ie. Aus 6.1, Aus A9.1 and Aus A18.1.
- 9 The revised ASA 800 will be effective for financial reporting periods beginning on or after 1 July 2021 which is aligned to effective date of the changes to the AAS.
- 10 As the proposed amendments are narrow scope and solely to align ASA 800 with the requirements of the AAS the ATG do not believe it is necessary to expose these amendments, as we do not need any feedback from stakeholders as to whether these changes are necessary.

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Do you agree with amending ASA 800 now?	ASA 800 is updated now to reflect the changes made to the AAS which are effective for reporting periods beginning on or after 1 July 2021.
Question 2	Do you agree with and approve the amendments to ASA 800 contained in ASA 2021-4?	Approve to issue Amending Standard ASA 2021-4 (paper 6.1) and Explanatory Statement (paper 6.2).
Question 3	Do you agree it is not necessary to expose the narrow scope amendments to ASA 800?	Refer paragraph 10

Collaboration with NZAuASB and other standard setters

11 This is an Australian legislative matter and not relevant to NZAuASB or other standard setters.

Next steps/Way Forward

12 If the AUASB agree with and approve the amendments to ASA 800 the ATG will issue revised ASA 800 effective for reporting periods beginning on or after 1 July 2021, with appropriate communications to our stakeholders.

Materials Presented

Agenda Item	Description
6.1	Sep21_6.1_Proposed Auditing Standard ASA 2021-4 <i>Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks_PP</i>
6.2	Sep21_ASA 2021-4_ES_PP

ASA 2021-4
(September 2021)

Auditing Standard ASA 2021-4
*Amendments to Australian Auditing
Standard ASA 800 Special Considerations –
Audits of Financial Reports Prepared in
Accordance with Special Purpose
Frameworks*

Issued by the Auditing and Assurance Standards Board

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007
AUSTRALIA

COPYRIGHT

© 2021 Commonwealth of Australia. The text, graphics and layout of this Auditing Standard are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the Australian Auditing and Assurance Standards Board (AUASB).

Requests and enquiries concerning reproduction and rights for commercial purposes should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Auditing Standard may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 1833-4393

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	1-2
Operative Date	3
Introduction	
Scope of this Auditing Standard	4
Objective	5
Definition	6
Amendments to Auditing Standard	7
Amendments to ASA 800	8-10

PREFACE

Reasons for Issuing ASA 2021-4

The AUASB issues Auditing Standard ASA 2021-4 *Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard makes amendments to the application and other explanatory material and appendices of the following Auditing Standard:

ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued July 2016 and amended to June 2020)

The amendments arise from changes to the Australian Accounting Standards (AAS) impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements (SPFS).

Auditing Standard ASA 2021-4

Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2021-4 *Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: <TypeHere>

W R Edge
Chair - AUASB

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

AUDITING STANDARD ASA 2021-4

Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Application

1. This Auditing Standard applies to:
 - an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2021.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to Australian Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* made under Section 336 of the *Corporations Act 2001* as a result of changes to the Australian Accounting Standards (AAS) impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements (SPFS).

Objective

5. The objective of this Auditing Standard is to make amendments to Australian Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued July 2016 and amended to June 2020).

Definition

6. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

Amendments to Auditing Standard

7. This Standard uses underlining, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to ASA 800

8. The existing text of paragraph Aus A1.1 is amended to read as follows:

~~The *Corporations Act 2001*, * other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared and whether compliance with Australian Accounting Standards is required. Australian Accounting Standards set out requirements for General Purpose Financial Statements. Under the *Corporations Act 2001*, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101 *Presentation of Financial Statements* defines a reporting entity and general purpose financial statements. In some circumstances, entities are permitted to prepare Special Purpose Financial Statements as defined in Accounting Standard AASB 1054 *Australian Additional Disclosures*. Such circumstances include for-profit private sector entities required only by their constituting document or another document (e.g., a loan agreement) to prepare financial statements that comply with Australian Accounting Standards, provided that the relevant document was created or last amended before 1 July 2021, as well as not-for-profit entities that assess themselves to be non-reporting entities. defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. “Reporting entities” are required to prepare general purpose financial statements. “Non reporting entities” may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.~~

Amendments to ASA 800 Appendix 1

9. Existing Appendix 1 of this Auditing Standard is amended to read as follows:

Illustrations of Independent Auditor’s Reports on a Special Purpose Financial Report

Illustration 1: An auditor’s report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

...

~~[Aus] Illustration 4: An auditor’s report on a financial report prepared by a non reporting entity under the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework). [Deleted by the AUASB as a result of changes to the Australian Accounting Standards impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements.#]~~

...

10. As a result of the amendment above, existing [Aus] Illustration 4 is deleted.

[#] See AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

ASA 2021-4
(September 2021)

Explanatory Statement

ASA 2021-4 Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007
AUSTRALIA

Reasons for Issuing Auditing Standard ASA 2021-4

The AUASB issues Auditing Standard ASA 2021-4 Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Purpose of Auditing Standard ASA 2021-4 Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

The purpose of the Auditing Standard is to make amendments to the application and other explanatory material and appendices of the following Auditing Standard:

ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued July 2016 and amended to June 2020)

Main Features

This Auditing Standard makes amendments to the application and other explanatory material and appendices of Australian Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*. The amendments arise from changes to the Australian Accounting Standards (AAS) impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements (SPFS).

Operative Date

ASA 2021-4 Amendments to Australian Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* is operative for financial reporting periods commencing on or after 1 July 2021.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Auditing Standard

It is the view of the AUASB that the amendments to ASA 800 do not require public exposure as they are not significant in nature and have no impact on the requirement of ASA 800.

Regulatory Impact Statement

A Regulatory Impact Statement (RIA) has been prepared in connection with the preparation of ASA 2021-4 Amendments to Australian Auditing Standard ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks. The RIA has been cleared by the Office of Best Practice Regulation (OBPR).

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: **Auditing Standard ASA 2021-4 Amendments to Australian
Auditing Standard ASA 800 Special Considerations – Audits of
Financial Reports Prepared in Accordance with Special Purpose
Frameworks**

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of Auditing Standard ASA 2021-4

The purpose of the Auditing Standard is to make amendments to the application and other explanatory material and appendices of the following Auditing Standard:

ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with
Special Purpose Frameworks* (Issued July 2016 and amended to June 2020)

Main Features

ASA 2021-4 makes amendments to the application and other explanatory material and appendices of Australian Auditing Standard ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*. The amendments arise from changes to the Australian Accounting Standards (AAS) impacting the ability for certain for-profit entities to prepare Special Purpose Financial Statements (SPFS).

Human Rights Implications

Australian Auditing Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.



AUASB Agenda Paper

Project:	GS 010 <i>Responding to Questions at an Annual General Meeting</i>	Meeting:	7 September 2021
Topic:	Revision of GS 010	Agenda Item:	7
Strategic Objective:	Develop and maintain Australian specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required	Decision-Making:	For Review and Approval
ATG Staff:	Anne Waters / See Wen Ewe	Project Status:	In Progress
AUASB Sponsor:	Bill Edge		

Action Required and Decisions to be Made

- 1 Draft GS 010 *Responding to Questions at an Annual General Meeting* (GS 010) has been updated principally to align with the enhanced auditor reporting standards.
- 2 The AUASB is requested to review, provide feedback, and approve the revision of GS 010.

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Do you agree with the revisions to GS 010, and approve for issue?	The ATG recommends the Board provide feedback and approve the revised GS 010.

Background and Previous Discussions on Topic

- 3 The *Corporations Act 2001* (The Act) requires auditors of listed entities to attend the AGM and respond to questions from members relevant to the audit.
- 4 Extant Guidance Statement 010 (GS 010) was issued in March 2009 to provide guidance to auditors on responding to both written questions submitted prior to the AGM and questions raised at the AGM.
- 5 At the time of the introduction of the enhanced auditor's report in December 2015, the AUASB requested that GS 010 be updated to provide guidance on how to answer questions on the new components of the auditor's report, and to include some example questions.
- 6 This topic was discussed at the [February 2016 AUASB meeting](#) and the AUASB requested that GS 010 is updated to include:
 - The new components of the auditor's report;
 - A clearer differentiation between the process to respond to written questions received prior to the AGM and those received during the AGM; and
 - Example questions based on the experience at AGMs.
- 7 In October 2017, the AUASB issued a [Bulletin](#) to provide guidance for practitioners. The AUASB agreed not to update GS 010 at that time but to observe the types of questions auditors were getting in practice.
- 8 At its meeting in December 2017 the AUASB discussed that the bulletin had provided appropriate guidance and updating GS 010 would remain on the AUASB's work program but was not a priority project.
- 9 The update of GS 010 was originally included on the AUASB's 2019-20 Technical Work Program but was deferred in response to other priorities which arose due to the COVID-19 pandemic.

Matters for Discussion

- 10 The draft updated GS 010 includes the matters previous raised by the AUASB in prior years and when the AUASB Bulletin on this topic was released. In addition, there is new guidance in relation to fraud, emerging risks (for example climate risk and cybersecurity risks) and the Remuneration Report, which were identified as relevant topics to include based on outreach the ATG conducted on this issue. The ATG consider the addition of these matters in the GS will assist auditors.
- 11 The ATG reached out to practitioner board members to gather feedback on the experiences at AGMs and the guidance they have issued. The feedback was that GS 010 was useful and updating to incorporate the new components of the auditor's report (which were included in the bulletin), would be helpful.

AUASB Agenda Paper

- 12 Refer Sep21_7.1_Draft Revised GS 010 (Marked up) (note Sep21_Draft Revised GS 010 (Clean) has been provided in the supplementary board pack if board members prefer to review this). The ATG request that the AUASB review revised GS 010 and provide feedback.

Collaboration with NZAuASB and other standard setters

- 13 NZAuASB do not have an equivalent to GS 010. The ATG have advised NZAuASB staff that we are updating GS 010 and we will forward the approved version when this is available for their consideration.

Next steps/Way Forward

The AUASB is requested to review, provide feedback and approve the revision of GS 010. Once approved the revised Guidance Statement will be published on the AUASB Website and communicated through the usual AUASB Communications channels.

Materials Presented

Agenda Item	Description
7.1	Draft Revised GS 010 (Marked-up)_PP
7.2	Draft Revised GS 010 (Clean)_SP

Agenda Item 7.1
AUASB Meeting 7 September 2021
Marked up version

GS 010

([March-September 2016](#)2021)

Guidance Statement GS 010

Responding to Questions at an Annual General Meeting

Issued by the **Auditing and Assurance Standards Board**

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Guidance Statement

This Guidance Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level
Level 14, 530 Collins Street
Melbourne Victoria 3000 AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Draft

COPYRIGHT

© ~~2014~~2015 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this Guidance Statement are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the AUASB.

Requests and enquiries concerning reproduction and rights for commercial purposes should be addressed to the [Executive Technical](#) Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Guidance Statement may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 1833-7600

Guidance Statement GS 010 Responding to Questions at an Annual General Meeting

Important Note

Guidance Statements are developed and issued by the AUASB to provide guidance to auditors and assurance practitioners on certain procedural, entity or industry specific matters related to the application of an AUASB Standard(s).

Guidance Statements are designed to provide assistance to auditors and assurance practitioners to assist them in fulfilling the objective(s) of the audit or other assurance engagement. Accordingly, Guidance Statements refer to, and are written in the context of specific AUASB Standard(s); and where relevant, legislation, regulation or other authoritative publication. Guidance Statements are not aimed at providing guidance covering all aspects of the audit or other assurance engagement. Further, Guidance Statements do not establish or extend the requirements under an existing AUASB Standard(s).

Guidance Statement [GS 010 Responding to Questions at an Annual General Meeting](#) is not, and is not intended to be, a substitute for compliance with the relevant AUASB Standard(s) and auditors and assurance practitioners are required to comply with the relevant AUASB Standard(s) when conducting an audit or other assurance engagement.

Draft

CONTENTS

AUTHORITY STATEMENT

	<i>Paragraphs</i>
Application	1-2
Issuance Date	3
Introduction	4-5
Definition	6
Written Questions to the Auditor before the AGM	7-12
Questions to the Auditor at the AGM	13
Auditor’s Responsibilities in Responding to Questions	14-15
AGM Planning	16-24
Context	25
Responses to Questions	26-52
Modification to the Opinion in the Independent Auditor’s Report	53-54
Audit Files	55
Auditor’s Representative at the AGM	56
Inability to Provide a Response to a Question	57
Conformity with International Pronouncements	
Appendix 1: Examples Of The Types Of General Questions That May Be Asked By Members At An AGM	

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

This Guidance Statement does not prescribe or create new requirements.

Dated: <TypeHere>

[M H Kelsall](#) [W R Edge](#)
Chairman - AUASB

Draft

GUIDANCE STATEMENT GS 010

Responding to Questions at an Annual General Meeting

Application

1. This Guidance Statement (GS) has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors on responding to questions at an Annual General Meeting (AGM) of a listed public company.
2. This GS may also assist auditors when attending the AGM of other entities.

Issuance Date

3. This Guidance Statement is issued on ~~in March 2009~~ 7 September 2021 by the AUASB and replaces GS 010 *Responding to Questions at an Annual General Meeting*, issued in March 2009.

