



AUASB Agenda Paper

Title:	Sustainability Assurance - Consultation Plan	Date:	12 September 2023
ATG Staff:	Rene Herman	Agenda Item:	4

Recommendations and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Do AUASB members have any comments on the outreach plan as included in the table at paragraph 5 of this Agenda Paper?	No matters to raise

Background and Previous Discussions on Topic

1. The IAASB have issued IAASB ED 5000 with an exposure period of 120 days and comments due to the IAASB by 1 December 2023. Consistent with the AUASB's [Due Process Framework](#) the AUASB issued the IAASB ED within an [Australian Consultation Paper](#) seeking views from Australian stakeholders.
2. The Australian Consultation Paper has 2 primary objectives:
 - a) Seek stakeholder feedback with information about IAASB ED ISSA 5000 to inform the AUASB in their submission to the IAASB; and
 - b) Seek stakeholder feedback on whether there are certain aspects of the IAASB ED 5000 that require additional guidance to operationalise the standard in Australia.

Matters for Discussion and ATG Recommendations

3. For AUASB information purposes and to seek any AUASB member feedback, the AUASB Staff have presented in this Agenda paper a summary of planned education and outreach in relation to the Australian Consultation Paper. This plan sets out the key dates of events and activities designed to raise awareness of the main proposals of the standard and solicit feedback from stakeholders who are likely to use or be affected by the proposed standard.
4. Outreach will be split between AUASB held events seeking input on matters referred to in paragraphs 2a) and 2b) of this Agenda Paper, while an AUASB/IAASB roundtable event will be focussed only on 2a) above. The AUASB/IAASB roundtable will be held across 2 days with practitioners (accounting and non-accounting) in one session, while users and preparers are in a separate session).
5. The table below summarises all education and outreach activities.

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Timetable	Event
17 August 2023	Australian Consultation Paper issued for public comment, with an 85-day comment period, closing Friday 10 November 2023.
September 2023 <i>Awareness/Education</i>	<ul style="list-style-type: none"> • AUASB to release IAASB produced educative webinars/video clips/materials summarising the main proposals of the standard – advertised via the AUASB website and social media platforms. • IAASB proposed education/awareness: <ul style="list-style-type: none"> ➤ Education Webinar¹ – to be posted in Australia week commencing 11 September 2023 ➤ Video clips (<2 min), one paragraph alerts/did you know posts <ul style="list-style-type: none"> ○ Plain language, non-technical, focused on key issues of interest to stakeholders ○ <i>No dates yet provided by IAASB</i> ➤ Media <ul style="list-style-type: none"> ○ <i>Social media posts LinkedIn, Twitter</i> ○ <i>Interviews</i> ○ <i>No dates yet provided by IAASB</i> • Invitations for IAASB roundtables on 12 and 13 October were sent on 1 September • AUASB roundtable registrations to open week commencing 11 September 2023

¹ This webinar will provide participants, especially assurance practitioners and regulators, with: - an understanding of how this global baseline for sustainability assurance was developed. - an explanation of the some of the key elements of a sustainability assurance engagement in accordance with ISSA 5000. - a good basis for navigating the Exposure Draft (ED-5000) and responding to the IAASB with their comments.

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Timetable	Event
October 2023 <i>Outreach</i>	<ul style="list-style-type: none"> • Roundtable events (in-person and virtual) targeted at government bodies, users, preparers, regulators, standard setters (including ISO and GRI), practitioners (accounting and non-accounting), professional bodies and academics – advertised via the AUASB website, direct email to subscribers, AUASB Newsletter and social media platforms. <ul style="list-style-type: none"> ○ 9 October: Perth, hosted by CA ANZ ○ 12 October: Sydney, hosted by CA ANZ, IAASB/AUASB event (users/preparers) by invitation only ○ 13 October: Sydney, hosted by CA ANZ, IAASB/AUASB event (practitioners) by invitation only ○ 16 October: Brisbane, hosted by CPA ○ 23 October: Melbourne, hosted by CPA ○ 24 October: Online event ○ 27 October: Sydney, hosted by CA ANZ • The AUASB Chair and Staff may also hold direct meetings with key stakeholder groups (including non-accounting practitioners) outside of the public outreach activities - TBD.
10 November 2023 <i>Analysing feedback</i>	<ul style="list-style-type: none"> • AUASB comment period closes 10 November 2023 • AUASB to analyse and collate all stakeholder feedback and prepare submission to IAASB.
Late November 2023	Timing of AUASB involvement and input into the draft submission to be determined.
1 December 2023	AUASB submission due to IAASB

Collaboration with NZAuASB and other standard setters

6. The AUASB Staff will be in communications with the NZAuASB to understand and share feedback across jurisdictions.

Next steps/Way Forward

7. The timing for the late November AUASB meeting to discuss feedback to the IAASB will be determined and communicated to AUASB members. Further outreach activities may be planned for any Australian specific guidance or standards.



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Title:	PJC Inquiry into the Regulation of Auditing in Australia – Disclosure of Audit Tenure	Date:	12 September 2023
ATG Staff:	Anne Waters	Agenda Item:	6.0

Objective of this Agenda Item

1. To discuss whether consideration should be given to amending Australian auditing standards to require disclosure of audit tenure in the auditor's report.
2. An update will also be provided on the current status of other matters covered in the recommendations made by the Parliamentary Joint Committee (PJC) on Corporations and Financial Services Inquiry on the [Regulation of Auditing in Australia](#), especially those that are directly relevant to the AUASB.

Question for the Board

Question
1. Does the AUASB support considering a change to auditing standards to require disclosure of audit tenure in the auditor's report if legislative change is not made to require disclosure in the director's report?

Background and Previous Discussions on Topic

3. On 1 August 2019 the Senate referred an inquiry into the regulation of auditing in Australia to the Parliamentary Joint Committee on Corporations and Financial Services (PJC). The PJC issued an [interim report](#) containing 10 [recommendations](#) in February 2020. The PJC's [final report](#) was issued in November 2020. To date the Government have not responded to the report and have not accepted the recommendations.
4. During 2021 – 22 the AUASB has periodically discussed the status of the implementation of the recommendations. For the AUASB's information, the AUASB Technical Group (ATG) has prepared Appendix 1, which summarises the current state of these recommendations.
5. Given the recent commencement of the PJC inquiry into [Ethics and Professional Accountability: Structural Challenges in the Audit, Assurance and Consultancy Industry](#), and recent media attention as to the status of the previous inquiry into the Regulation of Auditing in Australia, it is appropriate for the AUASB to consider the status of the relevant recommendations, and whether further action is required.
6. The following recommendations are directly relevant to the AUASB.

The PJC recommended that the FRC, by the end of the 2020-21 financial year:

Recommendation 6: oversee the revision and implementation of Australian standards to require audited entities to disclose audit tenure in annual financial reports

Recommendation 8: report on 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

7. As detailed in Appendix 1 Recommendation 6 has not been implemented. As an interim measure the AICD and AUASB included in their publication [Periodic Comprehensive Review of the External Auditor – Guide for Audit Committees](#) guidance to enhance transparency by disclosing auditor’s tenure and how the audit committee have met their responsibilities in relation to assessment of the quality of their auditor. However, this is a long document and the recommendation for disclosure of audit tenure is not the focus of this guidance and is therefore not considered an effective longer-term solution.
8. Recommendation 8 is already being addressed by the IAASB and the AUASB (See response to Recommendation 8 in Appendix 1).

Matters for Discussion

Where Audit Tenure May be Disclosed

9. At its [April 2021 board meeting](#), the AUASB considered the implementation of Recommendation 6 in Australia, and indicated a preference for disclosing audit tenure in the directors’ Report for entities required to prepare audited financial statements under the *Corporations Act 2001*. However, acknowledging that amending the *Corporations Act 2001* may not be achievable on a timely basis, the AUASB accepted that disclosure in the financial statements might be considered. Refer to Appendix 1 for the AASB’s decision.
10. The following table was prepared and presented by the ATG at its April 2021 meeting. It provides an overview of the possible options for disclosure of audit tenure.

Where	Advantages	Disadvantages	Relevant Requirement
Financial Report	<p>Disclosed with the audit remuneration disclosures.</p> <p>Could scope to certain entities as considered appropriate i.e., apply for all entities who prepare financial statements in accordance with Accounting Standards, or all entities required to prepare financial reports under Chapter 2M.3 of the <i>Corporations Act 2001</i></p>	<p>The disclosure of audit tenure in the financial report may not have context without further detail on the directors’ view on auditor independence.</p>	Accounting Standards

Where	Advantages	Disadvantages	Relevant Requirement
	<p>(the Act), or listed entities only.</p> <p>The AASB could change the standards relatively quickly after public exposure compared to legislative change.</p>		
Directors' Report	<p>Directors have a responsibility to assess if their auditor is independent and disclosure of audit tenure is relevant to this.</p> <p>It would complement other required disclosures relevant to auditor's independence which includes the auditor's independence declaration and for listed entities only additional disclosures required by S 300(11AA), (11A) (exemption on auditor rotation), (11B) and (11C) (non-audit services).</p> <p>It is also logical to disclose audit tenure with the information required by PJC's Recommendation 7¹ on audit tendering for entities required to have their financial report audited under</p>	<p>It would only apply to entities required for audits under the Act. Therefore, another legislative way would be needed for other entities (if considered necessary).</p> <p>It would require a change to the Act which may take a longer time to enact.</p>	The Act

¹ Recommendation 7 is for entities required to have an audit under the Corporations Act to undertake a public tender process every ten years, or if they elect not to, disclose why not in their annual report.

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Where	Advantages	Disadvantages	Relevant Requirement
	the Act (if /when that is enacted).		
Auditor's independence declaration required by S 307C	<p>PJC Recommendation 4² suggests expanding this declaration, so it could also be expanded to include audit tenure.</p> <p>This declaration is required for audits conducted under the Act (not just listed)</p>	<p>It would only apply to entities required to prepare audited financial reports under the Act.</p> <p>Another legislative way would be needed if a requirement were to be imposed on other entities (if considered necessary).</p> <p>It would require a change to the Act which may take a longer time.</p>	The Act
Audit Committee Report or other Corporate Governance reporting within the Annual Report	Complementary to other narrative on Audit Committee's monitoring of the auditor including partner tenure and audit related disclosures in the directors report.	<p>It would not be mandatory.</p> <p>It would only apply to listed entities or those required to have an Audit Committee i.e., ASX 500.</p>	ASX Listing Rules ASX Corporate Governance Principles and Recommendations
Auditor's report	<p>Consistent with some other jurisdictions i.e., US, UK, EU and South Africa.</p> <p>Could apply to certain entities if necessary i.e., all entities required to have an audit under the ASAs, or listed entities only.</p>	The length of audit tenure is not a factor in the auditor communicating their opinion.	Auditing Standards – ASA 700

² Recommendation 4 for the Corporations Act 2001 be amended to that an auditor's independence declaration is expanded to require the auditor to specifically confirm that no prohibited non-audit services have been provided.

Where	Advantages	Disadvantages	Relevant Requirement
	The AUASB could give effect to a change relatively quickly, subject to public exposure and other due process.		

Submissions to the PJC Inquiry that Respond to Recommendation 6

11. For the AUASB's information, Appendix 2 contains relevant extracts from the five submissions to the PJC Inquiry that directly referred to the disclosure of audit tenure. The submissions express mixed preferences for disclosure of audit tenure in either the annual report or the auditor's report.

Where Selected Other Jurisdictions Currently Require Audit Tenure to be Disclosed

12. In 2017, US Public Company Accounting Oversight Board (PCAOB) adopted a new auditor reporting standard, AS 3101 *Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, which requires disclosure of the year in which the auditor began serving consecutively as the company's auditor. The PCAOB considered disclosure in the auditor's report to be in the public interest. This location was considered readily accessible, consistent across companies and likely to minimise search costs for investors.
13. The European Union (EU) legislative requirements in Regulation (EU) No 537/2014 requires a statement in the auditor's report that indicates the total uninterrupted engagement period, including previous renewals and reappointments of the statutory auditors or audit firms. Requiring disclosure of audit tenure in the auditor's report was considered as a means of providing enhanced information to investors. Countries such as Germany and the Netherlands report in accordance with these requirements.
14. The United Kingdom (UK) requires disclosure of audit tenure in two locations: the audit committee report and the auditor's report. The UK Corporate Governance Code was updated in 2012 to require (on a "comply or explain" basis) audit committees to report on the length of audit tenure and give advance notice of retendering plans. In 2019 the Financial Reporting Council (FRC) revised International Standard on Auditing (ISA) (UK) 700 to require, for public listed entities, disclosure of the date of the appointment and the total period of uninterrupted consecutive appointments in the auditor's report. There was an existing recommendation in the Guidance on Audit Committees to this effect, however few companies voluntarily disclosed such information.
15. In 2015 the South African Independent Regulatory Board for Auditors (IRBA) introduced for public listed entities, mandatory disclosure in the auditor's report of the number of years which the audit firm/sole practitioner has been the auditor of the entity.
16. Other jurisdictions such as Canada, Singapore, Japan and Hong Kong do not require mandatory disclosure of audit tenure.

Academic Research on the Effects of Disclosing Audit Tenure

17. A summary of behavioural research published on the effect of audit tenure disclosure has been prepared by the ATG in Appendix 3 for the AUASB's information.

Next steps/Way Forward

18. The AUASB will explore whether legislation is likely to be amended to require disclosure of audit tenure in the director's report. If not, the Board is asked whether they would consider a proposal on how audit tenure might be disclosed in the auditor's report.

