



Subject: Agenda for the 127th meeting of the AUASB
Venue: Via Zoom Teleconference
Time: Tuesday 30 November 2021 10:00 am – 5:00 pm and
Wednesday 1 December 2021 9:00 am – 12:30 pm

DAY 1

* NB: Agenda item 0 is a closed session

Time	Agenda Item No.
10:00am	0. Private Session*
10:15am	1. Preliminary Session
11:15am	2. AASB Chair Update
11:45am	3. Update from APESB Chair & CEO
12:15pm	4. Review of AUASB Annual Report and Corporate Plan
12:30pm	<i>Lunch</i>
1:15pm	5. FRC and Audit Quality Update
2:45pm	6. Public Sector Guidance Statement – Review & Approval
3:30pm	<i>Afternoon Tea</i>
3:45pm	7. Extended External Reporting (EER) and Assurance Update
4:30pm	8. Technology – PAG Update
5:00pm	<i>Day 1 Close</i>

DAY 2

* NB: Agenda item 0 is a closed session

Time	Agenda Item No.
9:00am	9. AUASB Technical Work Program –2021-22 Update
9:15am	10. LCE Consultation Paper – Update and Feedback from AUASB
10:45am	<i>Morning Tea</i>
11:00am	11. IAASB Agenda
12:00pm	12. Other Business
12:15pm	13. Closing Comments
12:30pm	<i>Day 2 Close</i>



AUASB Agenda Paper

Project:	Corporate Matters	Meeting:	30 November 2021
Topic:	Review of AUASB Annual Report and Corporate Plan	Agenda Item:	4
Strategic Objective:	All AUASB Strategic Objectives	Decision-Making:	For Discussion
ATG Staff:	Matthew Zappulla	Project Status:	Completed
AUASB Sponsor:	Bill Edge		

A. Purpose of Agenda Item and AUASB Action Required

- 1 In accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) the AUASB is required to prepare and table with the relevant Minister a Corporate Plan and Annual Report for each reporting period. Since 2017 the AUASB's corporate reporting documents have been combined with the AASB.
- 2 The [AUASB's 2021-22 Corporate Plan](#) was finalised on 27 August 2021 and covers the strategic objectives and plans for the AUASB covering this reporting period.
- 3 The [AUASB's 2020-21 Annual Report](#) includes the AUASB's Annual Performance Statement, as well as the financial report and other mandatory reporting information required by the Department of Finance. This document was completed and approved by the Chair on 23 September 2021.
- 4 Both documents have been tabled in Parliament in accordance with the PGPA Act.
- 5 Whilst technically the completion of these documents is the responsibility of the AUASB Chair as the entity's Accountable Officer, AUASB members are requested to review and provide feedback on the AUASB's corporate reporting documents.

AUASB Agenda Paper

Questions for the AUASB

Question No.	Question for the Board
Question 1	Does any of the content in the AUASB's 2021/22 Corporate Plan or 2020/21 Annual Report give rise to questions from AUASB Members?

B. Materials Presented

Agenda Item	Description
4.1	AUASB 2021-22 Corporate Plan (in Supplementary Papers Pack)
4.2	AUASB 2020-21 Annual Report (in Supplementary Papers Pack)



AUASB Agenda Paper

Project:	FRC and Audit Quality	Meeting:	30 November 2021
Topic:	Audit Quality	Agenda Item:	5
Strategic Objective:	Identify and implement initiatives to enhance Audit Quality	Decision-Making:	For noting and feedback
ATG Staff:	Anne Waters	Project Status:	Ongoing
AUASB Sponsor:	Bill Edge		

Action Required and Decisions to be Made

1. The purpose of this agenda item is for the AUASB technical group (ATG) to provide an update and for the AUASB to provide feedback on:
 - (a) Updates to the FRC and AUASB Audit Quality Action Plan
 - (b) The AUASB's actions in response to the results of the ASIC Inspection Program
 - (c) The PJC's Inquiry into the Regulation of Auditing in Australia and whether further preparatory work should be undertaken for Recommendation 8 (Fraud and Going concern) in early 2022.

Background

- 2 The AUASB has the following strategic objectives relevant to audit quality:
 - (a) Number 4 - In conjunction with the FRC identify and implement initiatives to enhance audit quality in Australia.
 - (b) Number 7 - Monitor the Australian Assurance environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB standards.
- 3 The following projects facilitate the achievement of these objectives, and in addition are important to ensure we support auditors in achieving audit quality.