Commented [AW1]: To be updated

Introduction

4. The *Corporations Act 2001* (the Act) ~~requires the auditor to attend the AGM of a listed company.~~¹ ~~(section 250RA), and includes provisions~~² ~~(section 250PA) for members to obtain information from the auditor relevant to their investment by submitting written questions before the AGM or by raising questions at the AGM.~~³ ~~(section 250T).~~
5. The Act⁴ allows members to ask the auditor questions relevant to:
 - (a) ~~the conduct of the audit;~~
 - (b) ~~the preparation and content of the auditor's report;~~
 - (c) ~~accounting policies adopted by the company in relation to the preparation of financial statements; or~~
 - ~~(a)(d)~~ the independence of the auditor in relation to the conduct of the audit.

Scope of this Guidance Statement

Definition

6. For the purposes of this Guidance Statement the following items ~~has~~ have the meaning attributed in the Australian Auditing Standards and reproduced below:
 - (a) Those charged with governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes

¹ See section 250RA of the Act.

² See section 250PA of the Act.

³ See section 250T of the Act.

⁴ See section 250T(1)(a) of the Act.

Guidance Statement GS 010 Responding to Questions at an Annual General Meeting

overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager. Those charged with governance⁵ include those persons accountable for ensuring that the entity achieves its objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, compliance with applicable laws, and reporting to interested parties. Those charged with governance include management only when it performs such functions.⁵ In the context of this Guidance Statement, those charged with governance include those persons accountable for the preparation for, and conduct of, an AGM. For some entities, in addition to the directors, this may include management, for example, the company secretary.

(b) Key audit matters (KAMs) means are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. Key audit matters KAMs Key are selected from matters communicated with those charged with governance.⁶

(c) Other information means financial or non-financial information (other than the financial report and the auditor's report thereon) included in an entity's annual report.⁷

Commented [AW2]: Definition updated for consistency with ASA 200

Commented [AW3]: Added as new definitions added through auditor reporting enhancements. Haven't added MURGC as not defined in ASA 570. Haven't added EOM or OM as aren't new terms.

Written Questions to the Auditor before the AGM

4.7. Section 250PA(1) of the Act states:

“(1) A member of a listed company who is entitled to cast a vote at the AGM may submit a written question to the auditor under this section if the question is relevant to:

- (a) the content of the auditor's report to be considered at the AGM; or
- (b) the conduct of the audit of the annual financial report to be considered at the AGM.

The member submits the question to the auditor under this subsection by giving the question to the listed company no later than the fifth business day before the day on which the AGM is held.”

5.8. In accordance with section 250PA(3) of the Act, the listed company must pass the question on to the auditor as soon as practicable after the question is received by the company, even if the company believes the question is not relevant to the matters specified in section 250PA(1)(a) and (b).

6.9. In accordance with sections 250PA(4) and (5) of the Act, the auditor must prepare, and give to the listed company, a list of the questions that the listed company has passed on to the auditor which the auditor considers to be relevant to the matters specified in section 250PA(1)(a) and (b). This must be done as soon as practicable after the end of the time for submitting questions under section 250PA(1) and a reasonable time before the AGM.

7.10. The listed company must, at or before the start of the AGM, make copies of the question list reasonably available to the members attending the AGM.

8.11. In accordance with section 250T(1)(b) of the Act, if the auditor or their representative is at the AGM, the chair must allow a reasonable opportunity for the auditor or their representative⁸ to answer written questions submitted to the auditor under section 250PA.

⁵ See ASA 200, paragraph 13(o).

⁶ See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 8.

⁷ See ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 12(c).

⁸ See section 250RA of the Act relating to the requirement for a listed company's auditor, or their representative, to attend the company's AGM at which the auditor's report is considered.

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

~~9-12.~~ In accordance with sections 250T(3) and (4) of the Act, the auditor may be permitted to table a written answer to a written question submitted to the auditor under section 250PA and the listed company must make that written answer reasonably available to members as soon as practicable after the AGM.

Questions to the Auditor at the AGM

~~10-13.~~ In addition to submitting written questions to the auditor prior to the AGM⁹, members are able to direct questions to the auditor at the AGM. Section 250T (1) of the Act states:

~~“(+) If the company’s auditor or their representative is at the meeting¹⁰, the chair of an AGM must:~~

~~a) allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor or the auditor’s representative questions relevant to:~~

- ~~(i) the conduct of the audit; and~~
- ~~(ii) the preparation and content of the auditor’s report; and~~
- ~~(iii) the accounting policies adopted by the company in relation to the preparation of the financial statements; and~~
- ~~(iv) the independence of the auditor in relation to the conduct of the audit; and~~

~~b) allow a reasonable opportunity for the auditor, or their representative, to answer written questions submitted to the auditor under section 250PA.”~~

Auditor’s Responsibilities in Responding to Questions

~~11-14.~~ In contrast to the responsibilities of those charged with governance for all aspects of the business, the auditor has specific responsibilities which are established by the Act¹¹, but which may be extended when agreed with the entity as part of the terms of the engagement. Members may not be generally familiar with the scope of an audit. Therefore, without due consideration of the role of the auditor, there is the risk that questions from members may be directed to the auditor on matters that should be addressed by those charged with governance.

~~12-15.~~ The auditor does not respond to questions dealing with issues beyond the scope of the audit mandate and/or questions relating to matters that are the responsibility of those charged with governance. Therefore it is important that the auditor, together with the chair of the AGM and others charged with governance, adequately prepare for participation at an AGM. If auditors are asked to respond to inappropriate questions or if responses are not understood in an appropriate context, there is the risk that any information provided could be misleading.

AGM Planning

~~13-16.~~ Adequate planning and preparation for the AGM enable authoritative responses to be provided to questions raised. The auditor prepares for questions that may be received whether in writing before the AGM or verbally at the AGM.

⁹ See paragraphs ~~875-1320~~ of this guidance statement.

¹⁰ See section 250RA of the Act relating to the requirement for a listed company’s auditor or their representative, to attend the company’s AGM at which the audit report is considered.

¹¹ See Part 2M.3 Division 3 of the Act.

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

- ~~17.~~ The chair should be familiar with the responsibility and authority of both those charged with governance and the auditor, ~~and~~ with matters arising from the financial report and the content of the auditor's report, to ensure that inappropriate questions do not delay proceedings. A question is inappropriate if the person to whom it has been directed is not able to respond with an appropriate level of authority.
- ~~14-18.~~ Auditors assist the AGM planning process by meeting with the chair and directors in an AGM planning meeting, and/or by having discussions with directors, management, and/or audit committee members, to ascertain whether there are particular issues, in addition to those communicated as KAMs in the auditor's ~~which~~ report, which are likely to be of interest to members.
- ~~15-19.~~ The auditor ascertains the protocol for questions at the AGM from the chair of the AGM prior to the meeting. Usually, the chair will communicate to the meeting the protocol for presenting questions and, as a rule, questions are to be addressed to the chair who can direct them to the appropriate respondent.
- ~~16-20.~~ Questions directed to the auditor may not be within the scope of the audit or the auditor's responsibilities. The auditor refers such questions to the chair of the AGM. If the question is about an area where the responsibility is divided between the auditor and those charged with governance, the auditor endeavours to respond and invites the chair to consider the question as well. For example, a question on accounting policies might be put to the auditor. The auditor can state that the policy complies with Australian Accounting Standards. The chair and/or others charged with governance may explain the choice of that policy within the allowable choices available under Australian Accounting Standards. Where the auditor plans to ask those charged with governance to respond to a written question directed to the auditor, the auditor informs the chair of the intention. This enables those charged with governance to provide an appropriate response at the AGM.
- ~~17-21.~~ Written questions are to be encouraged to ensure that an informed, authoritative response can be provided by the relevant party. If written questions are received before the AGM, the company will pass these questions to the auditor. The auditor ensures that responses to such questions are prepared prior to the meeting. Where written questions have been received, the auditor considers whether a written response to the meeting is appropriate.
- ~~22.~~ Prior notification of issues enables the auditor to seek professional consultation and/or legal advice if appropriate. However, some members may prefer to reserve questions for the meeting. Adequate planning is imperative to identify areas of potential interest to ensure that questions directed to the auditor at the AGM can be properly addressed.
- ~~23.~~ In preparation for the AGM the auditor considers the particular circumstances of the entity, matters which the members may be interested in, and the matters communicated in the auditor's report. Appendix 1 includes some examples of the types of questions auditors may receive.
- ~~24.~~ The auditor is guided by the following principles when planning on how to respond to questions:
- Responses should be factual, precise, and based on requirements under relevant legislation, technical standards and ethical standards¹²;
 - Questions not relevant to the auditor's responsibilities are referred to the chair; and

¹² See APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board.

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

- Responses should not provide conclusions or opinions on specific aspects of the audit or individual accounts or balances, including on KAMs.

Context

~~18.25.~~ In response to any question at the AGM, the auditor first conveys to the meeting the context within which the auditor's response is provided by explaining key aspects of an audit which include:

- (a) The auditor conducts an audit in accordance with Australian Auditing Standards, as required by the Act.
- ~~(b)~~ The auditor is not responsible for the preparation and fair presentation of the financial report. This is the responsibility of those charged with governance.
- ~~(c)~~ The auditor refers to the "auditor's responsibilities" section in the auditor's report. If the auditor has chosen to include part of the description of their responsibilities within an appendix to the auditor's report, or a reference to the AUASB website, the auditor emphasises the importance of reading the full responsibilities.
- ~~(d)~~ The auditor provides reasonable, not absolute, assurance that the financial report taken as a whole is free from material misstatement.
- ~~(e)~~ The objective of an audit of a financial report is to enable the auditor to express an opinion as to whether the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework such as the Act and Australian Accounting Standards.
- ~~(f)~~ The audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial report.
- ~~(g)~~ The auditor determines the procedures required to conduct an audit in accordance with Australian Auditing Standards, having regard to the requirements of these Standards, as well as the Act, other legislation and, when appropriate, the terms of the audit engagement.
- ~~(h)~~ The auditor exercises professional judgement in selecting audit procedures to be performed. Audit procedures include the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making such risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- ~~(i)~~ The audit involves a systematic examination for which audit-based skills, which include skills such as analysis of financial information, knowledge of internal control structures, risk assessment, sample selection, knowledge of accounting standards and other aspects of reporting, are required.
- ~~(j)~~ The purpose of communicating KAMs in the auditor's report is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. Communicating KAMs is to assist intended users in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report. Communicating KAMs may also assist intended users in understanding the entity and areas of significant management

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

judgement in the audited financial report¹³. The auditor does not provide a separate opinion on KAMs.

- (k) The auditor's report does not provide assurance in relation to individual elements of the financial report, or other aspects of operations such as the adequacy of the entity's systems of internal control or the selection of accounting policies.

Responses to Questions

- ~~19-26.~~ The auditor responds to questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the company in relation to the preparation of the financial report and the independence of the auditor. The auditor is not able to provide an authoritative response to questions dealing with issues that go beyond the scope of the audit mandate and/or questions which should have been addressed to those charged with governance, and therefore such questions are declined by the auditor. Paragraphs ~~23-27-38-48-57~~ below discuss a number of factors which the auditor takes into account when considering questions.

Auditor Independence

- ~~20-27.~~ The auditor responds to questions about auditor independence with reference to the Act¹⁴, Australian Auditing Standards and relevant ethical requirements¹⁵. Where an individual auditor or an audit firm or audit company has prepared a written auditor independence declaration in accordance with section 307C of the Act, the auditor may choose to refer to the declaration in responding to questions at the AGM.

Audit Approach and Audit Plan

- ~~21-28.~~ Auditing Standard ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* ~~Objective and General Principles Governing an Audit of a Financial Report~~ requires the auditor to plan and perform an audit by exercising professional judgement and with an attitude of professional scepticism recognising that circumstances may exist that cause the financial report to be materially misstated.

- ~~22-29.~~ In accordance with ASA 300 *Planning an Audit of a Financial Report*, the auditor exercises professional judgement to assess audit risk and to design audit procedures to ensure audit risk is reduced to an acceptable level. The auditor's assessment of risk requires as prerequisites both a "knowledge of the business" (economy, industry, entity operations, management, legislation and regulation) and an assessment of materiality. When members raise questions relating to the audit approach or audit plan it is possible that they will not have an understanding of these prerequisites, nor of their significance to the audit process. Similarly members' perceptions of risk may vary considerably. Therefore the auditor informs the meeting about the auditor's approach to risk with reference to ASA 315 *Identifying and Assessing the Risks of Material Misstatement* ~~Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement~~ and ASA 330 *The Auditor's Procedures in Responses to Assessed Risks*.

- ~~23-30.~~ It is possible that members may not be familiar with the relevant statutory requirements governing an audit of a financial report. Responses to questions at an AGM provide an opportunity to inform members of the requirements mandated by Australian Auditing Standards, relevant requirements of the Act and the professional and ethical standards¹⁶ governing auditors. It provides further opportunity to explain that adherence to Australian

¹³ See ASA 701, paragraph 2.

¹⁴ See Part 2M.4 Division 3 of the Act relating to the requirements for auditor independence.

¹⁵ See APES 110, *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.

¹⁶ See APES 110.

Commented [AW4]: Update when paragraphs final

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

Auditing Standards and professional ethics promote quality in the audit process and commitment to due care.