Appendix 1:

Recommendation	Status
<p>1. The committee recommends that ASIC:</p> <ul style="list-style-type: none"> formally review the manner which it publicly reports the periodic findings of its audit inspection program, giving appropriate consideration to approaches used internationally; and based on this review, develop and implement, by the end of the 2020–21 reporting period for its audit inspection program, a revised framework for reporting inspection findings, with a focus on the transparency and relative severity of identified audit deficiencies. 	<ul style="list-style-type: none"> Already in progress by ASIC prior to the PJC hearings and recommendations. ASIC was undertaking a ‘dry run’ of a severity rating system on audit files reviewed in the 12 months to 30 June 2022 to determine a model which would be effective. It was planned to report severity in 2023. However, as ASIC have changed their audit inspection program in the current year it is not clear whether this will be adopted.
<p>2. The committee recommends that the Australian Government introduce, by the end of the 2020–21 financial year, through appropriate legislation, a requirement that ASIC publish all future individual audit firm inspection reports on its website once ASIC has adopted a revised reporting framework referred to in Recommendation 1.</p>	<p>Implemented. However, as ASIC have changed their audit inspection program from the 2022/23, we understand they will not be preparing individual audit firm inspection reports.</p>
<p>3. 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:</p> <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Fee disclosures: <ul style="list-style-type: none"> are a requirement of the Australian Accounting Standards. The AASB commenced preparatory work and has issued a Research Report examining fee disclosure requirements in other jurisdictions. At its meeting on 21 June 2021 the AASB decided to continue deliberating proposals to amend the Accounting Standards but will not propose amendments ahead of a government response.

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Recommendation		Status
	from providing to an audited entity.	<ul style="list-style-type: none"> • AASB has issued a Research Report that identifies factors that could be considered in implementing this recommendation. (AASB RR15 Review of Auditor Remuneration Disclosure Requirements) • The AASB has been doing preparatory work to develop a preliminary Exposure Draft with proposed revised auditor remuneration disclosures based on the work presented in the AASB RR15 Report. The AASB is planning to issue an Exposure Draft and finalise the standard, following the Government’s response to the PJC report. • APESB issued an Exposure Draft on proposed fee categories in March 2022 and followed with an Amending Standard in July 2022, which is effective for engagement periods starting from 1 January 2023. However, APESB has deferred this project to align with the AASB. • Details of the amounts paid or payable to the auditor of a listed company or registrable superannuation entity are required to be disclosed in the director’s report. • List of non-audit services - Implemented. The APESB have revised Non-Assurance Services provisions of APES 110 <i>Code of Ethics for Professional Accountants</i> (including Independence Standards) to align with amendments made to the International Code by the International Ethics Standards Board. The amendments are effective from 1 July 2023. • The IESBA is developing independence requirements for providers of sustainability assurance.
4.	The committee recommends that the <i>Corporations Act 2001</i> be amended so that an auditor's independence declaration is expanded to require the	The auditor’s independence declaration is a requirement of the <i>Corporations Act 2001</i> and an amendment would require a legislative change by the Federal Government.

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Recommendation		Status
	auditor to specifically confirm that no prohibited non-audit services have been provided.	<ul style="list-style-type: none"> • The following is relevant: <ul style="list-style-type: none"> ○ The auditor’s independence declaration states whether the auditor is aware of any non-compliance with the independence requirements of the <i>Corporations Act 2001</i> and the requirements of the APESB. The APESB Code of Ethics includes provisions concerning non-audit services. ○ The <i>Corporations Act 2001</i> also requires directors of listed entities to state in the director’s report whether they are of the view that the provision for non-audit services has compromised the independence of the auditor. ○ The auditor’s report currently includes a statement that the auditor is in compliance with the independence requirements of the <i>Corporations Act 2001</i> and the ethical requirements of the APESB. Consideration could be given to the expanding the statement to specifically confirm that that no prohibited non-audit services have been provided. This would require an amendment to the Auditing Standards by the AUASB.
5.	The committee recommends that the Australian Professional and Ethical Standards Board consider revising the APES 110 Code of Ethics to include a safeguard that no audit partner can be incentivised, through remuneration advancement or any other means or practice, for selling non-audit services to an audited entity.	Implemented. The APESB have revised the fee-related provisions of APES 110 Code of Ethics for Professional Accountants (including Independence Standards) to align with amendments made to the International Code by the International Ethics Standards Board. The APESB specifically drafted a new Australian provision to address PJC recommendation 5, which has received support from stakeholders. The amendments are effective from 1 January 2023.
6.	The committee recommends that the Financial Reporting Council, by the end of the 2020–21 financial year, oversee	<ul style="list-style-type: none"> • ASIC, AASB, AUASB and AICD have previously discussed:

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Recommendation	Status
<p>the revision and implementation of Australian standards to require audited entities to disclose audit 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.</p>	<ul style="list-style-type: none"> • which entities should be required to disclose, and • where this disclosure should reside ie. directors' report, financial statements or auditor's report. • Whilst the recommendation was for this to be disclosed in the financial report (ie. Financial statements) preliminary views of the above bodies are that this disclosure could also be in the directors' report (via a legislative change to the <i>Corporations Act 2001</i>) as tenure is arguably a governance matters and this would complement other required disclosures relevant to auditor's independence (the auditor's independence declaration and other additional required disclosures for listed entities). • It is recognised that defining audit tenure may be difficult given mergers of audit firms, company restructuring, etc. • On 20 April 2021 the AUASB members discussed whether to amend the Auditing Standards to require this disclosure in the Auditor's report as is done in some overseas jurisdictions. The AUASB members were not supportive of this as they consider this to be an entity's disclosure and not the auditors' disclosure. • The AASB considered this at its meeting on 21 June 2021 and decided not to propose amendments to Australian Accounting Standards to require audit tenure disclosure at this stage but to continue to monitor the work being carried out by the AICD in respect of listed entities (see below). • The AUASB has done some limited research into where audit tenure is disclosed in other jurisdictions. We are aware that the US, UK, EU, and South Africa require tenure to be disclosed in the auditor's report. The UK also require this to be disclosed in audit committee reports with discussion on how they have assessed their auditor. Canada, Singapore, Japan and Hong Kong do not

Recommendation	Status
	<p>require mandatory disclosure of audit tenure.</p> <ul style="list-style-type: none"> • As an interim measure the AICD and AUASB included in their publication <u><i>Periodic Comprehensive Review of the External Auditor – Guide for Audit Committees</i></u> guidance to enhance transparency by disclosing auditor’s tenure and how the audit committee have met their responsibilities in relation to assessment of the quality of their auditor. However, this is a long document and the recommendation for disclosure of audit tenure is not the focus of this guidance and this is not considered an effective longer-term solution. • After considering the work undertaken by other bodies, the AASB has decided not to propose amendments to Australian Accounting Standards to require audit tenure disclosure at this stage but to continue monitoring the work carried out by the AUASB and AICD.
<p>7. The committee recommends that the <i>Corporations Act 2001</i> be amended to implement a mandatory tendering regime such that entities required to have their financial reports audited under the Act must:</p> <ul style="list-style-type: none"> • undertake a public tender process every ten years; or • if an entity elects not to undertake a public tender process, the entity must provide an explanation to shareholders in its annual report as to why this has not occurred. <p>The committee further recommends that such a tender process be implemented by 2022 for any entity that has had the same auditor for a continuous period of ten years since 2012.</p>	<p>Any changes would require an amendment to the <i>Corporations Act 2001</i> by the Federal Government. Public consultation by Treasury would be involved. This recommendation would potentially result in considerable costs to audited entities and auditors, and preparatory work has not commenced ahead of a Government response.</p>

Recommendation	Status
<p>8. 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:</p> <ul style="list-style-type: none"> • the prevention and detection of fraud; and • management's assessment of going concern. 	<p>Preparatory work has commenced by the FRC, AASB and AUASB while waiting for a government response. Australia aims to ensure compliance with international accounting and auditing standards and the AASB and AUASB will monitor the international developments and timeline.</p> <p><u>Fraud</u></p> <p><i>Accounting Standards and reporting requirements</i></p> <ul style="list-style-type: none"> • In Australia there are no accounting standards or governance reporting requirements in relation to the publicly reporting on prevention and detection of fraud. <p><i>The Auditing Standards</i></p> <ul style="list-style-type: none"> • The IAASB is revising the International Auditing Standard on fraud which will look at the auditor’s responsibilities in the context of the audit of a financial report. The AUASB will adopt when released in 2025. <p><u>Going concern</u></p> <p><i>Accounting Standards</i></p> <ul style="list-style-type: none"> • The AASB and AUASB issued guidance <i>Going Concern and Related Assessments</i> for directors, preparers, and auditors of financial statements of their existing responsibilities for going concern. • The AASB issued <i>Staff Paper: Going Concern Disclosures: A Case for International Standard-Setting</i> to the IASB and sent this to the IASB requesting them to commence a project to look at the Accounting Standard disclosure requirements as a matter of high priority. • The IASB elected not to revise the Accounting Standard for going concern. • The AASB do not consider it appropriate to make changes ahead of the IASB as going concern is not an Australian specific issue.

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Recommendation	Status
	<p><i>Auditing Standards</i></p> <ul style="list-style-type: none"> The IAASB is revising the International Auditing Standard on going concern. The AUASB will adopt when released in 2024 / 25. The AUASB conducted outreach when responding to the IAASB Discussion paper <i>Fraud and Going Concern in an Audit of Financial Statements</i>. The AUASB has responded to the IAASB's Exposure Draft on going concern.
<p>9. The committee recommends that the <i>Corporations Act 2001</i> be amended such that entities required to have their financial reports audited under the Act must establish and maintain an internal controls framework for financial reporting. In addition, such amendments should require that:</p> <ul style="list-style-type: none"> management evaluate and annually report on the effectiveness of the entity's internal control framework; and the external auditor report on management's assessment of the entity's internal control framework. 	<ul style="list-style-type: none"> Any change would require an amendment to the <i>Corporations Act 2001</i> by the Federal Government. Public consultation by Treasury would be involved. This recommendation would potentially result in considerable costs to audited entities, and preparatory work has not commenced ahead of a Government response. If the Federal Government were supportive of this recommendation further work is required to consider which entities are in scope as the current recommendation "for entities required to have their financial reports audited under the Act" is too wide considering the costs of such reporting compared to expected benefits. This may require detailed analysis of the experience i.e., United States.
<p>10. The committee recommends that the Australian Government take appropriate action to make digital financial reporting standard practice in Australia.</p>	<p>When operative, the legislation relating to the Australian Business Registry Service would allow the ABRS to require digital reporting. Digital reporting is unlikely to be pursued by ABRS given its other priorities. ASIC continues to maintain the reporting taxonomy and has accepted digital reports on a voluntary basis. ASIC continues to promote digital reporting, and the possible adoption of digital reporting of climate and sustainability information may be an impetus for digital financial reporting. The</p>

Recommendation	Status
	ISSB’s draft taxonomy is being exposed and adopts a similar architecture to the IFRS Taxonomy currently used by ASIC (with Australian extensions).

Appendix 2: Extracts from submissions to PJC Audit Inquiry on Audit Tenure [emphasis added]

Submission	Excerpts	Preferred Location
26: KPMG	<p>“Consideration: Mandate explicit disclosure of auditor tenure in company annual reports. US PCAOB auditing standards require specific disclosures relating to auditor tenure in the auditor’s report. <u>Mandating explicit disclosure of auditor tenure should be considered for the Australian market.</u>” (p.6 of Submission 26)</p> <p>Consideration: Require companies to report to shareholders on Audit Committees’ oversight of the external auditor. <u>The description of the Audit Committee’s work in the UK also includes information on the length of tenure of the current audit firm</u>, when a tender was last conducted and advance notice of any re-tendering plans. This model is, in our view, worthy of consideration in the Australian market.”(p.16 of Submission 26)</p>	<ul style="list-style-type: none"> - Auditor’s Report - Audit Committee Report
27: PwC	<p>“We support companies disclosing the length of tenure of their audit firm as well as lead partner tenure in their <u>annual report.</u>”(p.20 of Submission 27)</p>	<ul style="list-style-type: none"> - Annual Report
29: EY	<p>“In the context of enhancing the confidence of capital markets, <u>audit committees could have a role in updating and informing shareholders of matters relating to the financial statement reporting and the audit</u>, particularly regarding areas of community concern such as audit tenure.”(p.15 of Submission 29)</p> <p>“Legislation and regulatory guidance should be developed to require a report to shareholders, <u>as part of an annual report</u>, by directors or the audit committee addressing auditor appointment and tenure...The ASX Corporate Governance Council might consider providing guidance on this in the absence of legislation.”(p. 15 of Submission 29)</p>	<ul style="list-style-type: none"> - Audit Committee Report - Annual Report

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Submission	Excerpts	Preferred Location
<p>46: Australian Shareholder's Association</p>	<p><u>"ASA believes that there should be clear disclosure within annual reports around the appointment and engagement of the external auditor. At a bare minimum, the date of the audit firm appointment, current audit partner's commencement and most recent tender date should be clearly stated in the annual report."</u>(p.1 of Submission 46).</p> <p><u>"Clear identification of the tenure that an audit firm has been with a Company would provide stakeholders with a view on how to classify an auditors' independence from the board. As previously indicated, research suggests a tenure of 8 to 10 years can produce audit reports of better quality, a longer engagement may be in the interest of stakeholders but only as long as there is clarity in terms of appointment and terms of reference being disclosed to relevant stakeholders and regulators."</u>(p.4 of Submission 46)</p>	<p>- Annual Report</p>
<p>55.1: Tom Ravlic</p>	<p>"One disclosure that would assist members or shareholders of a company to maintain an awareness of how long an audit firm has serviced in the capacity as external auditor of a company's financial statements would be to mandate the disclosure of audit firm tenure. <u>This disclosure ought to be made by the board of directors in its annual declaration and be mandatory under the Corporations Act 2001</u> rather than be a part of the 'if not, why not' regime of governance disclosures that exist within the ASX Corporations Governance Council's Principles and Recommendations, which are now in their fourth edition. The law should require a board of directors to disclose the fact that a firm has served as the company's external auditor for a specific number of years and that the board is satisfied that the firm has the necessary independence check and balances in place to conduct an independent audit of financial statements."(p.4 of Submission 55.1)</p>	<p>- Directors Report</p>

Appendix 3: Academic research published on audit tenure disclosures

Year of publication	Author(s)	Setting and location of auditor tenure disclosure	Main findings
2021	Dunn, Lundstrom and Wilkins	US – Auditor’s Report	Ratification votes against the auditor and the probability of subsequent auditor dismissal increase for long-tenured versus short-tenured auditors.
2021	Tanyi, Rama and Raghunandan	US – Auditor’s Report	Ratification votes against the auditor increase for long-tenured versus short-tenured auditors.
2021	Rapley, Robertson and Smith	US – Auditor’s Report	No significant effect of audit tenure disclosure on investment intentions.
2019	Reid, Carcello and Li	UK – Audit Committee Report	No significant effect of audit tenure disclosure on financial reporting quality.