- (a) Taking a leading role in the implementation of the FRC and AUASB Audit Quality Action Plan;
- (b) Monitoring and responding to findings from the ASIC Inspection Program relevant to our Auditing Standards;
- (c) Responding to recommendations of the PJC's Inquiry into the Regulation of Auditing in Australia relevant to the AUASB; and
- (d) Proactively issuing guidance to assist auditors in emerging issues i.e. Technology publications.

Initiatives identified to enhance audit quality will also result in positioning the AUASB as an important stakeholder and authority in relation to the interpretation of our standards.

A) The FRC and AUASB Audit Quality Action Plan

- 4 The FRC's functions include giving strategic policy advice and reports to the Minister and professional accounting bodies in relation to the quality of audits conducted by Australian auditors. As part of this the FRC with assistance from the AUASB, has been implementing its FRC Audit Quality Action Plan (Action Plan) in response to ongoing concerns about the results of ASIC Audit Inspection Program.
- 5 The Action Plan was extensively updated and presented to the AUASB and the FRC at their respective meetings in September 2021.

Action for the AUASB	Question for the AUASB
Refer to Agenda Item 5.1 Audit Quality Action Plan (changes in red)	Do you have any feedback on the Action Plan?

B) Monitoring and responding to findings from the ASIC Inspection Program

- 6 The ASIC Audit Inspection Report for the year ended 30 June 2021 is being issued on approximately 26 November 2021 (NB: After this paper will be finalised).
- 7 At its September 2021 meeting the AUASB supported the ATG's recommendation to issue a new Bulletin communicating standard setting initiatives to assist practitioners in addressing ASIC's inspection findings, and to include other matters we thought would assist practitioners relevant to audit quality. This has now been drafted based on:
 - ASIC's inspection [report](#) July 2019 to June 2020;
 - The feedback received from ASIC on the auditing standards which was discussed at the AUASB's September 2021 meeting [Agenda Item 2](#).

As this Bulletin has been drafted before the 2021 Inspection Report will be released the ATG will review the Bulletin to identify if any changes are required to reflect new findings etc.

- 8 The purpose of this AUASB Bulletin is to communicate actions taken by the AUASB to assist auditors to improve audit quality, including those in response to matters identified during recent ASIC audit inspections, and to clarify the requirements in other areas where ASIC has observed inconsistent application.
- 9 Note that the draft of this AUASB Bulletin has been shared with ASIC.

Action for the AUASB	Question for the AUASB
Refer to Agenda Item 5.2 Audit Quality Bulletin	Do you have any feedback on the AUASB Bulletin?

C) The PJC's Inquiry into the Regulation of Auditing in Australia

- 10 The PJC issued its [interim report](#) in February 2020 and [final report](#) in November 2020. At the time of finalising this paper the Australian government is yet to respond to the PJC's final report. Representatives from the FRC, ASIC, AASB, AUASB, APESB and AICD are continuing to work together planning how to implement the recommendations.
- 11 Refer to **Agenda Item 5.3** *Status of PJC Inquiry Recommendations*. No further actions have occurred since the update provided at the AUASB's September 2021 meeting.
- 12 The ATG have been considering if further work should be conducted in early 2022 in preparation for implementation of recommendation 8, or do we continue to monitor and wait for the IAASB's projects to progress further. The following provides a summary of actions to date, other possible actions for the AUASB to consider, and the ATG's recommendation.

Recommendation 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:

- The prevention and detection of fraud; and
- Management's assessment of going concern.

Fraud

- 13 IAASB have a project to determine if, and to what extent, amendments are required to ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* (or other actions), with a project proposal to be finalised in December 2021, and if a standard setting response is required, an exposure draft targeted for approximately September 2023.