Audit Procedures

~~24.~~31. Questions which relate to specific audit procedures and/or in relation to specific parts of the financial report are addressed by reference to the fact that the auditor's report relates to the financial report taken as a whole. In this context, it is not appropriate for the auditor to address individual audit procedures or financial report component. The auditor indicates that the nature of audit procedures result in many types of audit evidence being obtained and drawn upon to provide sufficient appropriate audit evidence with which to form an opinion on a financial report. Discussion of particular procedures in isolation could be misleading. When responding to a question on audit procedures performed on a KAM, auditors refers to the description included in the auditor's report. Refer to paragraph X for further details on responding to questions on KAMs.

~~25.~~32. Auditors may find it useful to refer also to ASA 100 Preamble to AUASB Standards and ASA 101 Preamble to Australian Auditing Standards, which sets out how the AUASB Standards are to be understood, interpreted and applied, to explain to members that Australian Auditing Standards contain mandatory requirements relating to the planning, conduct and reporting of an audit. Each Auditing Standard describes the procedures to be performed for various aspects of the audit, and is relevant only as an integral component of the whole audit process.

Accounting Policies

33. Members may request the auditor to comment on accounting policies adopted by the entity. Selection of accounting policies is the responsibility of those charged with governance, therefore the auditor responds to the question by stating that the policies comply, or do not comply, with Australian Accounting Standards. Those charged with governance may wish to comment on the appropriateness of the choice of accounting policies within those choices permitted by Australian Accounting Standards.

Internal Control

~~26.~~34. The auditor ensures that responses given in respect of questions on internal control are provided within the context of the financial report audit. An audit of a financial report conducted in accordance with Australian Auditing Standards is not designed to, and therefore does not, provide sufficient appropriate evidence on which to base an opinion on the adequacy of the internal control structure. Evidence on which to base an opinion on internal control would require the application of audit procedures beyond the scope of an audit of a financial report.

35. In particular, the auditor communicates clearly that assurance is not provided on internal control, but rather that control procedures are examined only to the extent that reliance thereon might enable modification to the nature, timing or extent of ~~reduction in~~ other audit work. An auditor engaged to report on the financial report has no responsibility under Australian Auditing Standards to understand and evaluate the internal control structure beyond that level sufficient to plan and develop an effective audit approach unless there is a specific statutory, regulatory or additional contractual requirement to the contrary. Questions regarding internal control should be addressed to those charged with governance who are responsible for ensuring that an adequate internal control structure exists. (See also paragraph ~~29~~31(g) above.)

Fraud

27. The auditor may receive a question in relation to how they have addressed the risk of fraud when conducting the audit. The auditor responds to question about fraud based on the specific

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

circumstances of the entity, and with reference to [ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*](#) as follows:-

36.

- (a) The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
- (b) An auditor conducting an audit in accordance with Australian Auditing Standards is responsible for obtaining reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error.
- (c) Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial report may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.
- (d) The auditor considers the risks of material misstatement in the financial report due to fraud and conducts specific procedures to address this risk.

It may be appropriate to refer to the chair to provide further response.

Emerging Risks

37. Auditors may receive questions on how emerging risk areas, such as climate-related risks and cyber security risks¹⁷ have been addressed during the audit. The auditor responds to these questions based on the auditor's responsibility to identify and assess risks of material misstatement to the financial report as a whole under the Australian Auditing Standards. The auditor considers the specific circumstances of the entity, the impact of these types of risks on the financial report and how they have been addressed during the audit. The following provides the context of those charged with governance, and the auditor's responsibility when considering these types of risks:

- (a) Management and those charged with governance are responsible for preparing the financial report in accordance with the applicable financial reporting framework and designing and implementing internal controls necessary to do this. Recognising and managing risk and ensuring appropriate disclosures in the Annual Report and / or financial report, is a crucial part of the role of management and those charged with governance.
- (b) Auditors are required to identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Depending on the facts and circumstances of an entity, such emerging risks may contribute to the susceptibility to misstatement of certain amounts and disclosures in an entity's financial report.
- (c) The auditor's responsibility in relation to cyber security to emerging risks, like other risks, is to consider the risk of material misstatement to the financial report as part of risk assessment procedures and respond appropriately where a risk of material misstatement is identified.

-It may be appropriate to refer to the chair to provide further response.

Commented [AW5]: Added as fraud is an area where auditors may receive questions.

¹⁷ See AUASB Bulletins *The Consideration of Cyber Security Risks in an Audit of a Financial Report* and *Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2*.

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

The Auditor's Report

Report on the Financial Report

~~28-38.~~ The auditor responds to questions about the auditor's report by referring to the auditor's report included with the financial report. Where necessary, the auditor explains the meaning of the terms used in the auditor's report.

~~29.~~ The auditor provides assurance on the financial report taken as a whole. Hence individual financial statement items are audited within the framework of materiality appropriate to the financial report as a whole, rather than a materiality level appropriate to a specific individual item. ~~Since audit procedures are not directed towards providing assurance on specific items, the auditor explains why providing such information might be misleading, and ordinarily explains, in general terms, the requirements of Australian Auditing Standards. The auditor may conclude by referring the question to the chair. The auditor exercises professional judgement in deciding whether or not to disclose the level of materiality adopted in the audit.~~

~~39.~~

~~30.~~ Members may be interested in errors detected by the auditor and/or disagreements with management. The auditor explains the significance of an unmodified report to indicate that any ~~uncorrected~~ errors ~~are immaterial or any~~ and disagreements have been resolved satisfactorily and that such items are considered in the context of materiality appropriate to the financial report as a whole. ~~It may be appropriate to refer questions about uncorrected errors to the chair.~~

~~40.~~

Key audit matters

~~41.~~ ~~In planning for the AGM, the auditor considers matters that have been communicated as KAMs. Questions may be asked in relation to:~~

- ~~(a) Why matters have or have not been identified as a KAM;~~
- ~~(b) Why certain procedures were or were not performed;~~
- ~~(c) What conclusion the auditor reached on these specific audit procedures or on a KAM;~~
- ~~(d) The level of uncorrected misstatements in relation to a KAM;~~
- ~~(e) Internal controls relative to a KAM; and~~
- ~~(f) Accounting policies relative to a KAM;~~

~~42.~~ ~~When responding to questions on the communication of KAMs including how they were determined, the auditor's response is based on the requirements of ASA 701 as follows:~~

- ~~(a) KAMs are to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. KAMs are:~~
 - ~~(i) Those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period;~~
 - ~~(ii) Selected from matters communicated with those charged with governance; and~~
 - ~~(iii) Addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.~~

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

- (b) KAMs are not a substitute for a modified opinion.
- (c) The auditor's report includes a description of why a matter was determined to be a KAM and how it was addressed.
- (d) The auditor uses professional judgement when determining which procedures are performed and these are detailed in the auditor's report.

43. In responding to questions about specific conclusions on KAMs,¹⁸ the auditor states clearly that the auditor's responsibility is to opine on the financial report as a whole and there is no separate opinion provided on KAMs. In responding to questions about specific conclusions on KAMs,¹⁹ the auditor states- that the auditor's responsibility is to opine on the financial report as a whole and there is no separate opinion provided on KAMs. -There is guidance in ASA 701²⁰ which explains that the language used in the description of KAM²¹ "does not imply that the matter has not been appropriately resolved by the auditor in forming the opinion on the financial report"²² and "does not contain or imply discrete opinions on separate elements of the financial report"²³. These principles also provide relevant considerations for the auditor when answering questions in an AGM.

44. When responding to questions about procedures performed or the outcome of the audit procedures with respect to KAMs, the auditor refers to the description in the auditor's report. The auditor may also explain that when determining the procedures to perform we apply professional judgement and identify the most appropriate audit approach under the Australian Auditing Standards.

Other Information

45. The auditor may receive questions in relation to:

- (a) What does and what does not constitute other information;
- (b) What is the auditor's responsibility in relation to other information; and
- (c) What procedures the auditor has performed on the other information.

46. When responding to questions on the other information the auditor's response is based on ASA 720²¹ as follows:

- (a) Management is responsible for the other information;
- (b) The auditor's opinion does not cover the other information and, accordingly, ~~that~~ the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon;
- (c) The auditor is responsible for reading the other information and ~~considering whether~~ there is a material inconsistency with the financial report or the auditor's knowledge obtained during the audit; and
- (d) If the auditor concludes that there is an uncorrected material misstatement of the other information, the auditor reports the uncorrected material misstatement of the other information in the auditor's report.

¹⁸ See ASA 701, paragraph A46.

¹⁹ See ASA 701, paragraph A46.

²⁰ See ASA 701, paragraph A47.

²¹ See ASA 720 *The Auditor's Responsibility Relating to Other Information*.

Formatted: Font: 8 pt

Formatted: Font: Italic

Guidance Statement GS 010 Responding to Questions at an Annual General Meeting

If further information regarding the other information is required, it may be ~~more~~ appropriate for the auditor to refer the question to the chair.

Other sections included in the auditor's report

Commented [AW6]: Added as new to the auditors report.

47. If the auditor's report includes other sections in accordance with the Australian Auditing Standards the auditor may receive questions in relation to these as follows:
- (a) **Material Uncertainty Related to Going Concern** - The auditor ~~refers to the note in the financial report that discloses the matter and states that the events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern, and that the auditor's opinion is not modified in respect of the matter. The auditor may also explain the directors' responsibility for assessing the ability of the entity to continue as a going concern and appropriateness of disclosures about matters related to going concern in the financial report, and the auditor's responsibilities as detailed in ASA 570²². If further information regarding the going concern assessment and the material uncertainty is required, it may be appropriate to refer the question to the chair.~~
 - (b) **Emphasis of Matter**²³ - The auditor refers to the relevant note disclosed in the financial report and ~~states that the auditor's opinion is not modified in respect of the matter emphasised. If further information regarding a matter giving rise to the inclusion of the Emphasis of Matter paragraph is required, it may be appropriate to refer the question to the chair.~~
 - (c) **Other Matter**²⁴ - The auditor refers to the other matter paragraph and provides more information if considered appropriate. ~~The auditor also should state that the matter has not been determined to be a key audit matter to be communicated in the auditor's report.~~

Report on Other Legal and Regulatory Requirements

- ~~31-48.~~ In some cases, the auditor may have additional responsibilities to report on other matters that are supplementary to the auditor's responsibility to express an opinion on the financial report.
- ~~32-49.~~ When the auditor addresses other reporting responsibilities within the auditor's report, these other reporting responsibilities are included in a separate section of the auditor's report that clearly indicates the reporting does not relate to the opinion on the financial report.
- ~~33-50.~~ The auditor exercises professional judgement in responding to questions relating to these other matters by reference to the auditor's report.
51. ~~An example of a supplementary report is the~~ An auditor's report on a listed entity should include a report on the Remuneration Report as ~~on the Remuneration Report contained in the directors' report as required by section 308(3C) of the Act. If the auditor receives a question in relation to their report on the Remuneration Report the auditor explains its responsibility as governed by the Act. It may be appropriate to also refer the question to the chair to provide additional response.~~
52. ~~For example~~ The Act also ~~requires the~~ auditor ~~may be asked~~ to report certain matters if they come to the auditor's attention during the course of the audit of the financial report. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters. When the audit is conducted

²² See ASA 570 *Going Concern*.

²³ See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

²⁴ See ASA 706.

Formatted: Font: 8 pt

Formatted: Font: Italic

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting*

pursuant to the Act, section 308(3)(b) also requires the auditor to report on any deficiency, failure or shortcoming in respect of certain matters relating to the completeness of information, explanation and assistance given to the auditor and the maintenance of financial and other records by the entity²⁵. These items are referred to in the auditor's report if there is cause for concern; alternatively, silence in the auditor's report indicates satisfaction.

~~34.~~—

Modification to the **Opinion in the Independent Auditor's Report**

~~35-53.~~ If the auditor has issued an ~~modified~~-auditor's report **with a modified opinion**, the auditor may expect to be asked questions about issues leading to that modification. The auditor addresses any such questions by reference to the **basis for opinion section in the** auditor's report **which describes the reason for the modified opinion**. Auditors are reminded that ASA 705~~4~~ *Modifications to the Opinion in the Independent Auditor's Report* requires that the auditor's report includes all relevant information to explain matters that result in a modified auditor's ~~report-opinion~~.

~~36-54.~~ In certain circumstances the auditor may seek legal advice or professional consultation in preparing responses to issues raised in respect of a modified auditor's ~~report opinion~~. If further information regarding such issues is required, it may be more appropriate for the auditor to request that those charged with governance provide the response.

Audit Files

~~37-55.~~ While responses given by the auditor will be supported by sufficient appropriate audit evidence, audit files are not taken into the AGM. The level of detail relating to specific issues, as contained in audit files, is not appropriate in responses to questions at AGMs.

Auditor's Representative at the AGM

~~38-56.~~ On those occasions when the auditor is not able to attend an AGM and questions for the auditor have been notified, the auditor arranges for a representative to attend the meeting on the auditor's behalf. In this situation, the auditor ensures that the representative has sufficient knowledge of the engagement and is provided with sufficient information to provide an adequate response to the matters raised.