AUASB Agenda Paper

Title:	ISA for LCE	Date:	12 September 2023
ATG Staff:	Rene Herman	Agenda Item:	7

Questions for the Board and Staff view/Position

At the September 2023 meeting, the questions below, will be addressed on an exception basis.

Question No.	Question for the Board	Staff View/Position
Question 1	Is the AUASB supportive to remove the comment that auditors should refer to the full suite of ISAs for further guidance (refer paragraph 5 of this Agenda Paper)?	The AUASB Staff do not object to this change.
Question 2	Is the AUASB supportive of the Authority of the LCE Standard as currently drafted (refer paragraphs 6-8 of this Agenda Paper)? For ease of reference, the Authority has been included at Attachment 1 to this Agenda Paper.	The AUASB Staff do not object to the criteria for using the proposed standard, noting that the limitation on the use of reports from service organisations as audit evidence (refer paragraph 7 of this Agenda Paper) may unintentionally limit the use of the standard.
Question 3	Is the AUASB supportive of the effective date being for periods commencing on or after 15 December 2025 (refer paragraph 9 of this Agenda Paper)?	Recognising there is no urgent need for this standard in Australia, the AUASB staff have no particular views on the suggested effective date.
Question 4	Is the AUASB supportive of the way the LCE standard is planned to be maintained (refer paragraphs 10 and 11 of this Agenda Paper)?	The AUASB staff have no concerns with the general direction for maintenance of the proposed standard. However, we are concerned by the proposed initial delay in updating ISA for LCEs.
Question 5	Is the AUASB supportive of the IAASB's position not to re expose the ISA for LCE standard (refer paragraph 13 of this Agenda Paper)?	Based on the matters as highlighted in paragraph 13 to this Agenda Paper, the AUASB staff does not object to the IAASB not re-exposing the proposed standard. Consideration will be given to whether to consult on the application within Australia.
Question 6	Is the AUASB supportive of the direction to bring the LCE Standard back for Australian consideration at the December AUASB meeting (refer paragraphs 14-16 of this Agenda Paper)?	Refer to paragraphs 14-16 of this Agenda Paper.



Background and Previous Discussions on Topic

1. In July 2021, the IAASB issued the Exposure Draft on *Auditing of Financial Statements of Less Complex entities*. The [AUASB's submission](#), compiled after extensive consultation, supported the concept of the IAASB developing a standalone standard for LCE audits. However, the AUASB considered that the proposed standard would add to the audit expectation gap, with users perceiving that the proposed standard results in a less robust audit, reduced audit effort and consequently an inappropriate expectation of reduced audit fees. Key concerns expressed by stakeholders and reflected in the submission were:
 - (a) The possible perception that the proposed standard is a lesser quality or scaled down audit product, especially if the use of the proposed ISA for LCE needs to be explicitly identified in the auditor's report;
 - (b) Expectation of reduced work effort being applied than would be expected under the full suite of ISAs, despite the proposed level of assurance being the same; and
 - (c) Perception that regulators may not accept the use of this proposed standard on audits which are required by local statutory or regulatory requirements.
2. In January 2023, the IAASB exposed a new Part 10 to the proposed standard on Group Audits. The AUASB submission supported the IAASB's proposals to allow audits with group audits to be within the scope of ISA for LCE, but not supporting the proposal to scope out group audits when a component auditor is used (i.e. any work would be performed directly by the group auditor). In July 2023 the IAASB decided to proceed with its proposal except that there could be a component auditor where their work is limited to where a physical presence is needed for a specific audit procedure for the group audit (e.g. a stock count).

Matters for Discussion

3. The latest version of the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE) appears in the papers for the IAASB's September 2023 meeting [\[here\]](#). It is expected that the IAASB will vote in favour of making this version the final standard. It is unlikely that the IAASB will make significant changes to the standard at this stage.
4. The main purpose of this paper is to update AUASB members. There will be an opportunity for members to comment on key aspects of the proposed ISA for LCEs, but discussion of some of these matters may need to be deferred to the AUASB's December 2023 Board meeting if there is insufficient time.

A. Amendment to the Final Preface

5. The IAASB has decided to remove the proposed wording in the Preface that the full International Standards on Auditing (ISA) can be used as guidance when performing an audit using the proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE). The IAASB is now of the view that this statement may have been perceived to contradict the objective of creating a standalone standard.

B. Final 'Authority'

6. Section A on pages 6-11 of the proposed standard outline the 'Authority' for determining the appropriate use of the ISA for LCE. For convenience, the Authority (without the Essential

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Explanatory Material) has been included at Attachment 1 to this Agenda Paper. The proposed ISA for LCE could now be used where there is a Group Audit, except where a component auditor does more than necessary for an audit procedure requiring physical presence paragraph 5 above.

7. Auditors could not use the proposed ISA for LCE where reports from auditors of a service organisation are used as audit evidence. The IAASB agreed that many LCEs use services provided by service organisations, and such reports may be used to support a general understanding of an entity, however the reliance on the reports as audit evidence is not typical for audits of LCEs. This may have unintended consequences of reduced usage of the ISA for LCE.
8. The quantitative thresholds are to be set by local jurisdictions.

C. Proposed Effective Date

9. Approval of the LCE standard is expected September 2023, with PIOB approval December 2023. Since the Standard is largely a voluntary alternative to existing standards, the standard will be effective for periods commencing on or after 15 December 2025, so essentially for years commencing 1 January 2026 or 1 July 2026, early adoption is permitted.

D. Maintenance of the Standard

10. General recommendation is to remain up to date and consistent with the ISAs and for changes to be developed and exposed concurrently with changes to ISAs; however see paragraph 11 below for standards already underway.
11. The IAASB would like a period of initial stability to allow the LCE standard to settle, for policies and procedures and methodology and training to be implemented. Saying that, the revised ISA 570, ISA 500 and ISA 240 are currently already well progressed/underway. The Task Force is recommending that the LCE standard be updated for these 3 standards only after the post implementation review of those 3 standards (expected after 2 full audit cycles). The aim would be to have these revisions effective within 5 years of the LCE becoming effective (i.e. within 5 years of 2025).

E. Implementation Guidance

12. The IAASB intend to issue:
 - supplemental guides on Authority and Reporting;
 - first time implementation and transition guides including key differences between the ISAs and the ISA for LCE.

F. Due Process

13. The IAASB does not intend to re-expose the ISA for LCE for the following reasons:
 - While elements have been modified/clarified, there have been no substantial changes to the key concepts of the project, nor have any changes resulted in a departure from the project objectives;
 - No new concepts that have not been exposed;
 - All changes in response to feedback – there will always be changes to standards in response to feedback; and
 - Re-exposure will not result in new information or concerns that have not already been aired.

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Next steps/Way Forward

14. Given that ISA for LCE is proposed to only become effective for years commencing in 2026, and since current practice is the use of the full suite of ASAs, there is no immediate need to consider these proposals in Australia.
15. As noted in Paragraph 1 to this Agenda Paper, Australian stakeholders had some fundamental concerns with the premise of this standard. These concerns may not have been addressed with the final standard as being discussed at the upcoming IAASB meeting.
16. At the June 2023 AUASB meeting, AUASB members commenced discussions regarding the adoption of the proposed LCE standard within Australia and considerations regarding the nature of amendments that may need to be made to the final standard, particularly around the Authority of the standard, for local purposes. The AUASB discussed the need to engage with regulators and stakeholders and that any potential amendments would need to be exposed for public comment. The consideration of the adoption of this standard for the Australian market will be brought to the AUASB for consideration at the December 2023 AUASB meeting.

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ATTACHMENT 1 – EXTRACT FROM LCE STANDARD

AUTHORITY – REQUIREMENTS ONLY

“A.1. The ISA for LCE shall not be used if:

- (a) Law or regulation prohibits the use of the ISA for LCE or specifies the use of auditing standards other than the ISA for LCE for the audit of financial statements in that jurisdiction.
- (b) The entity is a listed entity.
- (c) The entity falls into one of the following classes:
 - (i) An entity one of whose main functions is to take deposits from the public;
 - (ii) An entity one of whose main functions is to provide insurance to the public; or
 - (iii) A class of entities where use of the ISA for LCE is prohibited for that specific class of entity by a legislative or regulatory authority or relevant local body with standard-setting authority in the jurisdiction.
- (d) The audit is an audit of group financial statements (group audit) and: (i) Any of the group’s individual entities or business units meet the criteria as described in paragraph A.1.(b) or A.1.(c); or (ii) Component auditors are involved, except when the component auditor’s involvement is limited to circumstances in which a physical presence is needed for a specific audit procedure for the group audit (e.g., attending a physical inventory count or physically inspecting assets or documents).

A.2. The classes in paragraph A.1.(a) (b) and (d) are outright prohibitions and cannot be modified. Legislative or regulatory authorities or relevant local bodies with standard-setting authority can modify each class described in paragraph A.1.(c) but a class cannot be removed.

A.3. The following list describes characteristics of an LCE for the purpose of determining the appropriate use of the ISA for LCE. The list is not exhaustive nor intended to be absolute (including numerical indicators), and other relevant matters may also need to be considered. Each of the qualitative characteristics may not, on its own, be sufficient to determine whether the ISA for LCE is appropriate or not in the circumstances. Therefore, the matters described in the list are intended to be considered both individually and in combination. For the purpose of group audits, these considerations shall apply to both the group and each of its individual entities and business units.

Business Activities, Business Model & Industry	The entity’s business activities, business model, or the industry in which the entity operates, do not give rise to significant pervasive business risks. There are no specific laws or regulations that govern the business activities that add complexity (e.g., prudential requirements). The entity’s transactions result from few lines of business or revenue streams.
Organizational Structure and Size	The organizational structure is relatively straightforward, with few reporting lines or levels and a small key management team (e.g., 5 individuals or less).
Ownership Structure	The entity’s ownership structure is straightforward and there is clear transparency of ownership and control, such that all individual owners and beneficial owners are known. Nature of Finance Function The entity has a centralized finance function, including centralized activities related to financial reporting.

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	There are few employees involved in financial reporting roles (e.g., 5 individuals or less).
Information Technology (IT)	The IT environment of the entity, including its IT applications and IT processes, is straightforward. The entity uses commercial software and does not have the ability to make any program changes other than to configure the software (e.g., the chart of accounts, reporting parameters or thresholds). Access to the software is generally limited to one or two designated individuals for the purpose of making the configurations. Few formalized general IT controls are needed in the entity's circumstances.
Application of the Financial Reporting Framework and Accounting Estimates	Few accounts or disclosures in the financial statements of the entity necessitate the use of significant management judgment in applying the requirements of the financial reporting framework. The entity's financial statements ordinarily do not include accounting estimates that involve the use of methods, models, assumptions, or data, that are complex.
Additional Characteristics Relevant for Group Audits	
For group audits, the following qualitative characteristics are to be considered in addition to those above:	
Group Structure and Activities	The group has few entities or business units (e.g., 5 or less). Group entities or business units operate in jurisdictions with similar characteristics, for example laws or regulations and business practices.
Access to Information or People	Group management will be able to provide the engagement team with access to information and unrestricted access to persons within the group as determined necessary by the group auditor.
Consolidation Process	The group has a simple consolidation process. For example: <ul style="list-style-type: none"> • Intercompany, or other consolidation adjustments are not complex; • Financial information of all entities or business units has been prepared in accordance with similar accounting policies applied to the group financial statements; and • All entities or business units have the same financial reporting period-end as that used for group financial reporting.

Quantitative Thresholds

- A.4. Determining quantitative thresholds assists in the consistent and appropriate use of the ISA for LCE in a jurisdiction. This section anticipates that legislative or regulatory authorities or relevant local bodies with standard setting authority will determine quantitative threshold(s) for use of the ISA for LCE in their respective jurisdictions.”



