



# AUASB Project Plan

<b>Project Title:</b>	IAS 1 Changes and impact on AUASB Standards
<b>Date Prepared:</b>	8 November 2022
<b>Date Approved:</b>	
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<b>Version Number</b>	1

## Overview of Project

### Background

1. In February 2021, the International Accounting Standards Board (IASB) issued *Disclosure of Accounting Policies*, which amended IAS 1 *Presentation of Financial Statements* and IFRS Practice Statement 2 *Making Materiality Judgements* to require entities to disclose their *material accounting policy information* instead of their *significant accounting policies*. These amendments are effective for annual reporting periods beginning on or after 1 January 2023.
2. The AASB issued *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates* in March 2021, which made equivalent amendments to AASB 101 *Presentation of Financial Statements*<sup>1</sup>.
3. At the IAASB's September 2022 meeting, the IAASB noted that the amendments to IAS 1 will impact the requirements, application material and example reports in ISA 700. Specifically, IAASB staff have noted the following as being impacted by the change to IAS 1:
  - (a) 3 requirements;
  - (b) 11 application material paragraphs; and
  - (c) 36 example auditor's reports.
4. The IAASB have decided to issue non-authoritative guidance on this matter which will provide the wording changes required to example auditor's reports throughout the suite of IAASB Standards. The IAASB indicated that it will not be changing the requirements in the standard on the basis that IAASB Standards are framework neutral with generic references to accounting policies. Additionally, the IAASB concluded that the changes to illustrative reports are editorial in nature and that the IAASB did not need to vote on changes or seek public consultation. The ATG expects this guidance to be released in late November 2022.
5. Considering the AASB's adoption of the IAS 1 amendments in Australia and the commencement of the IAASB project as outlined in Paragraph 4 above, the AUASB Technical Group (ATG) consider it

<sup>1</sup> See [AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates](#)



appropriate to commence a project to identify the impacts of the changes included in AASB 2021-2 on the suite of AUASB Standards and to update the Standards as necessary.

### Information Gathering

6. The IAASB will issue a guidance paper in November 2022 that will outline the ISAs which will need to be updated to ensure consistency with the new IAS 1 wording. The ATG will soon after release Australian specific guidance to advise practitioners of the change in wording to the illustrative letters and reports in the ASA's using the IAASB publication as a reference point.
7. The ATG have undertaken an initial review of the full suite of AUASB Standards to determine the potential impacts of the amendments made to AASB 101.
8. Based on this review, 20 AUASB Standards were identified as including at least one reference to 'significant accounting policies'<sup>2</sup>. The majority of these references were included in the illustrative auditor's reports, review reports and engagement letters while a number were also included in requirements and application material paragraphs. The below table provides a summary of the paragraphs and appendices across the AUASB Standards that reference 'significant accounting policies'<sup>3</sup>:

Location of reference to 'significant accounting policies'	Number of paragraphs/appendices which reference 'significant accounting policies'
Requirements paragraphs (same as ISA)	6
Requirements paragraphs (Aus paragraphs)	1
Application Material paragraphs (same as ISA)	11
Application Material paragraphs (Aus paragraphs)	0
Illustrative Auditor's Reports / Review Reports	14
Illustrative Engagement Letters	3
Other Appendices	1

### Scope and objective

#### What is the problem we are trying to solve (project objective)?

9. The objective of this project is to determine the impacts of the amendments included in AASB 2021-1 on the suite of AUASB Standards and to update the AUASB Standards as necessary to ensure consistency with IAASB and AASB Standards.
10. The scope of this project is intended to be limited to the illustrative auditor's reports and engagement letters within the AUASB Standards. Therefore, changes to the requirements within the AUASB Standards are outside of the scope of the project. This is on the basis that the AUASB Standards are framework neutral with generic references to accounting policies and is consistent with the position of the IAASB.

<sup>2</sup> The AUASB Standards which reference 'significant accounting policies' at least once are ASA 200, ASA 210, ASA 260, ASA 265, ASA 315, ASA 510, ASA 540, ASA 570, ASA 600, ASA 700, ASA 701, ASA 705, ASA 706, ASA 710, ASA 720, ASA 800, ASA 805, ASRE 2400, ASRE 2410 and ASRE 2415.

<sup>3</sup> The table does not specify the number of times that the 'significant accounting policies' wording is used across the AUASB Standards. Rather, it indicates the number of paragraphs and appendices where such references are included. For example, Appendix 1 of ASA 700 references 'significant accounting policies' four times but, for the purposes of the table, it only counts as one instance of an appendix where the wording is referenced.



### What AUASB output will best respond to this?

11. To respond to this issue, the AUASB can issue an amending standard which updates the wording included in the AUASB Standards to reflect the changes to AASB 101. As per the *AUASB Due Process Framework*, the amendments to the standards would be sufficiently narrow in scope that they can be packaged together in one document. A draft of the proposed amendments may be considered and approved by the AUASB without formal public exposure<sup>4</sup>. As an immediate output, the AUASB will release the IAASB guidance when issued to alert Australian stakeholders to the wording changes.

## Project Governance

### Why is this in the public interest?

12. The AUASB as an independent standard-setter serves the public interest by developing, issuing and maintaining high-quality audit-related standards and guidance that enhance audit and assurance quality and consistency, thereby contributing to stakeholder confidence in the Australian economy, including its capital markets, and enhanced credibility in external reporting through independent auditing and assurance<sup>5</sup>.
13. One of the strategic objectives of the AUASB is to 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).
14. The ATG notes that the illustrative auditor's reports and engagement letters included as appendices throughout the suite of AUASB Standards are critical reference points for stakeholders and assist auditors in applying the requirements within the standards. As such, it is in the public interest to ensure that the example auditor's reports and engagement letters are updated to reflect changes in wording.
15. Furthermore, the ATG considers that it is in the public interest to ensure consistency with amendments made by the IAASB to align with the new wording in IAS 1. This is consistent with the AUASB's objective to adopt international auditing and assurance standards in Australia unless modifications are considered to be in the public interest and these do not conflict with, or result in lesser requirements to, the international standards<sup>6</sup>.

### Action Plan

Date	Description
November 2022	Issuance of IAASB guidance paper
November 2022	ATG to identify changes required for AUASB Standards
Nov-Dec 2022	Development of AUASB Amending Standard
March 2023	AUASB Amending Standard provided to Board for approval

<sup>4</sup> See [AUASB Due Process Framework](#), Paragraph 209.

<sup>5</sup> See [AUASB Corporate Plan](#).

<sup>6</sup> See [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#).



## Harmonisation with New Zealand

16. NZAuASB Staff have identified 10 standards that will need to be amended as a result of the wording changes in IAS 1<sup>7</sup>. NZAuASB Staff have additionally indicated that they will wait for the IAASB discussion paper before progressing further with this project.
17. Whilst the necessary changes to each suite of auditing standards will be different, the AUASB and NZAuASB technical staff will collaborate on this project as required to ensure consistency across both jurisdictions.

## Way forward

18. If the AUASB approves this project proposal, an Amending Standard will be prepared by the ATG for approval in March 2023, the amendments will be compiled into the affected standards. In the interim and before year end, the AUASB will issue the IAASB guidance (once released) so that Australian stakeholders are alerted to the wording changes before the effective date commences.

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<sup>7</sup> The standards identified by NZAuASB Staff as requiring editing are ISA (NZ) 210, ISA (NZ) 510, ISA (NZ) 570, ISA (NZ) 600, ISA (NZ) 700, ISA (NZ) 705, ISA (NZ) 706, ISA (NZ) 710, ISA (NZ) 720 and ISRE (NZ) 2400.