Inability to Provide a Response to a Question

~~39-57.~~ A question may arise at the AGM in relation to the audit to which the auditor is not able to provide an immediate response. For example, the auditor may wish to seek legal advice prior to providing the response. In these circumstances, the auditor, in conjunction with the entity's management, makes alternative arrangements, as appropriate, to communicate the information to the members. This may include posting the response on the entity's website.

Conformity with International Pronouncements

There is no equivalent International Standard on Auditing or International Auditing Practice Statement to this Guidance Statement.

²⁵ See sections 307(b), (c) and (d) of the Act.

Appendix 1

(Ref: Para. 189)

EXAMPLES OF THE TYPES OF QUESTIONS WHICH AUDITORS MAY RECEIVE

The following are examples of questions which auditors may receive either before or at an AGM. This list is not exhaustive and has been provided to assist auditors in planning for their attendance at an AGM. Auditors should consider the specific circumstances of the entity and the audit when planning for the types of questions which may be received.

When responding to questions it is important that auditors only respond to those relevant to their responsibilities and that the auditor's responsibilities are understood.

General

- What materiality did you adopt?
- Did you have any disagreements with management / those charged with governance?
- Were there uncorrected misstatements?

Independence

- How have you ensured you are independent?
- Does the non-audit services you perform impact your independence?

Audit approach / risk assessment

- How did you perform risk assessment?
- What do you think are the biggest risks facing the entity?

Internal Controls

- What is your assessment of the systems of internal controls?
- To what extent do you rely on internal controls?

KAMs

- How did you select KAMs?
- Why isn't X (business risk) a KAM?
- What other matters were communicated with those charged with governance which aren't KAMs?
- What was your conclusion on KAMs?
- Why have KAMs changed / or have not changed from prior years?
- Why did you do specific procedures and what was the results?

Accounting estimates

- Were the assumptions used by management conservative or aggressive?

Guidance Statement GS 010 Responding to Questions at an Annual General Meeting

Going concern

Why is an EOM on Going concern not also a KAM (or vice versa)?

Audit work

Is this all you did?

Sounds like crystal ball gazing, how can you be sure it's right?

Results/implications

What did you find? Were they prudent/aggressive?

Should we be worried?

Why don't you include results?

Why do some reports/firms include findings and you don't?

It sounds like you don't trust the directors is this the case?

What do you think of their controls?

Other

Why aren't you reporting on materiality?

What work did you do on internal controls?

- What procedures have you performed on going concern?
- What does a Material Uncertainty Related to Going Concern mean (if relevant)

Fraud

- What procedures have you performed on fraud?

Modified audit opinion (if relevant)

- Why was the audit opinion modified?

Remuneration Report

- What procedures have you performed on the remuneration report?

Formatted: ListBullet



AUASB Agenda Paper

Projects:	AUASB Technical Work Program	Meeting:	7 & 10 September 2021
Topic:	AUASB Technical Work Program 2021-22 Update	Agenda Item:	8.0
Strategic Objective:	All	Decision-Making:	For Discussion
ATG Staff:	Matthew Zappulla	Project Status:	Ongoing
AUASB Sponsor:	Bill Edge		

Action Required and Decisions to be Made

- 1 To provide the AUASB with an update of the AUASB’s Technical Work Program for 2021-22, including:
 - (a) Key projects completed in 2020-21
 - (b) Strategic priorities for the 2021-22 year
 - (c) A summary of technical staff projects currently in progress
 - (d) Other planned projects for the 2021-22 reporting period.
- 2 For the AUASB to provide feedback to the AUASB’s Technical Group (ATG) on the current AUASB work program.

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendations
Question 1	Does the AUASB have any feedback on the strategic priorities for 2021-22 and current status and planned projects/tasks for 2021-22 outlined in the AUASB Work Program Update presented at Agenda Item 8.1 .	N/A

Background

- 3 The ATG has updated the 2021-22 Technical Work Program following feedback received from AUASB members at the June 2021 AUASB meeting, consultations with the AUASB Chair and also a further review of the upcoming IAASB Agenda for the next 2 years.

Matters for Discussion

- 4 In preparing the 2021-22 AUASB Technical Work Program, in consultation with the AUASB Chair the ATG has realigned the focus on the AUASB's work program so there is greater emphasis on six strategic priority areas:
 - (a) LCE Audits
 - (b) EER Assurance
 - (c) Audit Quality
 - (d) Implementation of the Quality Management Standards
 - (e) Technology
 - (f) The IAASB Agenda
- 5 Three corporate priority areas have also been identified for the AUASB in 2021-22 – AASB Collaboration, Stakeholder Engagement and Communications. These will be implemented in conjunction with the AASB-AUASB Managing Director and AASB staff to align to our combined AASB-AUASB corporate strategy, systems and processes.
- 6 When developing the 2021-22 AUASB Technical Work Program the ATG considered which projects were included in the prior period workplan but were not completed and whether these should be rolled forward into the 2021-22 Work Program. As a result, seven projects have been removed from the 2021-22 AUASB Technical Work Program, as these were no longer considered priorities and there is a preference for AUASB staff resources to be focused on the six strategic priority areas listed above. Whilst these projects have been removed for now, they have not been cancelled, and will be reconsidered as environmental factors and AUASB resource requirements evolve. The seven projects removed from the AUASB Technical Work Program are:
 - (i) NFP Assurance – Additional Research and Guidance
 - (ii) Assurance Framework Publication 1 - Assurance 101
 - (iii) Assurance Framework Publication 3 - Assurance Engagements
 - (iv) Revision of GS 003 (AFSLs)
 - (v) Revision of GS 007 (Service Organisations)
 - (vi) Update of GS 008 (Remuneration Reporting)
 - (vii) Revision of GS 019 (Fundraising Revenue for NFP entities)
- 7 In total the AUASB Technical Staff have identified over 40 individual projects for 2021-22, with approximately half of these connected to the six strategic priority areas outlined above. The ATG maintains a detailed spreadsheet which tracks the staff working on each project and targeted timelines which is reviewed fortnightly by the AUASB Chair and Technical Directors. The workplan for 2021-22 is summarised for AUASB Board Member review in a Powerpoint presentation at Agenda Item 8.1 (using a standardised format consistent with the format

used by the AASB). The ATG will review and update this presentation quarterly to inform AUASB members of the progress against the 2021-22 AUASB Technical Work Program and, with the approval of the AUASB Chair, publish on the AUASB Website.

- Note that the projects and initiatives included in the Technical Work Program include only those matters directly impacting the outputs and outcomes of the AUASB. Projects of a more corporate nature only impacting the AUASB Technical Group and the AASB-AUASB offices (e.g. HR or IT matters) are not included.

Question for the AUASB

Please provide feedback on the priority areas and planned projects/tasks for 2021-22 outlined in the 2021-22 AUASB Technical Work Program presented at **Agenda Item 8.1**.

Collaboration with NZAuASB and other standard setters

- The ATG has a regular dialogue with NZAuASB technical staff to identify projects and activities where sharing and collaboration of information should occur. The AUASB and NZAuASB Technical Directors last met in June 2021 to identify and put in place plans to collaborate on common projects over the current period, and bi-monthly meetings are scheduled throughout the year to ensure coordination. In addition, through the joint membership of the AUASB and NZAuASB by each Board's Chair we regularly review and provide input into the NZAuASB work program, and vice versa.
- The AUASB and NZAuASB technical staff continue to collaborate on IAASB projects through their roles as technical advisors to IAASB members in each territory and also through the IAASB National Standard Setters forum.

Next steps/Way Forward

- Subject to changes requested by AUASB Members, the ATG will arrange to have this latest version of the 2021-22 AUASB Technical Work Program published on the AUASB Website.
- The AUASB Technical Staff are working on plans to conduct an Agenda Consultation process with key stakeholders and conduct a public consultation process later in 2021 or in early 2022. The format and timing for this is Agenda Consultation is still to be determined. This will be coordinated where possible, with the AASB's local Agenda Consultation process which is scheduled to be held in a similar period.

Materials Presented

- The updated of the 2021-22 AUASB Technical Work Program for consideration is at **Agenda Item 8.1**.



AUASB Work Program

September 2021

Board activities and timelines set out in this document are subject to change in accordance with the Board's decisions, such as changes in project priorities. To access project pages for these projects, where available, click on the project name in the table.



2020-21 Technical Work Program

Key outputs / projects delivered

- Digital Standards Portal
- New Quality Management Standards (ASQM 1, ASQM 2 & ASA 220)
- ASRS 4400 (AUP Engagements)
- GS 012
- Revised AUASB Due Process Framework and Foreword
- ASA 540 Implementation Support
- Research Report on COVID-19 Reporting
- AUASB Bulletins on Reporting Frameworks and Cybersecurity
- New Assurance Prescribers publication
- New Auditor Responsibility Statements
- Second Audit Committee Chairs Audit Quality Survey
- Revised AUASB/NZAuASB Conformance and Harmonisation Policy
- Responses to IAASB Discussion Paper on Fraud and Going Concern and ISA 600 ED

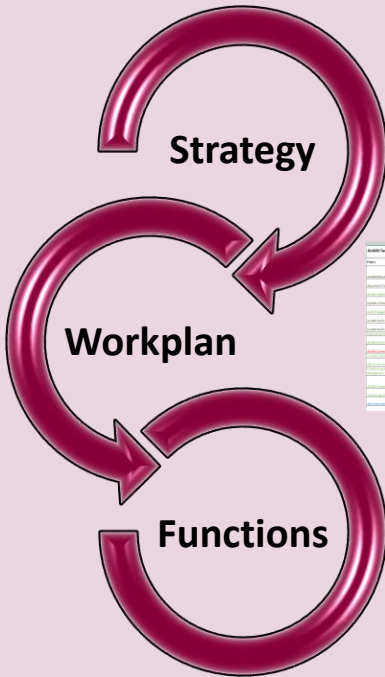
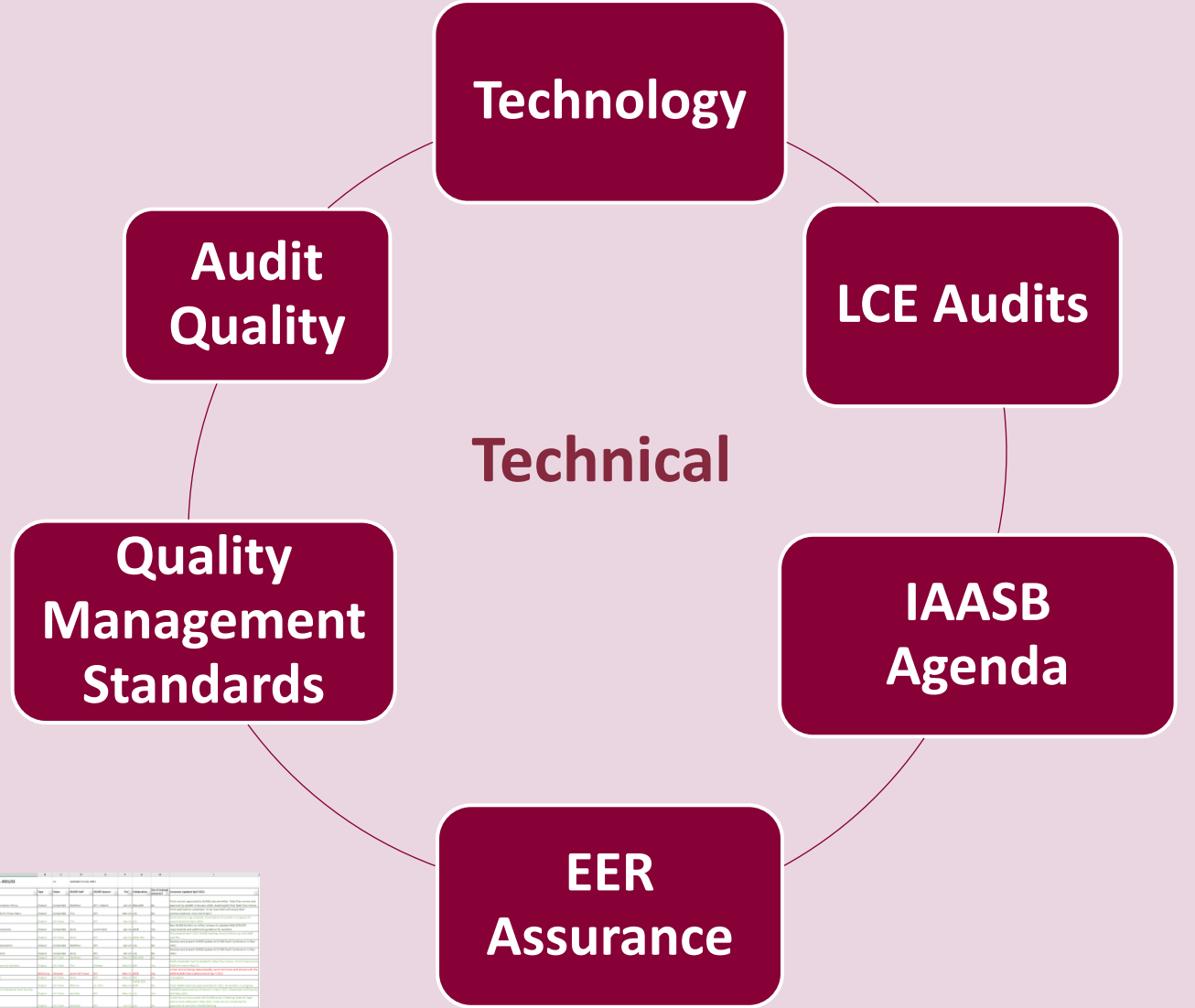