AUASB Agenda Paper

Title:	ISA 240 Fraud	Date:	12 September 2023
ATG Staff:	Rene Herman	Agenda Item:	8.0

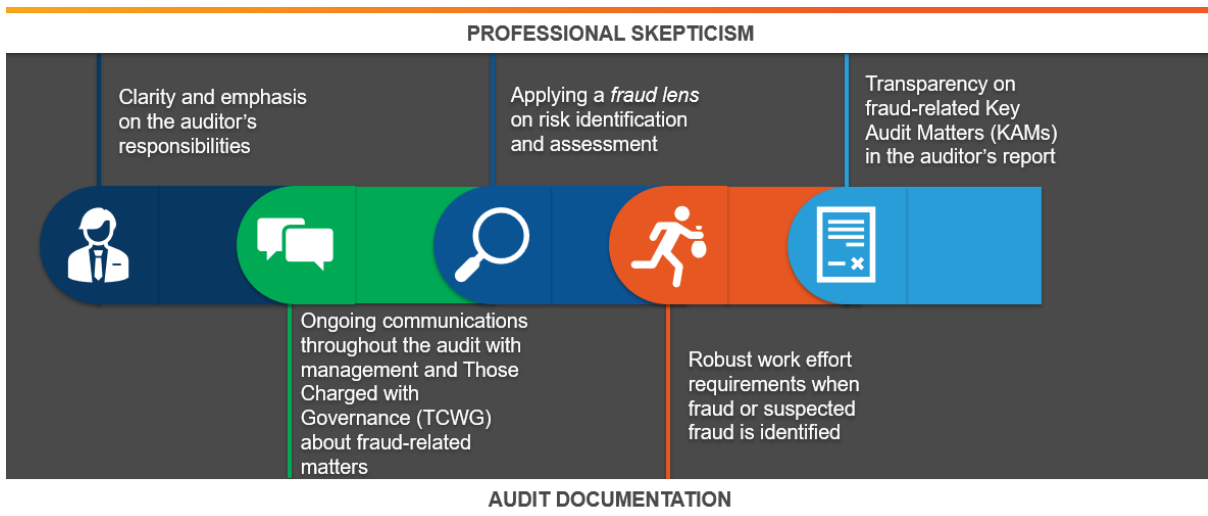
Questions for the Board and Staff view/Position

Question No.	Question for the Board	Staff View/Position
Question 1	<p>Do AUASB members have any feedback on any issues arising from the changes from the Extant ISA 240 listed in the following sections of this Agenda Paper:</p> <ul style="list-style-type: none">• A: Most significant enhancements to proposed ISA 240 compared to Extant ISA 240?• B: Other enhancements to ISA 240 linked to AUASB matters raised?• C: Conforming amendments?	<p>The proposed ISA 240 addresses all the matters that were raised by the AUASB at the time of the IAASB Discussion Paper on Fraud.</p> <p>The AUASB Staff is supportive of the changes from Extant ISA 240 as summarised in this Agenda Paper.</p>
Question 2	<p>Do AUASB members have any other comments in relation to the Proposed ISA 240</p>	<p>No further comment.</p>



Background and Previous Discussions on Topic

1. The AUASB provided input into the initial [IAASB Discussion Paper](#)¹ – see Appendix 1 to this Agenda Paper for a summary of AUASB input and feedback to the IAASB and a status update as to how the AUASB’s feedback has been incorporated (or not) into the proposed revisions to ISA 240. NB: All matters raised by the AUASB have been addressed as part of the revisions to ISA 240 (other than a financial report disclosure matter that was not within the remit of the IAASB).
2. Proposed ISA 240 is now significantly progressed and the opportunity for the AUASB to influence the development of the exposure draft is narrowing. The September AUASB meeting is still the opportunity for AUASB members to raise matters that we can feed to the IAASB to influence direction of the Exposure Draft. The Proposed Standard is due to be voted on by the IAASB at the December 2023 IAASB meeting.
3. The version of the Proposed ISA 240 for the IAASB’s September 2023 Board meeting can be found at [here](#). AUASB members should focus on the requirements in the draft proposed standard.
4. The diagram below depicts and describes what the IAASB’s Fraud Task Force considers to be the most important proposed changes addressing the key issues identified in the project proposal, that will drive consistency in practice and change in auditor behaviour. The sections below describe some of the more substantive enhancements in these sections. This summary was provided to AUASB in June 2023, but has been updated taking into account any later updates.



A. Most significant enhancements to proposed ISA 240 compared to the Extant ISA 240

i. Clarification and emphasis of auditor’s responsibilities

- Introduction: bringing the **focus** on the auditor’s responsibilities **upfront** in the standard to **set the tone** and clearly articulate expectations [paragraph 2].
- Introduction: separate section for inherent limitations (moved out of auditor’s responsibilities): reduction of ambiguity between inherent limitations of an audit and the auditor’s responsibilities and isn’t seen to diminish responsibilities [paragraphs 9-11].

¹ In September 2020, The IAASB issued a Discussion Paper on Fraud and Going Concern, seeking perspectives from all of its stakeholders across the financial reporting ecosystem on whether the International Standards on Auditing (ISAs) related to fraud and going concern need to be updated to reflect the rapidly evolving external reporting landscape, and, if so, in what areas. The Discussion Paper set out the issues and challenges related to the expectation gap (the difference between what users of the financial statements expect and the financial statement audit) and explored some possible actions that the IAASB could undertake to help narrow the expectation gap.

- Fraud, suspected fraud, allegations of fraud – all treated as suspected fraud identified by the auditor (the manner in which information comes to the attention of the auditor may vary) – will attract additional requirements [paragraphs 54-63].
- Application material included [paragraph A10A] to clarify that until the auditor has obtained an understanding of the fraud [as required by paragraph 54], the auditor is not able to determine whether or not the fraud is immaterial or inconsequential. So once there is a fraud or suspected fraud – auditor cannot just ignore.

ii. Professional Scepticism

Changes to reinforce the auditor's professional scepticism needed in gathering evidence, challenging assumptions, and developing conclusions in audit areas related to fraud are:

- Focus on authenticity of documentation – link to ISA 500 and reliability and attribute of authenticity [paragraph 19].
- Reinforce importance of the auditor remaining alert throughout engagement [paragraph 12, 18].
- Addresses considerations of auditor bias [throughout standard and in para 43].

iii. Ongoing communications throughout the audit with TCWG

- Overarching requirement to communicate throughout audit engagement [paragraph 25].
- Enhancements of inquiries when obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control [paragraph 31(d)].
- If fraud: discuss with at least one level of management/TCWG above those involved [paragraph 59(a)].

iv. Applying a fraud lens – risk assessment

Changes to improve identification of risk of fraud are:

- Explicit and robust ISA 315 fraud considerations in understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control [paragraphs 26-29].
- Added a new requirement and associated application material [paragraph 35(b)/A94A]] to obtain an understanding of control activities that prevent or detect fraud other than "controls over journal entries" - this is consistent with revised ISA 315
- Significantly strengthened engagement team discussions with greater specificity regarding discussions [paragraph 29].
- Throughout the risk assessment, a focus on incentives/pressures, opportunities and attitudes including from entity's tone at the top and performance measures.
- Strengthened considerations regarding the need to integrate forensic experts [paragraph A31, A32, A35, A49A, A145].

v. Robust work effort when fraud or suspected fraud is identified

Enhancements to provide the clarity sought by stakeholders as to how to respond to fraud/suspected fraud identified during the audit and to promote consistent practice and behaviours are:

- Clear requirements where the auditor identifies fraud [paragraphs 54-63].
- Once fraud identified: Engagement partner has a responsibility to obtain a understanding of the fraud. Significant application material addresses the understanding of the how, the extent and the evidence [paragraph 54/A150-A153].
- Based on understanding about fraud - determination whether or not to perform additional audit risk assessment procedures [paragraph 57] or design and perform additional audit procedures [paragraph 57(b)].
- Additional audit procedures [paragraph 59] (currently not linked to conditionality of paragraph 57) to address.

vi. Transparency on fraud- related KAMs in the auditor's report

Changes to ensure transparent, independent, rigorous and balanced reporting on fraud are:

- **KAM now to include fraud related** – appropriate sub-heading [paragraph 68]
- **KAM filter same as ISA 701** [paragraph 66-67], with 3 areas to consider [paragraph 66]:
 - Significant ROMM due to fraud
 - Identification of fraud/suspected fraud
 - Identification of deficiencies in internal controls that are relevant to the detection and prevention of fraud

Note application material paragraph A176: The auditor may communicate a significant deficiency in internal control to management and those charged with governance that is relevant to the prevention and detection of fraud. Significant deficiencies may exist even though the auditor has not identified misstatements during the audit. For example, the lack of a reporting mechanism (e.g., whistleblower program) may be indicative of weaknesses in the entity's control environment, but it may not directly relate to a risk of material misstatement due to fraud. The auditor is required to communicate significant deficiencies in internal control in accordance with ISA 265.

- AUASB members attention is also drawn to application material paragraph A179: One of the considerations that may be relevant in determining the relative significance of a matter that required significant auditor attention, and whether such a matter is a key audit matter, is the importance of the matter to intended users' understanding of the financial statements as a whole.² As users of financial statements have highlighted their interest in matters related to fraud, these matters are ordinarily of most significance in the audit of the financial statements of the current period and therefore are key audit matters. See also consequential amendment to ISA 701 below.
- If there are no fraud related KAMs – include statement [paragraph 69].

² ISA 701, paragraph A29

Note: it is anticipated that the number of fraud-related matters that will require significant auditor attention will be larger due to the more robust risk assessment performed and other enhancements made in ISA 240.

B. Other areas previously raised by the AUASB not specifically linked to the matters above

5. There is still a presumption of ROMM due to fraud in relation to revenue recognition, however it will be made clear that rebutting the presumption is generally not appropriate, with AM stating ‘significance of fraud risk factors related to revenue recognition, individually or in combination, ordinarily makes it inappropriate to rebut the presumption’ [paragraph 41].
6. Obtain audit evidence about the completeness of all journal entries [paragraph 50(b)].
7. Focus on engagement teams collective competence and capabilities – application material focus on consideration of need for specialist forensic skills [paragraph 22].

C. Conforming and Consequential Amendments

8. The points below summarise the significant conforming/consequential amendments. Note that ISRE 2410 is out of scope for conforming/consequential amendments as it is still in a pre-clarity format and this standard has not been updated for conforming amendments in relation to other recent projects of the IAASB.
 - i. ISA 200/A24: The following sentence is being deleted “The auditor may accept records and documents as genuine unless the auditor has reason to believe the contrary.” The Fraud TF believes the sentence undermines the auditor’s responsibility to maintain professional scepticism throughout the audit and dilutes the auditor’s responsibility to respond when conditions indicate that a record or document may not be authentic.
 - ii. ISA 450/ 5A and A6A In paragraph 5A, a new requirement is being added that “If the auditor identifies a misstatement, the auditor shall determine whether such a misstatement is indicative of fraud”. This requirement leverages the extant wording in paragraph 36 of ISA 240. In paragraph A6A, guidance and linkages to proposed ISA 240, for when the auditor identifies misstatements that may be a result of fraud.
 - iii. ISA 700/40: Under the auditor’s responsibility requirement (and then flow through into example auditor’s reports):
 - an additional requirement for the auditor to communicate with TCWG ‘Identified fraud or suspected fraud, or other matters related to fraud that are, in the auditor’s judgment, relevant to the responsibilities of those charged with governance’.
 - amendment to reference that where KAM is referred to, it indicates that KAM includes matters related to fraud.
 - iv. ISA 701 amendments to advance the proposals for transparency in the auditor’s report with the most notable being:
 - A8A: ISA 240 (Revised)³ includes requirements for the auditor to determine which matters related to fraud, that are communicated with those charged with governance, are key audit matters. The requirements and guidance in ISA 240 (Revised) refer to, or expand on, the application of this ISA.

³ ISA 240 (Revised), *The Auditor’s Responsibilities Relating to Fraud in an Audit of Financial Statements*, paragraphs 66–69

- A18A: ISA 240 (Revised)⁴ notes that fraud related matters often are matters that require significant auditor attention and that, given the interest of users of the financial statements, fraud related matters “are ordinarily matters of most significance in the audit of the financial statements in the current period and therefore are key audit matters.”

Next steps/Way Forward

9. The IAASB intend to progress the drafting of ISA 240 through to December 2023 when the IAASB will approve an exposure draft of proposed ISA 240. Next steps and their timing for the AUASB will be considered at the December 2023 Board meeting.

⁴ ISA 240 (Revised), paragraph A174 and A179.



Appendix 1 – Mapping of points raised by AUASB on IAASB Fraud Discussion Paper to latest Proposed ED ISA 240

For AUASB information purposes, a link to the AUASB submission to the IAASB on the Fraud Discussion Paper is contained [[here](#)].

No.	AUASB point raised in submission	IAASB response through the proposed draft standard
1.	Importance of senior team members and knowledge share and greater supervision and involvement of more senior team members in this area.	<ul style="list-style-type: none">• Significantly strengthened engagement team discussions and knowledge share for auditor’s considerations around fraud through additional requirements and application material (paragraph 29).• Drawing in the requirements of ISA 220 in relation to collective competence and capabilities (paragraph 22)
2.	Not strong support to include forensic specialists but support to use as part of engagement team discussions and ultimately based on circumstances of the engagement.	Drawing in the requirements of ISA 220 in relation to collective competence and capabilities with AM focusing on consideration of need for specialist forensic skills (paragraph 22 and associated application material).
3.	Closer links to ISA 540 Auditing Accounting Estimates and Disclosures and management bias for complex accounting estimates.	<ul style="list-style-type: none">• Enhancements to requirements and application material to use the language of ISA 540 in terms of professional scepticism (question/challenge/management biases) (Paragraphs 51-52 and associated application material).• Robust requirement in relation to retrospective review of the outcome of previous significant accounting estimates (paragraph 28).
4.	Improvements to identify fraud risk factors and where fraud could occur and not just in the areas of revenue and journal entries.	<ul style="list-style-type: none">• Consideration of other areas that should have increased focus, importance of risk assessment procedures to identify and assess fraud risks (strengthening links to ISA 315 and the risk assessment process).• Enhancements to make journal entry testing more robust (paragraphs 34-35, 49-50, Appendix 4⁵).• New requirement to obtain an understanding of other controls that prevent or detect fraud (besides controls over journal entries) (paragraph 35).• Enhancements in relation to the presumption of the ROMM due to fraud in revenue recognition (paragraph 27).