Technical Projects not carried forward from 2020-21

- NFP Assurance – Additional Research and Guidance
- Assurance Framework Publication 1 - Assurance 101
- Assurance Framework Publication 3 - Assurance Engagements
- Revision of GS 003 (AFSLs)
- Revision of GS 007 (Service Organisations)
- Update of GS 008 (Remuneration Reporting)
- Revision of GS 019 (Fundraising Revenue for NFP entities)

NB: These projects have not been cancelled and may be revisited should environmental and resourcing priorities alter

2021-22 AUASB Strategic Priority Areas



Item	Strategic Priority Area	Key Deliverables	Timeline	Responsible Party	Status
Quality Management Standards	Technical	Finalize QMS 2021-22	Q3 2021	John Gorman	On Track
IAASB Agenda	Technical	Finalize IAASB 2021-22	Q4 2021	John Gorman	On Track
EER Assurance	Technical	Finalize EER 2021-22	Q1 2022	John Gorman	On Track
AASB Collaboration	Corporate	Finalize AASB 2021-22	Q2 2022	John Gorman	On Track
Stakeholder Engagement	Corporate	Finalize SE 2021-22	Q3 2022	John Gorman	On Track
Communications	Corporate	Finalize Com 2021-22	Q4 2022	John Gorman	On Track



2021-22 Technical Work Program

Projects in progress or carried forward from 2020-21

- AUASB Bulletin on EER Assurance*
- LCE Consultation Paper #
- Audit Engagement related disclosures
- IAASB 2022-23 Work Plan Survey*
- Preamble #
- ASA 560 #
- Data Integrity Guidance
- ASA 315 Compilations
- ASA 315 Implementation Guidance
- Update of ASA 800 for AASB changes #
- Quality Management Standards Implementation
- Public Sector Audit Issues Project Advisory Group
- Revised Narrow-Scope Due Process#
- GS 010#
- IAASB Projects (ISA 600 #, Audit Evidence, Going Concern, Fraud)

* Already completed in August 2021

Included on September 2021 AUASB Agenda



2021-22 Priority Projects

LCE Audits

- Submission to IAASB on ISA LCE ED
- AUASB Consultation Paper
- Local LCE outreach and engagement

Technology

- Technology Project Advisory Group
- IAASB Technology Working Group Outputs
- Ongoing maintenance / upgrades of Digital Standards Portal

2021-22 Priority Projects (cont)

Audit Quality

- PJC Inquiry Responses
- Review of December 2021 ASIC Inspection Findings
- Input into ASIC Inspection Processes and revised Audit Quality Indicators
- FRC Audit Quality Action Plan
- FRC Secretariat support

EER Assurance

- EER Project Advisory Group (with AASB)
- Climate Change Disclosure Research (with AASB)
- Monitor XRB and ISSB developments



2021-22 Priority Projects (cont)

Quality Management Standards

- QM Standards Implementation Plan
- Outreach and engagement (with Professional Bodies)

IAASB Agenda

- ISA 600
- Audit Evidence
- CUSP
- Fraud
- Going Concern
- Auditor Reporting Post Implementation Review

Other 2021-22 AUASB Projects

- Compilations for revised QM Standards
- AUASB Agenda Consultation Process
- ASAE 3450 Assurance Fundraisings Standard Update
- GS 016 Bank Confirmations
- Post Implementation Reviews - ASAE 3100 & ASAE 3500





Sign up for
our newsletter!

AUASB

Contact us



General enquiries



+61 (3) 8080 7400



enquiries@auasb.gov.au



www.auasb.gov.au

Disclaimer: This presentation provides personal views of the presenter and does not necessarily represent the views of the AUASB or other AUASB staff. Its contents are for general information only and do not constitute advice. The AUASB expressly disclaims all liability for any loss or damages arising from reliance upon any information in this presentation. This presentation is not to be reproduced, distributed or referred to in a public document without the express prior approval of AUASB staff.



LinkedIn



Australian Government

Auditing and Assurance Standards Board



AUASB Agenda Paper

Project:	Less Complex Entities	Meeting:	September 2021
Topic:	Consultation Paper - LCE	Agenda Item:	9
Strategic Objective:	Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards	Decision-Making:	AUASB vote to exposure
ATG Staff:	Rene Herman	Project Status:	IAASB – Exposure Draft ISA for LCE
AUASB Sponsor:	Michelle Shafizadeh		

AUASB Action Required and Decisions to be Made

1. For the AUASB to approve the Consultative Paper of the IAASB’s *Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)*; and *Consideration of Possible alternative options for Australian LCE audits*.
2. The objectives of the Consultation Paper are twofold:
 - (a) Exposure of [ED ISA - LCE](#); and
 - (b) Seeking feedback from stakeholders on the proposed options for further exploration by the AUASB to address the challenges of LCEs in Australia
3. Questions for the AUASB are outlined in the table below:

Question No.	Question for the Board
Question 1	Are there any other questions the AUASB would like included in the Consultation Paper at Agenda Item 9.1?
Question 2	Does the AUASB have any other feedback on the Consultation Paper?
Question 3	Does the AUASB support and vote to issue the Consultation Paper?

Background

1. In July 2021, the IAASB approved Exposure Draft *Proposed International Standard on Auditing of Financial Statements of Less Complex Entities (ED ISA-LCE)*, with comments due by 31 January 2021. A full version of the IAASB’s ED ISA LCE has been included in the supporting papers pack at Agenda Item 9.2.

AUASB Agenda Paper

- Throughout the ED ISA – LCE exposure draft project, the AUASB has actively monitored and had input into the development of the ED ISA – LCE exposure draft in accordance with its [International Strategy](#). Additionally, the AUASB sought broad stakeholder input on the 2019 IAASB [Discussion Paper on Audits of LCEs](#) and submitted a [response](#) shaped by that feedback.
- Furthermore, the AUASB recognises that there are a range of factors driving challenges that impact the audit environment for LCEs which are not associated specifically with the auditing standards. The AUASB recognises that more work is needed to address these issues, and to also consider how they impact the audit environment for LCEs. Also, other types of assurance in the AUASB framework (i.e. review engagements) may be appropriate alternatives in cases where an audit is not required or needed.
- The AUASB technical group conducted limited targeted outreach in August 2021 across practitioner groups, regulators/legislators, professional bodies and academics to seek input into the possible options for further exploration within Australia. The options discussed at those roundtables are contained within paragraph 25 of the Consultation Paper.
- Accordingly, in addition to exposing ED ISA – LCE, the Proposed Consultation Paper seeks feedback on possible Australian actions to be further explored.

Matters to Consider

Part A – General

- The Consultation Paper as included at Agenda Item 9.1 outlines all matters for consideration.

Part B – Draft Timeline

10 September 2021	AUASB meeting - approve Consultation Paper
17 September 2021	Issue Consultation Paper with a 120-day comment period closing 14 January 2022.
Late September 2021	Information/educative webinar – advertised via website and social media platforms
October – December 2021	Remote roundtables via Zoom with limited participants at each meeting – advertised via website and social media platforms with some targeted advertising. Roundtables would be split into practitioners and professional bodies, regulators/legislators/standard-setters, users and academics.
30 November 2021	AUASB meeting – summary of feedback to the AUASB and AUASB discussion on the questions on exposure.
14 January 2022	Comment period closes
25 January 2022	Draft response circulated to AUASB for responses by 31 January 2022
4 February 2022	Updated response circulated to AUASB for fatal flaw comment
8 February 2022	Submission due to IAASB – (NB: Late submission requested to accommodate AUASB staff availability over summer holiday period)

Part C – NZAuASB

- The ATG will communicate with the NZAuASB staff to understand feedback from New Zealand stakeholders as part of the NZAuASB exposure process.

Part D – “Compelling Reasons” Assessment

- As this project is only at ED stage, it is too early to identify compelling reasons. The ATG will continue to monitor the progression of ED-ISA LCE based on stakeholder feedback. One of the aims of the International Influencing Strategy is to early influence in the IAASB standard setting process so that Australian stakeholder feedback is considered by the IAASB when developing the standard from exposure draft thereby reducing the need for compelling reason amendments.



AUASB Meeting September 2021
Agenda Item 9.1

September 2021

Consultation Paper

Exposure of the IAASB's *Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)*; and Consideration of Possible alternative options for Australian LCE audits

Issued by the Auditing and Assurance Standards Board



Obtaining a Copy of this Consultation Paper

This Consultation Paper is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level 14, 530 Collins Street
Melbourne Victoria 3000 AUSTRALIA

Phone: (03) 8080 7400
Fax: (03) 8080 7450
E-mail: enquiries@auasb.gov.au

Postal Address:

PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

COPYRIGHT

© 2021 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this document are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the AUASB.

Requests and enquiries concerning reproduction and rights for commercial purposes should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this document may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

ISSN 2201-3644

Consultation Paper Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits

Important Note and Disclaimer

This Consultation Paper is issued by the AUASB to provide information to auditors and assurance practitioners about the Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible Australian Actions to be Further Explored.

This Consultation Paper does not establish or extend the requirements under an existing AUASB Standard(s) and is not intended to be a substitute for compliance with the relevant AUASB Standards with which auditors and assurance practitioners are required to comply when conducting an audit or other assurance engagement. No responsibility is taken for the results of actions or omissions to act on the basis of any information contained in this document or for any errors or omissions in it.

CONTENTS

	<i>Paragraph</i>
Introduction	1-3
Objectives	4
Section A – ED ISA – LCE	
Exposure of ED ISA – LCE	5-6
Request for comment	7
Background to ED ISA – LCE	
IAASB	8-13
AUASB	14-21
Outreach Activities.....	22
Section B – Options for further exploration	
Options for audits of LCEs, for further exploration by the AUASB.....	23-26
Request for comment	27
Outreach Activities.....	28
Appendix 1 – Questions on Consultation	
Appendix 2 – Questions on Australian options to further explore	

CONSULTATION PAPER

Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits

Introduction

1. The International Auditing and Assurance Standards Board (IAASB) have issued [Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities](#) (ED ISA – LCE). ED ISA – LCE includes the IAASB’s Explanatory Memorandum (EM) that describes the key issues considered by the IAASB in developing ED ISA – LCE. This Consultation Paper provides an overview of how the Australian Auditing and Assurance Standards Board (AUASB) is requesting feedback from Australian stakeholders on ED ISA – LCE.
2. The discussion about the challenges of applying the International Standards on Auditing (ISAs) has historically been around the difficulties experienced in audits of smaller entities. The IAASB is of the view that, in dealing with issues of scalability and proportionality in the ISAs it is more appropriate to focus on the complexity of the entity rather than its size. They consider complexity is not solely determined by size as some smaller entities can be more complex. While the Australian Auditing Standards (ASAs) are derived from the ISAs and apply to audits of entities of all complexities, the AUASB is aware of the challenges some stakeholders have in applying the ASAs to less complex audit engagements¹.
3. Furthermore, the AUASB recognises that there are a range of factors driving challenges that impact the audit environment for LCEs which are not associated specifically with the auditing standards, such as:
 - (a) The myriad of legal and regulatory requirements for an audit (significant number of Commonwealth and State based legislative requirements).
 - (b) A lack of understanding of the requirements in auditing standards and levels of assurance or inadequate training impacting on the way the standards are applied.
 - (c) The expectation gap between practitioners and users with user needs not being fully understood.

The AUASB recognises more work is needed to address these issues, and to also consider how they impact the audit environment for LCEs. Also, other types of assurance in the AUASB framework (i.e. review engagements) may be appropriate alternatives in cases where an audit is not mandated. This Consultation Paper seeks feedback on possible Australian actions to be further explored.

Objectives

4. The objectives of this Consultation Paper are twofold:
 - (a) Exposure of [ED ISA – LCE](#) (Section A of this Consultation Paper) providing stakeholders with:
 - (i) Information as to how ED ISA – LCE is being exposed by the AUASB;

¹ The new AUASB digital standards portal will aid users with improved access and navigation of the AUASB standards (<https://standards.auasb.gov.au/>)

Consultation Paper Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits

- (ii) Background to ED ISA – LCE (IAASB and AUASB);
 - (iii) Request for comments; and
 - (iv) Information on future outreach activities
- (b) Seeking feedback from stakeholders on the proposed options for further exploration by the AUASB to address the challenges associated with the audits of LCEs in Australia (Section B of this Consultation Paper).

Section A – ED ISA – LCE

Exposure of ED ISA – LCE

5. The IAASB version of the ED ISA – LCE has been issued for comment in Australia by the AUASB without modification in accordance with the AUASB’s [Due Process Framework](#). The process of issuing without modification is a new process discussed and agreed by the AUASB at its 26 May 2020 AUASB meeting (Agenda Item 3).
6. The approach of “wrapping-around” the IAASB’s proposed standard with an Australian Consultation Paper:
- (a) Provides the best opportunity to obtain robust feedback from Australian stakeholders about significant matters at the optimal stage in the AUASB standard-setting process, which is dependent on a high quality IAASB standard. Our stakeholders’ feedback will feed into the AUASB’s formal feedback to the IAASB on ED ISA – LCE. This feedback will then be used by the ED ISA – LCE taskforce in determining the changes required to finalise the ED ISA – LCE standard.
 - (b) Results in an Australian exposure process which closely follows the IAASB release and maximises stakeholder’s time to consider the changes.
 - (c) The final Australian standard could be issued at a very similar time to the international standard with the advantage being Australian entities have the same adoption response time as international entities.

Request for comment

7. The AUASB requests comments on all matters relating to ED ISA – LCE, but specifically in relation to the questions included at **Appendix 1 to this Consultation Paper**. Stakeholders’ responses will be used to inform the AUASB in their formal response to the IAASB on ED ISA – LCE. Additionally, responses will be used in AUASB deliberations regarding the issuance of the final Australian standard, including assessing compelling reasons² for any Australian-specific enhancements.

Background to ED ISA – LCE

IAASB

8. The ISAs are designed to be applied to a wide variety of entities with differing circumstances and sizes, ranging from those whose nature and circumstances are simpler and more straightforward (i.e., LCEs), to those entities whose nature and circumstances are more complex (for example, entities with more complex structures, more complex information systems or controls, or more complex transactions). The IAASB has always been mindful of the need for the ISAs to be scalable in order to be used for audits of all entities, regardless of

² Refer to paragraphs 16-17 of this Consultation Paper for an explanation of compelling reasons.

Consultation Paper Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits

size or complexity. However, the operating and reporting environment is becoming more complex and is continually evolving.

9. The IAASB has conducted surveys of small- and medium-sized practices (SMPs) on audits of SMEs from a range of countries that have implemented the clarified ISAs. In considering the findings, the IAASB acknowledged the volume and complexity of the standards may result in challenges for audits of entities that are less complex. Accordingly, the IAASB recognised in its Strategy for 2015–2019, that in order to achieve effective implementation globally its standards need to be, and be seen to be, proportionate and scalable for audits of all sizes and complexity.
10. In April 2019, the IAASB issued a [Discussion Paper, Audits of Less Complex Entities](#) (DP). The DP was a culmination of the IAASB’s efforts to understand the many issues and challenges being faced relating to audits of LCEs. As well as exploring the identified issues and challenges in auditing LCEs, the DP proposed various actions the IAASB could undertake and sought stakeholder views on preferred actions.
11. The responses to the DP highlighted that many of the issues and challenges being experienced in audits of LCEs were not unique to LCEs but could also apply more broadly to other audits. Issues in applying the ISAs related to complexity, understandability, scalability and proportionality for all audits were highlighted. Therefore, in balancing the needs of all its stakeholders, as well as the time needed to develop changes to address the issues and challenges within the broader suite of ISAs, in June 2020 the IAASB agreed to two workstreams:
 - (a) An ‘ISA Focused Workstream’ addressing the complexity, understandability, scalability and proportionality (CUSP) issues in relation to the ISAs more broadly, to address challenges that have been identified in applying the ISAs, for audits of all types of entities, including audits of LCEs; and
 - (b) A ‘Separate Standard Workstream’ exploring the development of a separate standard to focus on audits of LCEs
12. From July 2020, the IAASB focused efforts on the development of a separate standard for audits of financial statements of LCEs (audits of LCEs). This work effort has culminated in the Proposed Standard now being exposed (ED ISA – LCE).
13. The IAASB considers the new stand-alone standard for audits of less complex entities:
 - Is designed specifically for audits of a less complex entities
 - Is based on the underlying concepts from International Standards on Auditing
 - Was developed to be understandable, clear and concise
 - Reduces the risk of jurisdictional divergence by driving consistency and comparability globally
 - Will achieve a quality audit engagement

AUASB

14. The AUASB has a strategic objective to develop, issue and maintain high quality Australian Auditing Standards. The AUASB takes input received from Australian stakeholders into account when preparing its submissions to the IAASB. The AUASB makes formal submissions on EDs issued by the IAASB to contribute to the setting of international auditing and assurance standards.
15. Throughout the development of ED ISA – LCE, the AUASB has actively monitored and provided input into the development of the ED ISA – LCE exposure draft in accordance with

Consultation Paper Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits

its [International Strategy](#). Additionally, through a survey, the AUASB sought broad stakeholder input on the 2019 IAASB [Discussion Paper on Audits of LCEs](#) and submitted a [response](#) shaped by that feedback.

16. In accordance with its mandates under section 227 of the *ASIC Act 2001* and the Financial Reporting Council’s (FRC) Strategic Direction, the AUASB’s policy is to use, as appropriate, the IAASB’s ISAs³ as a base from which to develop Australian Auditing Standards, unless there are compelling reasons not to do so; and to amend the ISAs only when there are compelling reasons to do so.
17. Compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate in maintaining or improving audit quality in Australia. Compelling reasons are further guided by the AUASB’s policy of [harmonisation with the standards of the New Zealand Auditing and Assurance Standards Board](#) (NZAuASB).
18. Whether any matters ultimately result in a modification to the proposed standard to reflect Australian principles and practices or laws and regulations (known as “compelling reasons”) has yet to be determined by the AUASB for the following reasons:
 - It is important for the AUASB to obtain Australian stakeholder feedback on ED ISA – LCE and whether the proposed standard will meet the needs of Australian stakeholders and serves in the Australian public interest.
 - The proposed ED ISA – LCE is concurrently being exposed by the IAASB and the AUASB expects the proposed standard will still be significantly amended by the IAASB.

Accordingly, the AUASB will consider all stakeholder responses in the AUASB’s submission to the IAASB. The AUASB will then actively monitor and influence as appropriate, any future IAASB amendments to ED ISA – LCE before deliberating if any potential Australian compelling reasons are required to the final ISA LCE as part of its due process.

19. Additionally, the AUASB may decide to re-expose all or part of the proposed standard should it deem the changes from the ED originally published are significant, whether due to changes made by the IAASB or Australian specific changes the AUASB proposes to make in accordance with the “compelling reasons” test. Any decision about the timing or nature of re-exposure will be made by the AUASB after the IAASB has finalised its proposed standard and will be subject to the usual AUASB due process.
20. ED ISA – LCE will be open to stakeholders for a **120-day comment period** closing on **14** January 2022. This is to allow stakeholders time to respond to the AUASB on the ED, for the AUASB technical group to collate all feedback and for the AUASB to consider and approve our submission to the IAASB.
21. At the completion of the exposure period and consultation process, the AUASB will consider stakeholders’ submissions:
 - to inform us when developing our response to the IAASB on their ED; and
 - where the AUASB determines that a compelling reason exist, to inform us as to whether modifications may be required when we are adopting the final standard, where considered appropriate.

1. The ISA for LCEs is an international standard and addresses audits of historical financial information. The IAASB considered whether to add the LCE standard to the existing ISAs (for example by creating a 900-series). However, to maintain the standalone nature of the standard the IAASB concluded a ‘new category’ of standards would need to be created (with changes made as appropriate to the IAASB Preface).

Outreach Activities

22. Through the public exposure process, (October to December 2021), the AUASB will host an educative webinar taking stakeholders through the main proposals of the standard. Additionally, the AUASB will host virtual roundtable consultative meetings to obtain stakeholder feedback on ED ISA-600. The AUASB invites all interested stakeholders to partake in outreach activities including practitioners and audit firms of all sizes, users of financial reports, regulators and legislators, professional bodies, developers of audit tools and methodologies and academics.

Section B – Options for further exploration

Options for audits of LCEs, for further exploration by the AUASB

23. Recognising that the separate ISA for LCE when finalised by the IAASB may or may not be an optimal solution in Australia and may or may not be adopted within our jurisdiction; the AUASB seeks input from stakeholders as to what other options may be further explored by the AUASB to address the needs of both auditors of LCEs as well as the LCE entities themselves.
24. The AUASB recognises the importance of all stakeholders in the financial reporting ecosystem addressing the issues surrounding the audit of LCEs, including the role of standard setters, legislators, professional bodies and regulators. Each of these stakeholders may have a role to play in working together to further explore options for audits of LCEs. The most appropriate way forward may be one option, a combination of options or only parts of options, set out hereafter, and may also include other actions identified by respondents. Some of the possible actions for the AUASB to explore will be quicker to progress (for example, development of specific guidance), while others would take longer (for example, legislative change).
25. In our efforts to date, we have recognised there is no simple solution. The AUASB has not yet decided on a future course of action and remain open as to what are the most appropriate actions recognising that the path forward may not only be the responsibility of the AUASB. The AUASB in its initial consultations about this topic has identified several possible options for further exploration in Australia which we request stakeholder responses:
- (a) *Standard-Setting Activities - AUASB*
- Adopt the ISA – LCE subject to modifications under the compelling reason test.
 - Limited targeted revisions to the ASAs subject to the compelling reason test. For example, where practitioners experience significant challenges in applying a requirement in an ASA to an entity’s less-complex elements, the ASA could possibly be revised to deal with the challenge.
 - Revision of the Review Standard to increase the level of robustness of procedures.
 - Education regarding review and multi-scope type engagements, so the product of such engagements is better understood to meet user needs.
- (b) *Other Activities with a linkage to AUASB standards⁴*
- Produce specific industry guides / practice aids, work programs, templates, software solutions.

⁴ These activities will require the AUASB to work with others.

Consultation Paper Exposure of the IAASB's Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits

- Education and training of complex standards. For example, what might the application of ASA 540 *Auditing Accounting Estimates and Related Disclosures* look like for a less-complex entity/less complex accounting estimate.
- Investigation of a new / different level of assurance product, something more than limited assurance but not as high as reasonable assurance.

(c) *Activities outside of standard setting*⁵

- Engage with those responsible for drafting legislation, at Commonwealth and State levels to consider the needs of users in specific market segments with appropriate regulators e.g. SMSFs with ASIC and ATO, small NFPs/charities with ACNC.
- Consider introducing a level of audit practitioner other than a Registered Company Auditor. For example, SMSF auditors are approved SMSF auditors as approved by ASIC.
- Consider further revision or introduction of new auditing or assurance reporting thresholds / consideration of alignment with some accounting framework thresholds.

26. Stakeholder responses to the options above are needed to better understand whether:

- (a) Such possible actions may be appropriate for all stakeholders;
- (b) The priorities and the implications or consequences from the possible actions;
- (c) There is anything else that the AUASB should be aware of when considering these actions; or
- (d) Further research and information gathering is needed.

Request for comment

27. The AUASB requests comments in relation to the questions included at **Appendix 2 to this Consultation Paper**. Stakeholders' responses will be used to inform the AUASB in their deliberations on a path forward.

Outreach Activities

28. In conjunction with the outreach on ED ISA – 600, the AUASB will host virtual roundtable consultative meetings to obtain stakeholder feedback on options for further exploration. The AUASB invites all interested stakeholders to partake in outreach activities including practitioners and audit firms of all sizes, users of financial reports, regulators and legislators, professional bodies, developers of audit tools and methodologies and academics.

* *

⁵ These activities will require the AUASB to work with others.

Consultation Paper Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and Consideration of Possible alternative options for Australian LCE audits

Appendix 1 – Questions on Consultation

Questions of ED ISA - LCE

Stakeholders may respond to all questions contained within Appendix 2 to the [Explanatory Memorandum](#) to ED ISA – LCE, however at a minimum, the AUASB is particularly interested in views on the following⁶:

Overarching

1. Does the standard meet your needs for an engagement that enables the auditor to obtain reasonable assurance to express an audit opinion? If not, why not?
2. Is the separate standard for use in Australia an appropriate solution? Please explain your response.
3. Do you support the adoption of ED ISA – LCE? Please explain your response.
4. Do stakeholders support that the proposed standard is to be implemented without additional reference to the full suite of standards? That is, where a more complex area arises, auditors do not ‘dip in to’ the full suite of standards to understand additional audit procedures. Please detail any areas of concern.

Authority of the standard

5. Is the Authority of the standard able to be implemented? If not, why not?
6. Do you agree with the proposed limitations relating to the use of ED ISA – LCE? Are there specific types of entities or industries in Australia that should be specifically allowed to, or prohibited explicitly from using such a standard (in addition to the prohibitions suggested by the IAASB)?
7. Are there any specific thresholds or criteria that would be appropriate to establish in Australia for when such a proposed standard may be used?

Essential Explanatory Material

8. Do you support the approach to Essential Explanatory Material (EEM) including the content and sufficiency thereof? Specifically, is there sufficient EEM to help an auditor who does not regularly use the full suite of ASAs to perform a high-quality audit?

Auditor Reporting

9. Do you support the approach taken in relation to auditor reporting including the approach to including a specified format and content of an unmodified report as a requirement?
10. Do you support the auditor’s report referring the ISA – LCE? Do you believe there may be a change in the users’ perception of the level of assurance provided in an audit performed using the proposed standard?

Group Audits

11. Should group audits be excluded from the scope of ED ISA – LCE? Please provide reasons for response.
12. If group audits are to be included in ED ISA – LCE, should all requirements pertaining to group audits be in a separate part or should requirements be contained within each relevant part of the standard?

⁶ The questions in Appendix 1 to this Consultation Paper are a combination of questions directly from ED ISA – LCE, questions from ED ISA -LCE modified by the AUASB to provide the AUASB with Australian specific views as well as Australian specific questions.