⁵ Appendix 4 includes additional considerations when selecting journal entries and other adjustments for testing, including matters that the required understanding provides the auditor knowledge about

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No.	AUASB point raised in submission	IAASB response through the proposed draft standard
5.	More guidance on how unpredictable audit procedures address fraud risk	Enhancing guidance around auditor’s consideration of unpredictability of procedures (paragraphs AM A113 – A115).
6.	Additional guidance as to what is required when fraud is detected and understanding the links between fraud (ISA 240) and non-compliance with laws and regulations (ISA 250)	<ul style="list-style-type: none"> • Clarifying the relationships between ISA 240 and ISA 250 (paragraph 13). • Enhanced linkages with ISA 260 (communications with those charged with governance) including on-going nature of communications and communication of potential indicators of management bias (throughout standard including paragraphs 25, 31 and associated application material). • Robust requirements and application material to provide clarity on procedures when fraud is identified/detected (paragraphs 54-63).
7.	Considerations of use of emerging technologies	Significant guidance/examples provides throughout the standard in terms of technology (paragraphs A5, A9, A28, A31, A33, A35, A49A, A50, A55, A59, A80, A92, A114, A116, A117, A119A, A138, A140, A144, A147, A166)
8.	Importance of corporate culture/ executive incentives/knowledge of entity/internal control environment	<ul style="list-style-type: none"> • Consideration of culture and executive incentives as part of engagement team discussions (paragraph 29). • In applying ISA 315, understanding corporate culture (paragraph 31) • Strengthened understanding the components of the Entity’s System of Internal Controls and risk assessment process (paragraphs 31-36)
9.	The AUASB would support measures that increase an entity’s transparency about their governance processes and internal controls related to fraud prevention and detection. This could be either under separate reporting obligations, as part of the existing audit framework or potentially as a separate assurance engagement independent of the current financial reporting assurance process.	Entity’s transparency: outside the remit of the IAASB.
10.	Mixed views about further transparency with reference	Auditor’s Report changes:

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No.	AUASB point raised in submission	IAASB response through the proposed draft standard
	to the auditor's report and management/TCWG.	<ul style="list-style-type: none"> • KAM now to include fraud related – appropriate sub-heading [paragraph 68] • KAM filter same as ISA 701 [paragraph 66-67], with 3 areas to consider [paragraph 66]: <ul style="list-style-type: none"> ○ Significant ROMM due to fraud ○ Identification of fraud/suspected fraud ○ Identification of deficiencies in internal controls that are relevant to the detection and prevention of fraud • If there are no fraud related KAM – include statement [paragraph 69] <p>TCWG</p> <ul style="list-style-type: none"> • Overarching requirement to communicate throughout audit engagement [paragraph 25]. • Enhancements of inquiries when obtaining an understanding of the entity and its environment, the applicable financial reporting framework and the entity's system of internal control [paragraph 31(d)] • If fraud: discuss with at least one level above those involved [paragraph 59(a)]
11.	Importance of the role of education and professional training	Not in IAASB remit
12	Complexity of language in the standards	CUSP working group project
13	Encouragement to consider how auditors can better employ emerging technologies to enhance auditor performance regarding fraud	Significant guidance/examples provides throughout the standard in terms of technology (paragraphs A5, A9, A28, A31, A33, A35, A49A, A50, A55, A59, A80, A92, A114, A116, A117, A119A, A138, A140, A144, A147, A166)
14	Apply professional scepticism and encourage sceptical behaviour in the right circumstances but no support for requiring a 'suspicious mindset'	<ul style="list-style-type: none"> • Focus on authenticity of documentation [paragraph 19] • Reinforce importance of the auditor remaining alert, especially when performing audit procedures related to fraud [paragraph 12,18]. • Addresses considerations of auditor bias [throughout and in para 43]



AUASB Agenda Paper

Title:	Feedback from submissions to IAASB on - Proposed ISA 500 (Revised) <i>Audit Evidence</i>	Date:	12 September 2023
ATG Staff:	Marina Michaelides	Agenda Item:	9.0

Questions for the Board

Question No.	Question for the Board	Staff View/Position
Question 1	Do AUASB members have any feedback on the matters included within paragraph 6 of this Agenda Paper?	<p>The ATG (AUASB Technical Group) supports the direction of IAASB at this stage on themes 1 to 8 and 10 to ED 500.</p> <p>The ATG do not necessarily agree that the proposed direction on theme 9 (paragraph 6(i) of this Agenda Paper) to link completeness and accuracy to attributes of <u>internal sources</u> of information is consistent with a principles based standard and to continue to call out completeness and accuracy over other attributes of reliability does not address the issue appropriately.</p>

Background

- ISA 500 is an overarching standard on audit evidence. In October 2022 the IAASB issued Exposure Draft ISA 500 (Revised) *Audit Evidence* (IAASB ED), with comments due by 24 April 2023.
- In November 2022 the AUASB issued the IAASB ED for comment with a 'wrap around' on Australian specific matters. In February 2023 the AUASB held outreach sessions to inform the AUASB submission to the IAASB on the IAASB ED.
- For information and reference purposes, AUASB members can find the AUASB submission to the IAASB on Proposed ISA 500 (Revised) *Audit Evidence* [\[here\]](#) and the IAASB Audit Evidence feedback and Issues paper [\[here\]](#).

Matters for Discussion

Key Themes to Discuss with AUASB

- This Agenda Paper summarises themes from an initial review of stakeholder submissions that will be presented to the IAASB at the upcoming September 2023 IAASB meeting. This is a very early stage of IAASB assessment of feedback on the IAASB ED. The themes include technology and professional scepticism which were raised in the AUASB's submission.



Summary of themes across the feedback

5. The main high-level feedback provided in submissions to the IAASB was:
- There was **general agreement and support for a principles-based approach** to ISA 500.
 - There was concern that application material was becoming de-facto requirements and the IAASB needed to achieve **the right balance between requirements and guidance**.
 - Clarity was sought for **work effort and documentation expectations** and for scalability aspects, particularly for the attributes of relevance and reliability.
 - Revisions to **ISA 500 alone are insufficient to address all audit evidence** related matters including technology and that a broader approach to addressing evidence through ISA 330 *The Auditor's Responses to Assessed Risks* and the ISA 500 suite was required, leading for calls to revise ISA 330 and certain ISAs of the 500 series.
 - The IAASB would need to demonstrate how the proposed changes to ISA 500 will result in a **change in work effort/current practice and an improvement in audit quality**.
 - ISA 500 had not been sufficiently modernised in relation to **IT considerations**.
6. The matters in 6a – 6j below provide greater detail of the feedback received by the IAASB by specific area.
- a) **Theme 1 – Purpose and Scope (initial stages)**
- Support for a principle-based approach, however:
 - Some caution that the principles are set at a too high level that may risk inconsistent application.
 - More specificity in the requirements and/or guidance may be needed to provide sufficient direction for auditors and support consistent interpretation from regulators.
 - Relationships and linkages with other ISAs:
 - Concern about duplicated work effort (e.g. overlap with ISA 330 for the objectives and the “stand-back” requirement in ISA 500).
 - Support for clearer relationships with certain ISAs (e.g. with ISA 240, ISA 315 (Revised 2019), ISA 330 and with certain ISAs of the 500-series).
 - Need to holistically address audit evidence related matters by undertaking broader revisions across the suite of the ISAs.

Comments are consistent with matters raised by AUASB.

- b) **Theme 2 - Enhanced Auditor Judgment When Obtaining and Evaluating Audit Evidence (initial stages)**
- Broad support that the proposed revisions will collectively lead to enhanced auditor judgment when obtaining and evaluating audit evidence.
 - Key areas for improvement:
 - More clarity is needed on what auditors will do differently in practice because of the revisions to ISA 500 and how audit quality will be improved e.g., documentation expectations in key areas where the auditor exercises professional judgment (e.g., in relation to the evaluation of the attributes of relevance and reliability, testing for accuracy and completeness, and performing the “stand-back” evaluation).



- Guidance for scalability aspects to support consistent professional judgments by auditors about the work effort that is appropriate when presented with similar facts and circumstances.
- More examples and guidance for technology related matters, including the use of Automated Techniques and Tools (ATT), to support consistency in the auditor's professional judgments when applying the principles-based requirements of the standard.

Comments are consistent with matters raised by AUASB.

c) **Theme 3 - Balance of Requirements and Application Material (initial stages)**

- Support for:
 - Streamlining the application material (e.g. by reducing duplication and overall length, cross-referencing).
 - Providing more robust examples and application guidance (e.g. "how" a procedure is intended to be undertaken).

Comments are consistent with matters raised by AUASB.

d) **Theme 4 - Modernising and supporting a principles-based standard that recognises the evolution of technology (proposed changes)**

- Overarching matters:
 - Mixed views whether the objective for modernisation with respect to technology has been achieved.
 - Broad acknowledgement that more is needed to accommodate the use of technology in ISA 500.
 - The revisions to ISA 500 alone are seen as insufficient – support for a more holistic approach to address technology related matters across the IAASB standards.
- Support for more guidance and examples to acknowledge the evolution in technology and in current practice (e.g., use of audit data analytics, robotic process automation and artificial intelligence).
- Suggestions for:
 - Providing a more balanced discussion for automation bias (e.g., not to overemphasise the drawbacks only).
 - Defining or describing ATT.
 - Inclusion of a principle-based, conditional requirement with respect to use of ATT.
 - Collaboration and coordination with IESBA with respect to technology related matters.

Comments are consistent with matters raised by AUASB.

e) **Theme 5 - Fostering the Appropriate Exercise of Professional Scepticism (initial stages)**

- Broad support for the enhancements made in relation to professional scepticism.
- Areas where opportunities for improvements can be further considered:
 - Clarifying the consideration of "persuasiveness" in the critical assessment of audit.



- Evidence included in the definition of professional scepticism.
- Enhancing the application material for conscious and unconscious biases.
- Addressing professional scepticism when the auditor has doubts about relevance and reliability of information, and when there are inconsistencies with other audit evidence.
- Improving the guidance for the attributes of reliability with an emphasis on the exercise of professional judgment and application of professional scepticism in considering these attributes and their interrelationships.
- Providing linkages with the auditor's responsibility in relation to fraud given that management override of controls can affect the reliability of audit evidence.
- Aligning with changes to the IESBA Code that promote the role and mindset of professional accountants.

Comments are consistent with matters raised by AUASB.

f) **Theme 6 - Revised Definition of Audit Evidence (proposed changes)**

- Broad support for the conceptual relevance of the "input-output model," however, views that the definition of audit evidence:
 - Is too theoretical and delivers an overly simplistic view of the "input-output model."
 - Makes it unclear what is required / extent of effort needed to turn information into audit evidence – which in some situations may be nothing.
 - Is too narrow and could prevent the auditor from using certain information as audit evidence.

The AUASB did not raise any substantive matters on this theme.

g) **Theme 7 - Interrelationship of Sufficiency, Appropriateness and Persuasiveness of Audit Evidence (proposed changes)**

- General support for inclusion of the concept of persuasiveness in ISA 500, including views that the concept of persuasiveness of audit evidence should be:
 - A defined term for the purpose of ISA 500, and the ISAs more broadly.
 - Elevated to the requirements section of ISA -500.
 - Better explained or illustrated to remove uncertainty for the auditor as to how much audit evidence is enough.
- Support to streamline the application material explaining the interrelationship of sufficiency, appropriateness, and persuasiveness to enhance its understandability and clarity.

Comments are consistent with matters raised by AUASB.

h) **Theme 8 - Evaluating the Relevance and Reliability of Information Intended to be Used as Audit Evidence (proposed changes)**

- Broad support that ISA 500 will support an appropriate evaluation of the relevance and reliability of information intended to be used as audit evidence.
- Concerns about increased work effort burden with the step-up from "consider" to "evaluate" in the requirement.



- Support to provide further clarity for:
 - The spectrum of work required to evaluate the relevance and reliability, including guidance for the auditor’s judgments which attributes are “significant” in the circumstances.
 - Documentation expectations (e.g. by providing guidance or by developing specific documentation requirements).
- Views that more robust requirements are needed for:
 - Evaluating the information intended to be used as audit evidence prepared by a management’s expert.
 - When the auditor has doubts about relevance and reliability of information.

The AUASB did not raise any substantive matters on this theme.

i) **Theme 9 - Conditional Requirement for Accuracy and Completeness (proposed changes)**

- The conditional requirement for accuracy and completeness seen as:
 - A less robust approach compared to extant, or
 - Diminishing the importance of the other attributes of reliability (i.e., authenticity, bias, and credibility).
- Concerns about the ability to comply with the requirement for information obtained from sources external to the entity.
- Clarity needed for the iterations between paragraphs 9 and 10 of the IAASB ED.
- Suggestions to:
 - Option 1: Removing paragraph 10 of the IAASB ED and adding essential material to paragraph 9 of the IAASB ED explaining that accuracy and completeness are significant attributes for information from sources internal to the entity; or
 - Option 2: Replacing paragraph 10 of the IAASB ED with a requirement to obtain audit evidence about accuracy and completeness for information from sources internal to the entity, supported with essential material.
 - The IAASB’s Audit Evidence Task Force intends to enhance the application material in support of the proposed requirements for both Options 1 and 2.

Comments are consistent with matters raised by AUASB except regarding the requirement being less robust to the extant.

j) **Theme 10 - “Stand-Back” Requirement (proposed changes)**

- Mixed views about the benefits of the new “stand-back” requirement:
 - Seen as duplicative with the “stand-back” in ISA 330 and therefore unsure about what the auditor is expected to do differently than as already required by ISA 330 as well as the potential increased documentation burden due to its overlap with the “stand back” of ISA 330.
 - May be misinterpreted to exclude consideration of information that is inconsistent with other audit evidence, or which contradicts assertions within the financial statements.



- Suggestions to:
 - Broaden the scope of the requirement to explicitly address all information obtained during the audit.
 - Optimise and integrate the various “stand-backs” across the ISAs to increase their effectiveness.
 - Clarify work effort and documentation expectations around the new “stand-back” requirement.

Comments are consistent with matters raised by AUASB.

Next steps/Way Forward

7. Following the September 2023 IAASB meeting the AETF will continue to discuss the key themes from the feedback to IAASB ED in further depth, develop proposals and update the drafting in IAASB ED to address the significant comments received on exposure. We will seek views from AUASB members as the finalisation of this standard progresses.



AUASB Agenda Paper

Title:	IAASB Proposed Strategy and Work Plan for 2024–2027	Date:	12 September 2023
ATG Staff:	Matthew Zappulla	Agenda Item:	10

Questions for the Board and Staff view/Position

Question No.	Question for the Board	Staff View/Position
Question 1	Do AUASB members have any comments on the revised IAASB Proposed Strategy and Work Plan for 2024–2027?	The AUASB technical staff note that there have not been significant changes to the revised IAASB Proposed Strategy and Work Plan for 2024–2027 since it was exposed by the IAASB in the first half of 2023, and that the amendments made to the document are either in line with the key points in the AUASB’s submission to the IAASB on this matter or are not significant.
Question 2	Do AUASB members consider the proposed amendments to the revised IAASB Proposed Strategy and Work Plan for 2024–2027 have any immediate or longer term impact on the current and future AUASB technical work program?	Most of the feedback provided by the AUASB in its submission on the IAASB Proposed Strategy and Work Plan for 2024–2027 has either been addressed or will be deliberated further at the upcoming IAASB meeting from 18-21 September 2023. Accordingly, the AUASB technical staff consider there are no urgent or significant matters the AUASB need to consider for the AUASB technical work program at this time. A better time to address the impact of the IAASB Proposed Strategy and Work Plan for 2024–2027 would be at the AUASB meeting in December 2023 when additional feedback from IAASB members has been considered.