**Consultation Paper Exposure of the IAASB’s Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE); and
Consideration of Possible alternative options for Australian LCE audits**

Appendix 2 - Questions on Australian options to further explore

All questions relate to paragraph 25 of this Consultation Paper

General

1. Besides the matters identified in paragraph 25 of this Consultation Paper, what other options or matters, the AUASB should consider as it deliberates the direction of its work in this area?
2. If the most appropriate way forward is a combination of options, how should the AUASB prioritise them?

Standard-Setting Activities - AUASB

3. Please rank the relative importance of the topics outlined in paragraph 25(a) of this discussion paper (with 1 being the highest priority). Please provide your rationale and views on the needs and interests that would be served by undertaking such work, why certain topics are relatively more important to you or your organisation and any other relevant information to the AUASB.
4. Do you consider making limited, targeted revisions to the ASAs, specific to LCEs, is an appropriate possible solution? If yes, please provide specific reference to specific requirements within the standards where attention is needed (i.e. standard x, paragraph y). Please explain your reasoning.
5. Do you consider developing targeted non-authoritative guidance, specific to LCEs, is an appropriate solution? If yes, please provide specific details as to the form and required content of such guides.
6. Recognising the AUASB standards currently facilitate reasonable assurance, limited assurance and agreed-upon procedures engagements, do you consider users understand the range of services that can be provided? If not, what can be done to assist users in understanding the ‘right service’?

Other Activities with a linkage to AUASB standards

7. Please rank the relative importance of the topics outlined in paragraph 25(b) of this discussion paper (with 1 being the highest priority). Please provide your rationale and views on the needs and interests that would be served by undertaking such work, why certain topics are relatively more important to you or your organisation and any other relevant information to the AUASB.
8. Do you consider developing specific industry guides / practice aids, work programs, templates, software solutions, specific to LCEs, is an appropriate solution? If yes, please provide specific details as to the form and required content of such guides as well as the bodies that should be involved in undertaking such work.
9. Do you consider education and understanding of the scalability of the ASAs impacts LCE auditors? If yes, what form of education would be beneficial?
10. The AUASB standards provide for a reasonable and limited assurance engagements. Should a different tier of assurance should be further explored?

Activities outside of standard setting

11. Please rank the relative importance of the topics outlined in paragraph 25(c) of this discussion paper (with 1 being the highest priority). Please provide your rationale and views on the needs and interests that would be served by undertaking such work, why certain topics are relatively more important to you or your organisation and any other relevant information to the AUASB.



AUASB Agenda Paper

Project:	ISA 600	Meeting:	10 September 2021
Topic:	Revision of Group Audit Standard	Agenda Item:	10.1
Strategic Objective:	Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards	Decision-Making:	For Discussion and AUASB input
ATG Staff:	Rene Herman	Project Status:	IAASB – Exposure Draft ISA for LCE
AUASB Sponsor:	Rodney Piltz		

A. AUASB Action Required and Decisions to be Made

- 1 The **purpose** of this Agenda Item is to take the **AUASB through the main issues raised by the AUASB in the [AUASB submission to the IAASB on ED-ISA 600](#)** and how these issues have been addressed by the IAASB in the revisions to ISA 600 since ED.
- 2 The ATG plan to only take the AUASB through the more substantive changes to the standard as they relate to AUASB issues raised on exposure – refer Section B of this Agenda Paper. For AUASB information purposes only, the ATG has summarised the other more substantive changes to the standard that are not necessarily directly linked to AUASB comments on exposure – refer Section C of this Agenda Paper.
- 3 A hyperlink to the updated proposed ISA-600 (as being presented at the September 2021 IAASB meeting) is available [here](#). **It is not expected that AUASB members read the standard at this stage, rather the link has been provided for ease of reference only.**
- 4 As this standard is nearing finalisation and the IAASB anticipate a December 2021 vote to issue on the final revisions, as part of the AUASB International Influencing Strategy, **the AUASB is asked for any input/comments into the revised standard.**

B. Summary of main issues raised by AUASB on ED – ISA 600 and how the proposed ISA 600 has addressed areas of concern

a. Scope and Applicability	<i>How addressed in the standard</i>
<p><i>Extracts from AUASB submission to IAASB</i></p> <p>The AUASB generally supported the scope and applicability of ED ISA 600, including the definition of group financial statements and the linkage to a</p>	<ul style="list-style-type: none"> • Entry point into the standard clear and upfront in the introduction, including a point to emphasises that the term ‘consolidation process’ isn’t only the financial reporting concept of such a process;

consolidation process. However, the AUASB recommended that the scope and application of the standard be clarified and that the introductory paragraphs be strengthened in this regard. The AUASB recommended the following enhancements to the introductory paragraphs:

- The **definition of “group financial statements”** could be further enhanced by directly incorporating the “consolidation process” definition which is a key element to the entry point into the standard.
- ED ISA 600 scopes in some **very simple group structures** for example a single entity with branches for which no component auditors are used. While the AUASB understands that the underlying ISAs are applicable and ED ISA 600 is special considerations only, there is expected to be an extensive amount of documentation to effectively demonstrate that the special considerations of ED ISA 600 are largely not applicable. The AUASB recommends that for single entity structures, the auditor exercises professional judgement in determining whether ED ISA 600 applies. The IAASB could determine the factors to be considered in exercising professional judgement including considerations such as inherent risk factors, commonality of controls and centralisation of activities.
- The title of ED ISA 600 refers to ‘group financial statements’, with there being a common understanding of the use of the term ‘group’ and ‘consolidation process’, there is a risk that practitioners do not realise that they are working with a group engagement under ISA 600. To aid in the clarity of the applicability of ED ISA 600, the AUASB recommends that the introductory section of the proposed standard should specifically call out that ED ISA 600 includes such single entities in certain circumstances.
- Extant ISA 600 applies, as appropriate, when the auditor involves **other auditors in the audit of financial reports that are not group financial reports**. For example, an auditor may involve another auditor to observe the inventory count or inspect physical fixed assets at a remote location. Recently approved ISA 220 Quality Management for an Audit of Financial Statements (ISA 220 Revised), application material paragraph A1 indicates that this may still be the case under the recently approved new standards. The AUASB recommends that the introductory section to ED ISA 600 demonstrates this link to ISA 220 Revised as this linkage is not currently clear.

- Description of consolidation process included in the definition of group financial statements;
- Clarification that branches or divisions are within the scope of ISA 600 (same as extant) including for simple structures. Recognising in application material that not all the requirements of the standard may be applicable in simple structures for example requirements related to component auditors may not be applicable. The AUASB suggestion that professional judgment may be appropriate for these simple structures was considered by the Taskforce but rejected on the basis that the exercise of professional judgement in this situation would be contrary to the desire of respondents for ‘brighter lines’ and exercise of professional judgement here could lead to inconsistent application in practice;
- Upfront reference to ISA 220 to provide greater clarity that ISA 600 may be applied where appropriate when the auditor involves other auditors in the audit of financial reports that are not group financial reports (similar to extant ISA 600 and already facilitated in paragraph A1 of Revised ISA 220).

<p>b. Risk Based Approach</p> <p><i>Extracts from AUASB submission to IAASB</i></p> <p>While the AUASB strongly supported a risk-based approach to ISA 600, the AUASB raised the following substantive issues in relation to risk-based approach:</p> <ul style="list-style-type: none"> • While the AUASB largely supports that the decision of the nature and extent of the involvement of component auditors should be determined by the group engagement team based on an assessment of risk, the AUASB highlights that component auditors may not hold a sense of accountability and responsibility towards the group auditor and that this may impact on the auditors exercise of professional scepticism in the audit work assigned to them. • The standard may diminish the importance and role of component auditors, with too great a focus on the group auditor. The AUASB noted that ED ISA 600 does not sufficiently recognise that, for groups that are complex and large that may need localised knowledge and specialisation, high levels of involvement by component auditors is of critical importance to audit quality. • In responding to the assessed risk of material misstatement, the group engagement team may decide to use one or multiple approaches to gather audit evidence. When the group engagement team uses component auditors, the engagement team may request the component auditor to design and perform further audit procedures on the entire financial information of the component. The AUASB considers that the meaning of 'Design and perform further audit procedures on the entire financial information of the component' is not sufficiently clear. The AUASB recommends that the IAASB clarify whether this approach is meant to be a full-scope reasonable assurance engagement. 	<p><i>How addressed in the standard</i></p> <ul style="list-style-type: none"> • The introductory section recognises upfront the importance of component auditors in that they may have greater experience and a more in-depth knowledge of the components and their environments (including local laws and regulations, business practices, language, and culture) than the group auditor. Accordingly, component auditors can be, and often are, involved in all phases of the group audit. • Established a framework for planning and performing a group audit engagement that emphasises special considerations for establishing the overall group audit strategy and group audit plan and highlights the importance of involving component auditors throughout all phases of a group audit. The associated application material includes: <ul style="list-style-type: none"> ○ matters that may influence the groups determination of components at which work needs to be performed, ○ factors that may influence the group auditor's determination on whether to involve component auditors (consideration of resources needed). Having these factors and highlighting the importance of having component auditors involved, helps in addressing concerns raised by respondents about the strong focus on the group auditor's responsibility and a top-down approach to the group audit that may undermine the important role of the component auditor. • Focuses the group auditor's attention on identifying, assessing and responding to the risks of material misstatement of the group financial statements, and emphasises the importance of designing and performing procedures that are appropriate to respond to those assessed risks of material misstatement. For the three approaches for assigning further audit procedures to component auditors (e.g., design and perform further audit procedures on the entire financial information of the component, design and perform further audit procedures on one or more classes of transactions, account balances or disclosures or perform specific further audit procedures): <ul style="list-style-type: none"> ○ For each approach, a description as to when the approach could be used to assign procedures to component auditors. ○ Examples added for each approach to further clarify when the approach could be used to assign further procedures to component auditors.
--	--

<p>c. Access</p> <p>The AUASB acknowledges and supports the inclusion of enhancements to the requirements and application within ED ISA 600 in relation to access to people and information. We note however that some of the requirements and application material appear to only identify and acknowledge existing practical challenges rather than provide group engagement teams with appropriate guidance on how to overcome such restrictions. For example, the requirements and application guidance do not outline how the group engagement team is expected to apply sufficient and appropriate risk assessment procedures if the group includes equity accounted investments, where there are restrictions on access to information and people.</p>	<p><i>How addressed in the standard</i></p> <ul style="list-style-type: none"> • Clarifies how to address restrictions on access to audit documentation, people and information in a group audit, including restrictions on access to component management, those charged with governance of the component, component auditors, or information at the components. • Access considerations for equity accounting investments are explicitly addressed in the application material.
<p>d. Materiality</p> <p>The AUASB supported the focus in ED ISA 600 on component materiality, however, raised the following matters for consideration:</p> <ul style="list-style-type: none"> • Paragraph 29 of ED-600 states that component materiality “shall be lower than group performance materiality”. The AUASB suggests that this is changed to “Shall not be greater than group performance materiality”. When a group has a component that represents almost 100% of the group, it may be reasonable to use the group performance materiality to audit this component. • While the AUASB supports the factors to consider in determining component performance materiality, Australian stakeholders have raised concern with the lack of guidance and examples regarding the actual calculation and allocation of performance materiality. The AUASB encourages the IAASB to provide implementation guidance and examples of performance materiality outside of the revised standard. • Paragraph A13 of ISA 320 refers to aggregation risk without a clear definition of aggregation risk within ISA 320. While the AUASB supports the definition of aggregation risk as included at paragraph 9(a) of ED ISA 600, the AUASB queries the placement of this definition. The AUASB recommends that aggregation risk is defined within ISA 320 with the special considerations of such risk being addressed in ISA 600. 	<p><i>How addressed in the standard</i></p> <ul style="list-style-type: none"> • Clarification that proposed ISA 600 does not require component performance materiality to be established for each class of transactions, account balance or disclosure at the component level • Application material describing that there are circumstances in which component performance materiality may be set at an amount closer to group performance materiality because there is less aggregation risk such as when the financial information for one component represents a substantial portion of the group financial statements. • Definition of aggregation risk to be included in ISA 320 through a conforming amendment. • Additional application material on situations in which a collaborative approach between the group auditor and a component auditor may be appropriate in determining component performance materiality, and to emphasise the importance of two-way communication, particularly if the number and magnitude of misstatements identified by the component auditor are higher than expected. • Worked examples of determining component performance materiality will be provided outside of proposed ISA 600, consistent with previous Board discussions. Examples, may have unintended consequences, including perceptions of the IAASB sanctioning a particular or ‘best’ approach.