Background and Previous Discussions on Topic

- The IAASB released its Proposed Strategy and Work Plan for 2024–2027 consultation paper for comment in January 2023. The consultation paper was reviewed by the AUASB at its March 2023 meeting and the final submission to the IAASB on the consultation paper was reviewed by the AUASB out of session before being sent to the IAASB in April 2023.
- A copy of the AUASB’s submission to the IAASB is available on the AUASB website [here](#). In its submission the AUASB:
 - Supported the strategic elements included in the IAASB’s proposed Strategy and Work Plan;

AUASB Agenda Paper

- Focused on key themes the AUASB considered the IAASB should address in order to better achieve its goals and objectives as a global standard setter; and
- Provided specific comments on which IAASB projects should be prioritised in its future work program, as requested in Questions 4 & 5 of the Consultation Paper.

Matters for Discussion

A. IAASB responses relevant to the AUASB's submission on their Proposed Strategy and Work Plan for 2024–2027

3. The IAASB has produced a revised version of their Proposed Strategy and Work Plan for 2024–2027 as part of the board papers for the upcoming September 2023 IAASB meeting. A full copy of the document is available on the IAASB website [here](#).
4. As noted above, in its submission to the IAASB the AUASB highlighted some key themes it considered the IAASB should address in order to better achieve its goals and objectives as a global standard setter. Many of these 'key themes' the AUASB commented upon aligned with feedback the IAASB received from other stakeholders¹.
5. Whilst the changes made to the revised Strategy and Work Plan are not significant, the IAASB has made changes to its Proposed Strategy which are consistent with AUASB's comments that the IAASB should:
 - Improve the timeliness of Standards Development (incl. greater consideration of narrow scope amendments to standards);
 - Apply more resources and increased emphasis on Implementation support; and
 - Provide greater emphasis on the importance of timely post implementation review (PIR) projects for recent standards.
6. The other 'key theme' in the AUASB's submission (Ensuring IAASB standards are relevant for non-accountants and the public sector) was not expressed as a priority by other respondents and consequently has not been included in their revised Strategy and Work Plan document.
7. Similarly, most of the feedback the AUASB provided in its submission to the IAASB relating to which IAASB projects should be prioritised in its future work program has been addressed and was consistent with other respondents. In particular the IAASB has acknowledged the need to elevate the importance of the following potential new standard setting projects, which were all highlighted as priorities by the AUASB in its submission and are listed below in order of priority based on the analysis the IAASB has included in their September 2023 Board papers:
 - Focus on the impact of technology, including updates to ISA 330 *The Auditor's Procedures in Response to Assessed Risk* and other ISA 500 series standards such as ISA 520 *Analytical Procedures* and ISA 530 *Audit Sampling*) – NB: refer further comments on this matter in paragraph 10 below.

¹ There were 61 responses to the IAASB's Consultation paper, including 11 from National Standard Setters like the AUASB and NZAuASB. A full analysis of the responses received by the IAASB is available in their September 2023 Board Meeting Papers at https://www.iaasb.org/_flysystem/azure-private/2023-08/20230919-Agenda_Item_5A%20-SWP%202024%202027%20-%20Summary%20of%20Respondents%20comments.pdf.

AUASB Agenda Paper

- Post implementation reviews of ISA 540 *Auditing Accounting Estimates and Related Disclosures* and ISA 315 *Identifying and Assessing the Risks of Material Misstatement*
- Revision of ISRE 2410 *Review of Interim Financial Information*
- Revision of ISA 720 *Auditor's responsibilities relating to Other Information*
- Revision of ISA 620 *Using the work of an Auditor's Expert*

NB: Additionally, the IAASB has slated the revision of ISA 320 *Materiality in Planning and Performing an Audit* as a potential future standard setting project, although this was not one of the projects highlighted to be a priority in the AUASB's submission.

8. In addition, the IAASB has committed to consider further standards for assurance on Sustainability Reporting following the completion of work associated with the development and completion of ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. However, the specific areas of subject matter any new sustainability standards will cover are yet to be determined and will be subject to further consultation. As a guide the IAASB has indicated they intend to split their work plan to cover traditional assurance areas and new sustainability assurance topics using a 70:30 ratio over the proposed 3-year work plan period.

B. Other amendments to the IAASB's Proposed Strategy and Work Plan for 2024–2027

9. The IAASB has made additional changes to their *Proposed Strategy and Work Plan for 2024–2027* based on feedback from other stakeholders. Significant additional amendments to the IAASB's Proposed Strategy that were either different or additional to the feedback provided by the AUASB (already summarised above) include:

- (a) the need for the IAASB to stay focused on developing principle-based standards, with concerns raised about the increased level of specificity and the length of some recently issued standards;
- (b) that the IAASB are more detailed in relation to work plan matters such as project priorities, project objectives, targeted outputs, project timelines, and allocation of resources; and
- (c) an acknowledgement that the IAASB should increase collaboration with IFAC and jurisdictional/ national auditing standard setters (NSS) on implementation support activities.

Whilst there has been no indication of how the IAASB intends to address these points over the next strategy/work plan period the AUASB technical staff would support these amendments in principle.

10. A significant theme coming through many responses to the IAASB's *Proposed Strategy and Work Plan for 2024–2027* was the need for the IAASB to have a more strategic approach to address the impact of technology in the ISAs, including a focus on the entity's use of technology, the auditor's responsibilities in an audit of financial statements, and ensuring that relevant IT topics are considered in developing new or revising existing ISAs. Stakeholders from different groups all expressed different priorities and concerns in this area, so the IAASB is considering a major change to its proposed work plan on this issue, with two options to be put to the IAASB for their consideration at the upcoming September 2023 meeting:

- (a) Option 1 – A more traditional, linear approach to the development of standards in this area, comprising a separate ISA 330 project and a technology project focused on standards in the ISA 500-series and continuing the current approach to revising ISA 500 which has already be exposed by the IAASB (refer **Agenda Item 9**); or

AUASB Agenda Paper

- (b) Option 2 – A more integrated approach, comprising an expanded audit evidence and risk response project, and a technology project focused on other targeted standards, revising ISA 500, ISA 330, and ISA 520 as a package (with the current Audit Evidence project becoming part of this expanded project). Addressing the impact of technology will be a significant part of this project and there could also be a technology focused modernization of ISAs 530, 505 and 501 included in scope.
11. Option 1 would allow the ongoing development of these ISAs and provide clearer milestones for implementation, but risks fragmentation and inconsistency across different standards, Alternatively, whilst Option 2 provides greater scope for commonality and interoperability relating to technology across a number of related IAASB standards, it risks being a very large project which may take a longer timeframe to implement and has a higher degree of complexity. The AUASB technical group does not have a strong view on this matter, especially as it is purely at the idea stage and requires further analysis at the IAASB level. The AUASB is requested to consider this issue and provide feedback on whether they would support Option 1 or 2 in principle. Further discussion and analysis of this topic is contained in an IAASB issues paper for the September 2023 meeting [here](#) (refer section D1, pages 17-20).

Next steps/Way Forward

12. The IAASB will seek feedback from IAASB members on the *Strategy and Work Plan for 2024–2027* at their upcoming September 2023 meeting. This will then feed into further revision to be made by the IAASB Planning Committee and staff over the next few months.
13. The IAASB intends to request approval of the Strategy and Work Plan at their December 2023 meeting. Accordingly at the AUASB December 2023 meeting the AUASB will be asked to provide further input into the final draft of the document, as well as consider implications for the AUASB Work Program.



AUASB Work Program Update

August 2023

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.



2022-23 AUASB Strategic Priority Areas



2023-24 Technical Work Program

Key outputs / projects delivered since previous AUASB Meeting

- AUASB Feedback Statement – Expanding Key Audit Matters beyond listed entities
- AUASB Feedback Statement – Post Implementation Review of ASAE 3500 Performance Engagements
- Functionality enhancements to the AUASB Digital Standards Portal
- ASA 600 FAQs
- AUASB Bulletin – What not-for-profit entities need to know about the differences between an audit or review
- Consultation Paper on the IAASB’s Proposed ISSA 5000 General Requirements for Sustainability Assurance Engagements
- AUASB Submission on the IAASB’s Exposure Draft on ISA 570 (Revised) Going Concern



2023-24 Technical Work Program

Key AUASB outputs / projects in progress

- Outreach plan for AUASB Sustainability Assurance Consultation Paper #
- Additional AUASB Sustainability Assurance guidance #
- Limited Scope revision of ASAE 3500 *Performance Engagements* #
- Review Engagement Guidance for NFP Assurance Engagements
- ASA 600 Compilations
- Review of AUASB Bulletins
- Audit Engagement Related Disclosures (Fees and Tenure) (with AASB) #
- LCE Standard – AU applicability and implementation
- Legislative drafting of assurance requirements (with Office of Parliamentary Counsel)
- Review of GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*

Included on September 2023 AUASB Agenda



2023-24 Technical Work Program

AUASB Research Program

- Deakin-AUASB Sustainability Assurance Research Workshop (25 October)
- AUASB Research Report – Current reporting practices under ASA 720 (with Deakin University)
- Joint AASB-AUASB Research Report - Climate related disclosures and Assurance (with UNSW Sydney)
- AUASB Research Report – Current state of assurance choices for medium sized Australian charities (with AUASB Research Scholar, Jenny Yang UNSW Sydney)
- Additional Sustainability Assurance Research opportunities being pursued



2023-24 Technical Work Program

IAASB Projects

NAME ↕	STATUS ↕
GOING CONCERN	Exposure Draft - Out for Comment
AUDITS OF LESS COMPLEX ENTITIES	Consideration of Comments
IAASB - SUSTAINABILITY STANDARD SETTERS' LIAISON	Ongoing
TECHNOLOGY	Ongoing
AUDIT EVIDENCE	Consideration of Comments
FRAUD	Exposure Draft Development
IAASB - IASB LIAISON	Ongoing
LISTED ENTITY AND PUBLIC INTEREST ENTITY (TRACK 2)	Exposure Draft Development
LISTED ENTITY AND PUBLIC INTEREST ENTITY (TRACK 1)	Approved
SUSTAINABILITY ASSURANCE	Exposure Draft - Out for Comment





AUASB Work Program Update

August 2023

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2022-23 AUASB Strategic Priority Areas



2023-24 Technical Work Program

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2023-24 Technical Work Program

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Included on September 2023 AUASB Agenda



2023-24 Technical Work Program

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2023-24 Technical Work Program

IAASB Projects

NAME ↕	STATUS ↕
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AUDITS OF LESS COMPLEX ENTITIES	Consideration of Comments
IAASB - SUSTAINABILITY STANDARD SETTERS' LIAISON	Ongoing
TECHNOLOGY	Ongoing
AUDIT EVIDENCE	Consideration of Comments
FRAUD	Exposure Draft Development
IAASB - IASB LIAISON	Ongoing
LISTED ENTITY AND PUBLIC INTEREST ENTITY (TRACK 2)	Exposure Draft Development
LISTED ENTITY AND PUBLIC INTEREST ENTITY (TRACK 1)	Approved
SUSTAINABILITY ASSURANCE	Exposure Draft - Out for Comment





AUASB Agenda Paper

Title:	Narrow Scope Revision of ASAE 3500 <i>Performance Engagements</i> — Project Update	Date:	12 Sept 2023
ATG Staff:	Johanna Foyster	Agenda Item:	12

Recommendations and Questions for the Board

This Agenda Paper has been prepared for Board information purposes only and there are no specific questions for AUASB consideration.

Background and Previous Discussions on Topic

1. AUASB Standard on Assurance Engagements [ASAE 3500 Performance Engagements](#) (ASAE 3500), was revised and reissued by the AUASB in October 2017. As required under the AUASB's Due Process Framework, a [Post Implementation Review](#) (PIR) of the Standard was conducted during the period April-June 2023, to evaluate the effectiveness and efficiency of the Standard's implementation and application in practice.

For a summary of the key findings from the PIR, refer to the AUASB's [Feedback Statement](#) that has been released publicly on the AUASB website.
2. At its June 2023 meeting, the AUASB provided support for the commencement of a new project that will make narrow scope amendments¹ to ASAE 3500 to address the key findings from the PIR.

ASAE 3500 Performance Engagements

3. The existing version of ASAE 3500 deals with direct engagements to provide a reasonable assurance report on an activity's performance evaluated against identified criteria. The Standard does not include any requirements or application material for undertaking limited assurance engagements but may be applied, adapted and supplemented as necessary, to limited assurance engagements.
4. ASAE 3500 is an Australian Standard with no IAASB equivalent; however, it is issued by the AUASB under the AUASB's *Framework for Assurance Engagements*, which is consistent with the IAASB's equivalent Framework.
5. ASAE 3500 is to be applied in conjunction with ASAE 3000². ASAE 3500 adapts the requirements in ASAE 3000, which is written for attestation engagements, as necessary, to direct engagements on performance and identifies the requirements of ASAE 3000 which the assurance practitioner is required to comply with in addition to the requirements of ASAE 3500.
6. ASAE 3500 is used primarily by State, Territory or Commonwealth Auditors-General for conducting performance engagements in the public sector; however, may also be used in the private sector.

Matters for Consideration

7. Following the June 2023 AUASB meeting, AUASB technical staff have developed a Project Plan for the revision of ASAE 3500, which has been approved by the acting AUASB Chair. The Project Plan, included at Agenda Item 12.1, provides further information on the project, including an action plan and preliminary project timeline.
8. A Project Advisory Group (PAG), consisting of 9 members representing each Auditor-General's Office in Australia (see Appendix 1), was formed in July 2023 to assist AUASB technical staff with the revision. The PAG met on 3 August 2023 to discuss an Issues Paper prepared by AUASB technical staff which outlined the scope of the proposed revisions to ASAE 3500 and identified specific matters where the PAG's input would be required.

¹ The AUASB has adopted a simplified due process for addressing changes to existing standards that are considered to be narrow in scope – refer to paragraphs 176-197 of the AUASB [Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications](#).

² ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

Key Issues to be Addressed

9. The narrow scope revision of ASAE 3500 will be focussed on the following areas of the Standard:

- (a) Update the Standard to also include specific requirements and application material for limited assurance performance engagements.
- (b) Update the Objectives of the Standard to be flexible and sufficiently broad to apply to a range of performance engagements. The existing ASAE 3500 expresses 'performance' in terms of economy, efficiency, and effectiveness only. Additional performance principles could include, for example, equity, ethics, and probity.
- (c) Revisit the reporting requirements of the Standard (content and format of the assurance report) taking into consideration the objective of a performance engagement and the needs of the users of assurance reports on performance.

Current practice is for Auditors-General to report conclusions together with other information (such as findings and recommendations) that highlights both positive and negative aspects of performance. Auditors-General consider such practice is consistent with their purpose of improving public sector performance and supporting accountability and transparency in the Australian government sector through their independent reporting. It is considered assurance reports on performance should also provide new information, analysis or insights and, where appropriate, recommendations for improvement.

- (d) Provide more specificity than ASAE 3000 (which primarily applies to attestation engagements) for performance engagements (which are direct engagements), including further application material/examples to demonstrate key principles, in the following areas:
 - The difference in work effort (procedures/evidence) between limited and reasonable assurance in the context of a performance engagement.
 - The concept of materiality in the context of a performance engagement.
 - Identifying and assessing engagement risk for a performance engagement.
 - The nature and extent of the assurance practitioner's understanding of relevant internal controls³
 - Examples of wording to use in drafting various types of assurance conclusions.
- (e) Update Appendices in line with revisions made to the main body of the Standard and to include further illustrative examples.
- (f) Consider if the Standard can be improved further if written in 'plain English' and using terminology more familiar to performance assurance practitioners who may not come from a financial auditing background.

Next steps/Way Forward

10. The PAG will next meet on 15 September 2023 to discuss, amongst other matters, issues identified with applying the Standard's materiality requirements in practice, and to revisit the minimum reporting requirements for performance assurance reports.

Materials Presented

Agenda Item	Description
12.1	AUASB Project Plan

³ See ASAE 3500, paragraph 33.

Appendix 1

Membership of the Project Advisory Group (PAG) for the Narrow Scope Revision of ASAE 3500

PAG Representative	Auditor-General's Office
Julie Crisp (PAG Chair and Auditor-General of NT)	Northern Territory Auditor-General's Office
Ingrid Wilkins	Australian National Audit Office
Matt Bowden	ACT Audit Office
Michael Thistlethwaite	Audit Office of NSW
Charles Strickland	Queensland Audit Office
Kris Slaytor	Auditor-General's Department of South Australia
Janine McGuinness	Tasmanian Audit Office
Alex Cullen	Victorian Auditor-General's Office
Jason Beeley	Office of the Auditor-General for Western Australia



AUASB Project Plan

Project Title:	Narrow Scope Revision of ASAE 3500 <i>Performance Engagements</i>
Date Prepared:	1 July 2023
Date Approved:	25 August 2023
ATG Member:	Johanna Foyster
AUASB Member:	Julie Crisp

Overview of Project

Background

1. AUASB Standard on Assurance Engagements [ASAE 3500 Performance Engagements](#) (ASAE 3500) sets out the requirements and related application and other explanatory material for assurance practitioners (accountants and non-accountants) to apply when accepting, planning, performing and reporting on performance engagements.
2. ASAE 3500 is used primarily by State, Territory or Commonwealth Auditors-General for conducting performance engagements in the public sector; however, may also be used in the private sector.
3. ASAE 3500 deals with **direct engagements** to provide a **reasonable assurance** report on an activity's/activities' performance (expressed in terms of economy, efficiency and/or effectiveness) evaluated against identified criteria. The Standard may also be applied, adapted and supplemented as necessary in the engagement circumstances, to limited assurance engagements. However, the Standard does not provide any further guidance for undertaking limited assurance engagements.
4. ASAE 3500 is an Australian Standard with no IAASB equivalent; however, it is issued by the AUASB under the AUASB's Framework for Assurance Engagements, which is consistent with the IAASB's equivalent Framework.
5. ASAE 3500 is to be applied in conjunction with ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. ASAE 3500 adapts the requirements in ASAE 3000, which is written for attestation engagements (covering reasonable and limited assurance engagements), as necessary, to direct engagements on performance and identifies the requirements of ASAE 3000 which the assurance practitioner is required to comply with in addition to the requirements of ASAE 3500.
6. ASAE 3500 was revised and reissued by the AUASB in October 2017 (operative for assurance engagements commencing on or after 1 January 2018).¹
7. At its June 2023 meeting, the AUASB approved a new project that will make narrow scope amendments to ASAE 3500, to address the key findings from the AUASB's [Post Implementation Review](#) (PIR) of the Standard that was undertaken March to June 2023.

¹ ASAE 3500 (October 2017) was updated in December 2022 to reflect conforming and consequential amendments in response to the revised suite of Quality Management Standards that became effective for financial reporting periods commencing on or after 15 December 2022.

What information gathering has been completed to date?

8. AUASB technical staff has conducted a PIR of ASAE 3500 to evaluate the effectiveness and efficiency of the Standard's implementation and application in practice. The AUASB has publicly released a [Feedback Statement](#) which summarises the key findings from the PIR. Evidence obtained from conducting the PIR has been used as starting point to identify potential issues that may exist in applying the Standard in practice.
9. AUASB technical staff has also performed a search of information that are publicly available that could provide further insight into the existence and nature of issues identified. This included a review of relevant:
 - (a) Auditor-General Auditing Standards and Audit Office policies to determine the extent to which ASAE 3500 has been adopted in each jurisdiction in Australia; and
 - (b) a review of relevant academic and other papers published on the subject matter since the Standard become operative.

Objective and Scope of this Project

Project Objective

10. To undertake a narrow scope revision of ASAE 3500 (revised and issued in October 2017), to address the key findings from the AUASB's PIR of the Standard, undertaken March to June 2023.

Project Scope

11. The revision is considered narrow in scope as it will be targeted at the specific issues identified by stakeholders that participated in the PIR, rather than undertaking a full-scale revision of the Standard in its entirety.²
12. For a summary of the key findings from the PIR, refer to the AUASB's [Feedback Statement](#) that has been released publicly on the AUASB website.

What are the major issues that need to be addressed?

13. The narrow scope revision of ASAE 3500 will be focussed on the following areas of the Standard:
 - (a) Update ASAE 3500 to also include specific requirements and application material for limited assurance performance engagements. Material will be set out in a columnar format to differentiate between limited and reasonable assurance engagements, in line with the approach followed in ASAE 3000 and other ASAEs.
 - (b) Update the Objectives of the Standard to:
 - (i) apply to both reasonable and limited assurance engagements; and
 - (ii) be flexible and sufficiently broad to apply to a range of performance engagements.

The existing ASAE 3500 expresses 'performance' in terms of economy, efficiency and effectiveness only (the '3 Es'). Additional performance engagement assertions/principles beyond the 3Es may also include equity (whether government

² The AUASB has adopted a simplified due process for addressing changes to existing standards that are considered to be narrow in scope – refer to paragraphs 176-197 of the AUASB [Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications](#).

entities provide services to all citizens in an equitable manner, without discriminating against a particular group) and probity (such as honesty, accountability and transparency). This may have flow on effects to the rest of the Standard. For example, there may be a need to revisit and, if necessary, update the definitions of 'performance engagement' and 'Objective of a performance engagement', as well as references to the 3Es throughout the Standard.

- (c) Revisit the reporting requirements of the Standard (content and format of the assurance report) taking into consideration the objective of a performance engagement and the needs of the users of assurance reports on performance.
- Feedback indicated divergent practices in applying the Standard's reporting requirements in the different jurisdictions in Australia.
 - It may not be appropriate or necessary for the assurance practitioner to express an overall conclusion on performance for the report to meet the needs of users. Current practice is for Auditors-General to report conclusions together with other information (such as findings and recommendations) that highlights both positive and negative aspects of performance. Auditors-General consider such practice is consistent with their purpose of improving public sector performance and supporting accountability and transparency in the Australian government sector through independent reporting to the Parliament, the Executive and the general public. It is considered assurance reports on performance should also provide new information, analysis or insights and, where appropriate, recommendations for improvement.
 - Consider whether further application guidance and illustrative examples of assurance reports will be helpful and promote consistency in reporting between jurisdictions.
- (d) Provide more specificity than ASAE 3000 (which primarily applies to attestation engagements) for performance engagements (which are direct engagements), including further application guidance, explanatory material and examples to demonstrate key principles, in the following areas:
- (i) The difference in work effort (procedures/evidence) between limited and reasonable assurance in the context of a performance engagement.
 - (ii) The concept of materiality in the context of a performance engagement and matters to consider in applying materiality in a performance engagement.
 - (iii) Identifying and assessing engagement risk in the context of a performance engagement.
 - (iv) The nature and extent of the assurance practitioner's understanding of relevant internal controls.³
 - (v) Implementing non-compliance with laws and regulations procedures as required by ASAE 3000 (paragraphs 45).⁴
 - (vi) Examples of wording to use in drafting various types of assurance conclusions and modified conclusions, specifically for limited assurance performance engagements

³ See ASAE 3500, paragraph 33.

⁴ See ASAE 3500, paragraph 34.

and circumstances where there are material variations from performance against only some of the criteria.

- (e) Update Appendices in response to narrow scope changes made in the main body of the Standard and to include further illustrative examples.
- (f) Consider whether the Standard can be improved further if written in 'plain English' format (similar to INTOSAI standards). This may make it easier for performance assurance practitioners that do not have an accounting or financial auditing background to understand and apply the Standard in practice.

Issues Out of Scope of this project

- 14. As noted above, this is not a full scope revision of ASAE 3500 and will be targeted at addressing the specific issues identified by stakeholders that participated in the PIR of ASAE 3500.

What additional information gathering needs to be completed and why?

- 15. Further consultation with stakeholders (through a PAG — see paragraphs 18-20) to:
 - (a) confirm the AUASB's understanding of the issues raised by respondents who participated in the PIR of ASAE 3500, and how each Audit Office addressed such issues in their jurisdiction (policies, procedures and guidance).
 - (b) identify how the issues raised can be best addressed within the existing Australian assurance framework.
- 16. In drafting the narrow scope revisions to ASAE 3500, consider whether concepts, requirements and application material included in the following materials are relevant and can be used as starting point in developing the revisions to ASAE 3500:
 - ASAE 3000 and other relevant AUASB Standards (ASAEs and relevant ASAs such as ASA 315⁵).
 - Relevant IAASB publications on Sustainability and other Extended External Reporting (EER) Assurance.⁶
 - Relevant National Standard Setters (NSS) standards and guidance materials on the topic (specifically Canadian Standard on Assurance Engagements CSAE 3001 *Direct Engagements* and related Guideline AuG-50 *Conducting a Performance Audit in the Public Sector in accordance with CSAE 3001*).
 - INTOSAI Performance Audit Standards and related Guidance (specifically ISSAI 300 *Performance Audit Principles* and ISSAI 3000 *Performance Audit Standard*).

⁵ ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

⁶ For example:

- Proposed ISSA 5000 *General Requirements for Sustainability Assurance Engagements*; and
- *Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting Assurance Engagements*.

Relevant stakeholders and how to engage

17. Key stakeholders include:
- (a) Audit Offices of Commonwealth, State and Territory Auditors-General that undertake performance engagements in conjunction with financial report assurance or as part of their mandates.
 - (b) The Australasian Council of Auditors General (ACAG) and relevant sub-committees of ACAG namely ACAG's Auditing Standards Committee (ASC) and Heads of Performance Audit (HoPA).
 - (c) Private sector assurance practitioners undertaking performance engagements for or on behalf of Auditors-General.
 - (d) Other private sector assurance practitioners that may be engaged to conduct performance engagements.
 - (e) Professional accounting bodies representing assurance practitioners.

Project Advisory Group

18. The project will require consultation with experts in conducting performance engagements. The intention is to set up a Project Advisory Group (PAG) consisting of 9 members representing each Auditor-General's Office in Australia. The PAG will be chaired by AUASB Deputy Chair and Northern Territory Auditor-General, Julie Crisp, and will meet every 4-6 weeks, commencing late July 2024.
19. PAG members will act in an advisory capacity to AUASB technical staff, providing industry and specific technical expertise, as well as the practitioner's and their organisation's perspective on the issues relating to the project.
20. The PAG will work with ACAG and other public sector auditing representatives and users to:
- (a) confirm the AUASB's understanding of the issues raised by respondents who participated in the PIR of ASAE 3500; and
 - (b) identify how the issues raised can be best addressed within the existing Australian assurance framework.

Collaboration with NZAuASB (or NZ Audit Office)

21. Not applicable as ASAE 3500 is a domestic standard.

Risks/Issues

22. The main risks/issues to the project meeting its objective are:
- (a) The revised Standard may not reflect current best practice in performance engagements.
 - (b) ASAE 3500 is designed to reflect only requirements and application material in addition to that provided in ASAE 3000. The challenge is to ensure that the Standard still makes sense to the user and that the flow of the document is maintained.

- (c) ASAE 3000 primarily applies to attestation engagements whereas ASAE 3500 applies to direct engagements. Consequently, this will require the user of ASAE 3500 to interpret, adapt and supplement the requirements of ASAE 3000 for direct engagements.
 - (d) Assurance practitioners using ASAE 3500 to conduct performance engagements may not have an accounting or financial auditing background and, as such, may not fully understand key auditing and assurance concepts and methodologies, and also lack awareness of other relevant auditing and/or assurance standards.
23. To manage these risks, the AUASB will:
- (a) establish a PAG to act in an advisory capacity to AUASB technical staff in developing the narrow scope revisions (see paragraph 18-20);
 - (b) use international standards as starting point for making the narrow scope revisions; and
 - (c) in addition to targeted consultation with key stakeholders, also expose the proposed amendments to the Standard publicly for comment.