<p>e. Documentation</p> <p><i>Extracts from AUASB submission to IAASB</i></p> <p>The AUASB considered that the documentation requirements could be strengthened if it is explicitly tied into the requirements with respect to the overall assessment of sufficiency and appropriateness of audit evidence</p>	<p><i>How addressed in the standard</i></p> <p>Expanded requirements and application material including:</p> <ul style="list-style-type: none"> • Stronger link between the documentation requirements and the group auditor’s overall evaluation of the sufficiency and appropriateness of audit evidence obtained on which to base the group audit opinion • Reinforce the general principle that the audit documentation for a group audit consists of the documentation in the group auditor’s file together with the component auditor documentation, and that the component auditor documentation generally resides in the component auditor’s audit file and need not be replicated in the group auditor’s audit file • Specific requirements and application material when component auditors are involved including: <ul style="list-style-type: none"> ○ Basis for group auditor’s determination of the competence and capabilities of component auditors ○ Documentation of the direction and supervision of component auditors and the review of their work ○ Additional considerations when access to component auditor documentation is restricted
---	---

C. Other substantive changes to the standard (not directly linked to matters raised by the AUASB)

<p>a. Robust Communications and Interactions Between the Group Auditor / Group Engagement Partner and Component Auditors</p> <p><i>Strengthened and clarified:</i></p> <ul style="list-style-type: none"> • Communications between the group auditor and component auditors, emphasising the importance of two-way communications. • Various aspects of the group auditor’s interaction with component auditors, including communicating relevant ethical requirements, determining competence and capabilities of the component auditor, and determining the appropriate nature, timing and extent of involvement by the group auditor in the work of the component auditor. <p>b. Review of component auditors workpapers</p> <p><i>Strengthened and clarified:</i></p> <ul style="list-style-type: none"> • The extent to which it is necessary for the group auditor to review parts of the component auditor’s audit documentation in order to conclude on the group audit (almost like a stand-back). Extensive application material on factors that may impact this determination.
--

c. Fostering the Appropriate Exercise of Professional Scepticism

Emphasised the importance of professional scepticism, including when:

- Determining the direction, supervision and review of the component auditor's work; and
- The group auditor's evaluation of whether sufficient appropriate audit evidence has been obtained (including by component auditors) to provide a basis for forming an opinion on the group financial statements.

D. Way forward

5 The IAASB plan to finalise and vote to issue ISA 600 at the December 2021 IAASB meeting.

6 PIOB approval expected March 2022, thereafter the standard would be issued.

7 ISA 600 expected operative date would be for periods commencing on/after 15 December 2023.

8 The ATG expect to bring the revised final ISA 600, to be considered as the base for a revised Australian standard, to the June 2022 AUASB meeting.



AUASB Agenda Paper

Project:	Auditor Reporting Post Implementation Review	Meeting:	10 September 2021
Topic:	Auditor Reporting Post Implementation Review	Agenda Item:	10.2
Strategic Objective:	Develop and issue Australian Auditing Standards that are in the public interest / International Influence	Decision-Making:	For noting and feedback
ATG Staff:	Anne Waters	Project Status:	Post Implementation Review
AUASB Sponsor:	Carolyn Ralph		

Action Required and Decisions to be Made

- 1 The objective is to provide an update on the:
 - IAASB’s Auditor Reporting Post Implementation Review (PIR) in order to provide feedback to IAASB member Professor Roger Simnett; and
 - Australian specific matters to be addressed as part of the PIR.

Question	ATG Recommendation
Do you agree with the recommendations of the IAASB’s Auditor Reporting Implementation Working Group and the matters the ATG will communicate to Professor Roger Simnett?	Refer to paragraph 6
Do you agree the AUASB should reconsider the scope of ASA 701 for Australia?	Refer to paragraph 8 and 9

Matters for Consideration

IAASB's Auditor Reporting PIR

- 2 The AUASB have previously discussed the importance of performing a PIR of the Auditor Reporting Standards. It was agreed that the first phase was the IAASB's PIR and then the AUASB would need to consider the outcomes of this and any Australian specific matters.
- 3 From 2019 to 2021, the IAASB's Auditor Reporting Implementation Working Group (ARIWG) has conducted a PIR to examine whether the Auditor Reporting Standards have been adopted consistently by practitioners, and whether they have achieved their intended purpose (i.e. Improved the communicative value of the auditor's report). The ARIWG have conducted information gathering activities including a global stakeholder survey (which the AUASB responded to), outreach sessions, and review of relevant academic research and other literature.
- 4 The ARIWG are presenting the results and their recommendations at the IAASB September 2021 meeting (refer to IAASB September Meeting [Agenda Item 5](#) for the full papers). The ATG have included an extract from the papers which summarises the recommendations in Appendix 1 of this paper.
- 5 In summary stakeholders overwhelmingly supported the enhancements to the Auditor's Report and the ARWIG have concluded there is evidence that the intended purpose of the enhancements have been achieved. Notwithstanding this support, there are some areas where there are implementation and other challenges which are driving the recommendations. To date there are no recommendations to make amendments to the Auditor Reporting Standards, but there are a number of areas where further evidence gathering and co-ordinating with other working groups will continue, which may result in recommendations for amendments.
- 6 On balance the ATG agrees with the majority of recommendations, however consider the following points should be communicated to Professor Roger Simnett based on our observations and feedback we have received from our stakeholders:

(a) Key Audit Matters (KAMs)

- The ARWIG have recommended that non-authoritative guidance is developed for:
 - ◆ describing KAMs in an informative, succinct manner and avoiding boilerplate language, and
 - ◆ how to describe the outcomes of the audit procedures or key observations.

The ARWIG indicate they will continue to engage with stakeholders to fully understand the extent of demand for mandating the description of the outcome of the audit procedures or key observations with respect to KAMs. The AUSAB have discussed this matter previously and concluded that there is mixed views from auditors on this matter and concerns as to whether this communication would be misleading and infer 'mini' opinions. Our response to the IAASB's survey was that

there is a need to gather evidence on the usefulness of this communication which needs to be carefully balanced with auditor's concerns that this may further confuse users as to the scope and objective of an audit.

So whilst supportive of guidance on how to describe outcomes if auditors choose to do this, we are not supportive of mandating this reporting without evidence to support its effectiveness.

- We are supportive of the communication of KAMs beyond listed entities to be considered by the Public Interest Entity (PIE) working group, but also consider this could be addressed by jurisdictions without being mandated by the IAASB.
- (b) *ASA 720 The Auditor's Responsibilities Relating to Other Information* should be included on the IAASB's 2022-23 work program to consider if amendments are required to the standard. The AUASB has received consistent feedback from auditors that ASA 720 is difficult to apply in practice. Also, it is important to gather further evidence on whether users understand the information in the 'Other Information' paragraph of the Audit Report.
- (c) We agree that further information including evidence from users as to the value of further communications by the auditor, is required before making any changes to the current Auditor Reporting Standards.

Australian specific matters

- 7 The ATG have conducted considerable outreach activities to gather feedback from Australian stakeholders on the Auditor Reporting Standards and have not identified any other matters that the IAASB is not addressing.
- 8 At the time of approving and issuing the Auditor Reporting Standards the AUASB committed to revisiting the scope of ASA 701 (KAM reporting) and whether the definition of listed entity in the ASAs is fit for purpose. This includes whether KAM reporting is:
- (a) expanded beyond listed entities (for example public interest entities), or
 - (b) restricted to exclude types of listed entities, such as stapled securities, AQUA funds; or
 - (c) restricted to the group and not the parent entity for a four-column set of financial statements.
- 9 The ATG consider it appropriate to begin reconsidering the scope of ASA 701 and recommend that this is added to the AUASB's Technical Work Program for 2021/22.

AUASB Agenda Paper

APPENDIX 1:

EXTRACT FROM IAASB PAPERS – SUMMARY OF RECOMMENDATIONS

PIR Theme	PIR Recommendations			
	Ongoing Monitoring & Engagement with Others	Coordination with Other Workstreams	Non-Authoritative Support Material	Standard Setting Considerations
Key Audit Matters (KAM)	Outcome of the audit procedures or key observations with respect to KAM	KAM for PIEs – Support and Input to the PIE Working Group	AR FAQs (Update) <ul style="list-style-type: none"> ▶ 'Boilerplate' with KAM ▶ Outcome / key observation with KAM 	N/A
Going Concern (GC)	N/A	Education and guidance explored as part of the Going Concern workstream	Explored by the Going Concern workstream	Explored by the Going Concern workstream
OI Section of the Auditor's Report	Engagement with NSS and others; sharing and leveraging information	N/A	AR FAQs (Update) <ul style="list-style-type: none"> ▶ Examples of OI ▶ Targeted areas of ISA 720 (Revised) 	Explore need for targeted revisions
Other Elements of the Auditor's Report	N/A	N/A	Staff publication <ul style="list-style-type: none"> ▶ When the individual signing the auditor's report is not the EP 	N/A
Information Beyond What is Required to Improve Transparency	Materiality and scope of the audit	Other aspects of the audit – Going Concern, Fraud and PIE workstreams	Explored by the Going Concern, Fraud and PIE workstreams	Explored by the Going Concern, Fraud and PIE workstreams
Aligning Assurance Reports for Other Engagements	N/A	N/A	AR FAQs (Update) <ul style="list-style-type: none"> ▶ EOM in interim review report (ISRE 2410) vs MURGC in auditor's report (ISA 570 (Revised)) 	Explore alignment when the standards are opened for revision (e.g., ISRE 2410)



AUASB Agenda Paper

Project:	IAASB Agenda	Meeting:	7 September 2021
Topic:	IAASB Workplan 2022-23	Agenda Item:	10.3
Strategic Objective:	Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards	Decision-Making:	For Noting
ATG Staff:	Matthew Zappulla	Project Status:	In progress
AUASB Sponsor:	Bill Edge		

Action Required and Decisions to be Made

- 1 The AUASB is requested to note the progress on the development of the IAASB's 2022-23 Work Plan and the correlation of the IAASB's plan with the responses in the AUASB's IAASB Workplan survey previously discussed at the June 2021 AUASB Meeting

Background and previous discussions on topic

- 2 The AUASB reviewed the questions in the IAASB 2022-23 Workplan Survey at the June 2021 AUASB Meeting and provided feedback to the AUASB Technical Group (ATG) staff. This feedback was then included in a draft response to the IAASB's survey, which was then sent for review by AUASB members out of session.
- 3 The final response of the AUASB's IAASB 2022-23 Workplan Survey submission is included at **Agenda Paper 10.3.1** in the AUASB Supplementary Papers Pack.

Matters for Discussion and ATG Recommendations

- 4 The IAASB has summarised the Feedback and Recommendations relating the 2022-23 Workplan Survey for their September 2021 Meeting. There were 110 responses received from standard setters, professional bodies, regulators and other stakeholders across the globe. Full details of the IAASB's analysis of the survey responses is available in the IAASB Board Papers [here](#).
- 5 From this analysis the IAASB staff and Planning Committee have developed a draft 2022-23 Work Plan, which is also included in the IAASB's September 2021 Board Papers [here](#).



- 6 Key findings relating to the IAASB's current agenda from the IAASB's survey included:
- (a) Respondents substantially supporting the progression and completion of the Board's standard-setting projects underway at the start of 2022 – LCE, Group Audits, Audit Evidence, Fraud and Going Concern. Although there were a small number of respondents (mainly regulators and audit oversight authorities) who believe the development of a separate LCE standard should not be continued or given a lower priority because it is not in the public interest.
 - (b) Respondents across all stakeholder groups expressed support for the IAASB's efforts relating to the CUSP project to simplify future ISAs.
 - (c) Given the current COVID environment and the increased likelihood of financial failures, several respondents recommended that the IAASB accelerate their work on Going Concern and Fraud. This was consistent with the AUASB's response which indicated the IAASB's project on Going Concern should be given priority.

On balance has not identified any need to reevaluate the topics currently on it's 2021

- 7 In relation to potential new projects the IAASB should consider for 2022-23, based on the overall results of the survey the most important topics that the IAASB should pursue (and how this compares to the AUASB response) is contained in the table below.

Ranking	All respondents to IAASB Survey	AUASB Response
1	Responding to Assessed Risks	Responding to Assessed Risks
2	Analytical Procedures	Analytical Procedures
3	Assurance for Climate Change Disclosures	Audit Sampling
4	Audit Sampling	Review of Interim Financial Information

NB: Results showed very little support for the other 3 topics provided as options in the IAASB survey - Using the Work of an Auditor's Expert, Assurance for XBRL and Joint Audits.

- 8 Notwithstanding the rankings from the survey summarised in the table above, the IAASB has included all of the potential projects in their survey as options in the Draft 2022-23 workplan, but will use the results from the survey as a means to prioritise how these are progressed in accordance with the IAASB's Framework for Activities.
- 9 In addition, many respondents to the survey provided feedback that the IAASB should be focusing more on standards relating to the Assurance of Non-Financial Information. How this will be addressed in the 2022-23 workplan is yet to be determined.
- 10 There was only limited support for the IAASB to prioritise further work in the areas of Technology and Interim Review engagements – two areas the AUASB response expressed support for.
- 11 On a positive note the IAASB has included the possibility of addressing narrow scope maintenance (as opposed to a full revision) of ISRE 2410 and ASA 720 in their 2022-23 Workplan, which is consistent with the AUASB's feedback.



- 12 In summary, there are no immediate considerations from the responses to the IAASB's survey which impact the AUASB current technical work plan. The ATG will monitor future developments in due course as part of our [AUASB International Strategy](#).

Next steps/Way Forward

- 13 The IAASB will be asked for comments on the initial analysis of the responses to the IAASB 2022-23 Work Plan Survey at its September 2021 meeting. Based on this feedback a final 2022-23 Work Plan will be developed for approval at the December 2021 IAASB meeting.
- 14 The AUASB will be requested to provide feedback on the Final IAASB Workplan at its next meeting (30 Nov/1 Dec 2021).

Materials Presented

Agenda Item	Description
10.3.1 (*SP)	AUASB response to IAASB 2022-23 Work Plan Survey questions - Final

*SP: AUASB Supplementary Papers Pack