Project Governance

Why is this in the public interest?

24. One of the AUASB's strategic objectives is to develop and maintain Australian specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards, where required.⁷
25. The objective of the PIR of ASAE 3500 was to obtain stakeholder feedback about the implementation and application of the Standard (revised and reissued by the AUASB in 2017) to understand specific implementation issues and to evaluate the overall effectiveness and efficiency of the new/revised Standard in meeting its intended objectives, including considering whether the Standard continues to remain appropriate. The PIR of ASAE 3500 identified a number of issues with application of the revised Standard in practice.
26. AUASB Technical Staff consider it is in the public interest to address these issues to promote consistent application of AUASB Standards in practice and to enhance the quality of performance assurance engagements and their resulting reports.

Action Plan

27. The actions underlying the approach to developing the narrow scope amendments to ASAE 3500 are outlined below. In undertaking these actions, the AUASB will consult with the PAG described in paragraphs 18-20.
- a) Plan the project and obtain approval of Project Plan.
 - b) Form a PAG to advise the AUASB on the development of revisions to the Standard.
 - c) Analyse feedback from respondents that participated in the 2023 PIR of ASAE 3500 to identify issues to be addressed in making the narrow scope revisions to the Standard.
 - d) Undertake further research and reach out to Audit Offices to understand the specific issues and the nature of current performance engagements.
 - e) Prepare an Issues Paper to be discussed with the PAG at its first meeting.

⁷ [AUASB Corporate Plan](#).

- f) Draft the narrow scope revisions to ASAE 3500. Consider whether the material identified in paragraph 16 above appropriately address the issues and, if not, develop further material, in consultation with the PAG, for inclusion in the revised Standard.
- g) Ensure the revised Standard adheres to the IAASB's *Drafting Principles and Guidelines to address Complexity, Understandability, Scalability and Proportionality* (Draft issued in April 2022) (CUSP Drafting Principles and Guidelines), to the extent relevant.
- h) Obtain and address feedback on various drafts from the PAG and the AUASB.
- i) Obtain approval of an Exposure Draft (ED) and issue for public comment with an accompanying Explanatory Memorandum (EM) for at least 60 days.
- j) Analyse ED comments and finalise the revised Standard.
- k) Obtain AUASB approval and issue final Standard with Basis for Conclusions.

Preliminary Project Timeline and Priorities

Date	Description
July 2023	<p>Project Plan approved by AUASB Chair.</p> <p>Establish a PAG to advise the AUASB on the development of the narrow scope amendments to the Standard.</p> <p>Analyse PIR feedback and obtain further stakeholder feedback to clarify issues and obtain an understanding of the nature of current performance engagements. Request Audit Offices to share relevant policies, procedures and guidance.</p> <p>Review relevant international materials.</p> <p>Develop an Issues Paper for the PAG to consider at its initial meeting.</p> <p>PAG Meeting #1 (last week July) — PAG to agree on issues and scope of revision.</p>
Aug 2023	Initial drafting of narrow scope amendments to ASAE 3500.
Sept 2023	<p>AUASB Meeting (12/9) – project update.</p> <p>PAG Meeting #2 (mid Sept) — consider first draft of proposed amendments to ASAE 3500 (obtain feedback/further input).</p>
Oct 2023	<p>Prepare draft of ED and EM.</p> <p>PAG Meeting #3 (late Oct) — consider draft of ED to go to Dec AUASB meeting (obtain feedback/further input).</p>
Dec 2023	AUASB Meeting (5-6/12) — draft ED and draft EM presented for Board consideration and approval to issue <u>or</u> endorsement to seek out-of-session approval.
Dec 2023	<p>PAG Meeting #4 — discuss AUASB feedback and finalise ED and EM.</p> <p>Issue ED and EM (mid-Dec) — obtain AUASB approval out-of-session (if endorsed at Dec 2023 meeting).</p>
Dec 2023 to Feb 2024	60-day exposure period (comments due mid-Feb 2024).

Date	Description
Feb 2024	<p>Analyse ED comments and redraft Standard to address comments.</p> <p>Prepare Draft Basis for Conclusions.</p> <p>PAG Meeting #5 (Late Feb/Early March) — consider Disposition of ED comments. Agree on final Standard and Basis for conclusions.</p> <p>Prepare a Regulatory Impact Analysis/Regulatory Impact Statement and submit to Office of Impact Analysis (OIA) for clearance.</p>
Mid-March 2024	<p>AUASB Meeting — Present final revised Standard, Disposition of ED comments and Basis for Conclusions for Board approval to issue the revised Standard.</p> <p>Submit Standard for final Quality Assurance. Issue Revised ASAE 3500</p>



AUASB Agenda Paper

Title:	ISA 570 (Revised) Going Concern – Australian Specific Considerations	Date:	12 September 2023
ATG Staff:	Rebecca Mattocks	Agenda Item:	13.0

Objective of this Agenda Item

1. To inform the AUASB of the feedback received on the Australian specific questions asked in our consultation of ISA 570 (Revised), *Going Concern* (ED-570).

Questions for the Board

Question	Question for the Board
1	Do AUASB members have any questions in relation to the Australian specific feedback received?

Background and Previous Discussions on the Topic

1. On 3 May 2023 the AUASB issued a [Consultation Paper](#) seeking public comment on the IAASB's Exposure Draft on ISA 570 (Revised) Going Concern (ED-570). The deadline for written comment letters was 14 August 2023.
2. As approved by the AUASB in May 2023, the following Australian specific questions were included in the Consultation Paper:
 18. Whether you agree with the AUASB's preliminary view in relation to the Aus paragraphs and Appendices contained in the current ASA 570 (refer to paragraph 14 in the Consultation Paper)? In particular do you agree with the AUASB's preliminary view on the period of evaluation of management's assessment? If not, provide reasons why.
 19. Whether the proposed changes in the IAASB ED are adequately aligned with existing financial reporting requirements?
 20. Whether the proposed changes in the IAASB ED have any corresponding impact on the current requirements of ISRE/ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity?

Refer to paragraph 5 below for additional Australian specific questions asked.

3. AUASB staff have shared all feedback received on reporting matters and the corresponding Going Concern related Accounting Standard (AASB 101) to the AASB Staff.

Matters for Discussion and ATG Recommendations

4. Extant ASA 570 includes paragraphs and application material additional to the extant version of ISA 570 that are identified with the prefix “Aus”. In accordance with the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#), international standards adopted in Australia are modified only if there are compelling reasons to do so. That is:
- To meet an Australian legal and regulatory requirement; or
 - For consistency with principles and practices considered appropriate in Australia.
5. The table below summarises stakeholder feedback received in relation to the Australian specific questions asked in the AUASB Consultation Paper.

Australian Specific Question in the AUASB Consultation Paper	Summary of Feedback Received
The AUASB is especially interested in stakeholders’ views on:	
<p>18. Whether you agree with the AUASB’s preliminary view in relation to the Aus paragraphs and Appendices contained in the current ASA 570? In particular do you agree with the AUASB’s preliminary view on the period of evaluation of management’s assessment? If not, provide reasons why.</p>	<p><i>Aus paragraph 13.2:</i></p> <ul style="list-style-type: none"> • Generally supportive of the AUASB’s preliminary view to change the period of management’s assessment and align with the ISA, noting that the period proposed is practically identical to current Australian requirements. <p>Refer to Paragraph 14 of the AUASB Consultation Paper for an overview of the AUASB’s preliminary views.</p>
<p>19. Whether the proposed changes in the IAASB ED are adequately aligned with existing financial reporting requirements?</p>	<ul style="list-style-type: none"> • Concern that ED-570 increases the requirements of the auditor in relation to assessing going concern, yet there doesn’t appear to be any planned changes to what and how management make their assessment and no indications as to the communications of expectations with management and those charged with governance. • In relation to the point above, stakeholders encouraged the AASB to consider taking action to amend the Australian Accounting Standards to address the misalignment in requirements if the IASB does not amend the International Accounting Standards. This includes updating the period of management’s assessment

AUASB Agenda Paper

Australian Specific Question in the AUASB Consultation Paper	Summary of Feedback Received
	to align with the proposed timeline in ED-570 and developing further guidance or requirements in this area.
<p>20. Whether the proposed changes in the IAASB ED have any corresponding impact on the current requirements of ISRE/ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity?</p>	<ul style="list-style-type: none"> • The proposals in ED-570 will prima facie cause inconsistencies with ASRE 2410. It is recommended that this standard be amended to reflect changes to ISA 570 where appropriate.
<p>21. Have applicable laws and regulations been appropriately addressed in the proposed standard and are there any references to relevant laws or regulations that have been omitted?</p>	<ul style="list-style-type: none"> • All applicable laws and regulations are considered to have been appropriately addressed.
<p>22. Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions.</p>	<ul style="list-style-type: none"> • None identified, however the impact, if any, on Guidance Statements e.g., GS018 Franchising Code of Conduct – Auditor’s Report should be considered. • The AUASB is encouraged to seek the views of APRA and ASIC (for AFSL reporting) in relation to liquidity, working capital and solvency requirements etc. that may be impacted.
<p>23. Whether there are any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard? Stakeholder feedback will directly inform AUASB compelling reason discussions.</p>	<ul style="list-style-type: none"> • No Australian specific feedback provided.
<p>24. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of the proposed standard?</p>	<ul style="list-style-type: none"> • The additional procedures and requirements to include additional information in the auditor’s report will necessitate additional time, effort, review and supervision.

AUASB Agenda Paper

Australian Specific Question in the AUASB Consultation Paper	Summary of Feedback Received
<p>If significant costs are expected, the AUASB would like to understand:</p> <p>a) Where the costs are likely to occur;</p> <p>b) The estimated extent of costs, in percentage terms (relative to audit fee); and</p> <p>c) Whether expected costs outweigh the benefits to the users of audit services?</p>	<ul style="list-style-type: none"> • There is expected to be an uplift in costs relative to audit fees as a result of including a going concern paragraph in all auditor’s reports, as the size and complexity of an entity is not relative to going concern risks. • Some additional costs to the firm include: <ul style="list-style-type: none"> • Amending internal processes including audit applications and templates; • Training staff on the proposed new requirements; and • Implementing an initial program to review the procedures (similar to when KAMs were introduced). • Some additional costs to individual teams include: <ul style="list-style-type: none"> • Having to perform audit procedures in all cases; and • Having to write “how the auditor evaluated management’s assessment of the entity’s ability to continue as a going concern” sections.
<p>25. What, if any, implementation guidance auditors, preparers and other stakeholders would like the AUASB to issue in conjunction with the release of ASA 570 (specific questions/examples would be helpful)?</p>	<ul style="list-style-type: none"> • Recommend example reports and implementation guidance be added as appendices to the standard. • The AUASB is encouraged to provide further clarity on the guidance it intends to publish for those charged with governance or on proposed engagement with the director community to ensure that the increased focus is not entirely placed on the auditor.
<p>26. Are there any other significant public interest matters that stakeholders wish to raise?</p>	<ul style="list-style-type: none"> • There should be further clarity to the investing community to explain that going concern is different from an endorsement of the business model

AUASB Agenda Paper

Australian Specific Question in the AUASB Consultation Paper	Summary of Feedback Received
	or the entity's likelihood of achieving its objectives. <ul style="list-style-type: none">• The AASB is encouraged to develop disclosures similar to those developed by the NZASB.

Next steps/Way Forward

6. The AUASB will revisit the Australian specific matters raised and summarised in the table once the IAASB issues the final revised version of ISA 570 (expected Q1 2025). The feedback will be considered for a Board Paper recommending the approach for a final revised ASA 570.



AUASB Agenda Paper

Title:	AASB-AUASB Corporate Plan 2023-24	Date:	12 September 2023
ATG Staff:	Matthew Zappulla	Agenda Item:	14.0

Questions for the Board

Question No.	Question for the Board
1	Does the AUASB have any questions or comments in relation to the 2023-24 AASB-AUASB Corporate Plan?

Matters for Discussion

1. The AUASB Chair and Technical Staff have recently contributed to the development and finalisation of the joint AASB-AUASB 2023-24 Corporate Plan.
2. The final [2023-24 AASB-AUASB Corporate Plan](#) is available on the AUASB Website [here](#). Specific changes relating to the AUASB's KPIs in the revised Corporate Plan can be found from pages 37 – 41 of the document.
3. The AUASB Chair and Technical Staff are now in the process of completing the 2022-23 Annual Report, which needs to be finalised by the end of September 2023 and then tabled in federal parliament in October 2023. This will be shared with AUASB members via a future AUASB Board Update and in the December 2023 Board Meeting papers.



AUASB Agenda Paper

Title:	Proposed AUASB 2024 Meeting Dates	Date:	12 September 2023
ATG Staff:	Rebecca Mattocks	Agenda Item:	15.0

Questions for the Board

Question No.	Question for the Board
1	Does the AUASB have any concerns with the proposed AUASB 2024 meeting dates presented in Paragraph 2 below?

Matters for Discussion

1. At its June 2023 meeting, AUASB members were asked to review the meeting dates proposed for 2024. It was raised that the proposed timing of the June and December meetings clashed with the NZAuASB's 2024 scheduled meeting dates.

AUASB 2024 Meeting Dates

2. Taking into account the identified clashes, the following alternative timing is proposed, with changes highlighted in red.

2024	Location	Suggested Dates
March	In person (full day)	Wednesday 13 March
May	Virtual via Zoom (2-3 hours)	Wednesday 1 May
June	In person (2 full days)	Wednesday 12 June and Thursday 13 June, or Thursday 13 June and Friday 14 June ¹
August	Virtual via Zoom (2-3 hours)	Tuesday 6 August
September	In person (full day)	Tuesday 10 September
December	In person (2 full days)	Monday 2 December and Tuesday 3 December

3. The IAASB's and NZAuASB's meeting dates, School Holidays and Public Holidays were considered in the selection of the above dates.
4. AUASB members are requested to review the proposed format and timing of each meeting and propose any necessary amendments.

¹ June 2024 meeting date still to be determined. Currently we are working with the NZAuASB staff to ensure there is no overlap between both the AUASB and NZAuASB meetings where possible.