- 14 The IAASB issued a discussion paper in September 2020 to gather views on whether ISA 240 could be enhanced. The AUASB conducted outreach to inform our [submission](#). Overall, the consistent view from the AUASB and its stakeholders was that:
- (a) Significant matters related to fraud are a whole of financial reporting ecosystem responsibility, and that changing auditors' responsibilities relating to fraud is only part of the answer. Stakeholders provided feedback to the AUASB that, without addressing other factors (such as the responsibilities of management and those charged with governance (TCWG)) in the areas of financial reporting, corporate risk management and internal controls, changes to auditors' responsibilities on their own will have little impact in addressing the expectation gap.
 - (b) ISA 240 is fit for purpose and does not require a fundamental overhaul, however the standard could be modernised to address some of the issues raised relating to the performance gap (e.g. closer links to ISA 540 Auditing Accounting Estimates and Related Disclosures) and the evolution gap (e.g. technological advancements on the audit approach and users expectations).
- 15 Note that the scope of the IAASB's project is ISA 240 in its entirety including the auditor's responsibilities and required procedures for fraud, which is wider than the PJC's recommendation which is about reporting requirements. Relevant to the PJC's recommendation is that the IAASB's discussion paper asked for feedback as to whether more transparency is needed in relation to the auditor's work in relation to fraud and, if yes, should this be communicated to TCWG, or in the auditor's report? The AUASB's response was that the AUASB and its stakeholders have mixed views about increasing transparency in relation to fraud with TCWG and/or in the audit report. If the auditor were required to disclose more in the audit report about the audit procedures undertaken in relation to fraud that this would be coupled with more transparency around the responsibilities of management and TCWG in relation to the prevention and detection of fraud.
- 16 At its June 2021 meeting the IAASB discussed the feedback they received on ISA 240 and possible actions to support the development of a final fraud project plan. ATG provided an update to the AUASB on this at our [June 2021 meeting Agenda Item 6.3](#). The IAASB have identified that more transparency in the auditor's report in relation to fraud was identified by some stakeholders, however there were mixed views on this matter. The IAASB's project proposal will provide further detail on whether this will be explored further by the IAASB. The IAASB's project proposal will be discussed in **Agenda Item 11.2**.

Should further preparatory work be conducted ahead of the IAASB?

- 17 The ATG's recommendation is that we do **not** conduct further outreach or explore further initiatives in relation to the reporting requirements for fraud at this stage, until the IAASB further progress their project. This is due to:
- (a) the feedback we received is that ISA 240 does not require a major overhaul and no matters were raised which we need to address ahead of the IAASB; and

- (b) there was not strong support for further reporting by the auditor and therefore the AUASB should be cautious about requiring this ahead of the IAASB or in addition to where the revised ISA 240 may land on this matter.

Refer to **Agenda Item 11.2** where the AUASB Technical Group has reviewed the IAASB's draft Fraud Project Proposal for further discussion (NB: the IAASB papers associated with this Agenda Item have not been released by the time of finalising this paper, so instead it has been addressed separately).

Question for the AUASB

Do you agree with the recommendation in paragraph 17?

Or are there further actions the ATG should progress?

Going Concern

- 18 The IAASB have commenced a project to determine if, and to what extent, the IAASB should take further action on going concern which may consist of amendments to ISA 570 *Going Concern*, and / or issuance of non-authoritative guidance, or other actions. The IAASB have indicated that the project proposal will be finalised in March 2022, and if a standard setting response is required issue an exposure draft in late 2022.
- 19 The IAASB issued a discussion paper in September 2020 to gather views on whether and where ISA 570 could be enhanced. The AUASB conducted outreach to inform our [submission](#) on the IAASB's discussion paper. Overall, the consistent view from the AUASB and its stakeholders was:
- (a) There is an expectation gap in relation to going concern, and the IAASB need to carefully identify the root-causes to ensure that any proposed amendments to auditing standards and / or other requirements address this.
- (b) The first priority which will assist in reducing the expectation gap in relation to going concern is to address the reporting requirements relating to going concern in the Accounting Standards.
- (c) There are areas where ISA 570 could be enhanced, however this would not necessarily address the expectation gap. Some areas which could be enhanced are more robust assessment of management's assessment, clear definitions of going concern / not a going concern, material uncertainty related to going concern etc.
- 20 Consistent with the PJC's recommendation the IAASB's discussion paper asked for feedback as to whether more transparency is needed about the auditor's work in relation to going concern and if yes, should this be communicated to TCWG, or in the auditor's report. The AUASB's response was:

- (a) Not fully supportive of increased reporting on going concern in the auditor's report without engaging users to understand if this would assist in reducing the expectation gap, or increase the expectation gap.
 - (b) Possible option for more reporting could be about the auditor's responsibility in relation to going concern and how they have fulfilled this for all audits, and / or more reporting if going concern is a KAM or a MURGC.
 - (c) If the auditor is required to disclose more in the audit report about the auditor's responsibility or audit procedures undertaken in relation to going concern this should be fully aligned with the reporting of management's and TCWG's responsibilities, so as to not further increase the expectation gap (Refer to the response to Question 3b in the AUASB's Going Concern Discussion Paper submission for more details).
 - (d) The current communications to TCWG are sufficient.
- 21 At their [May 2021](#) meeting the IAASB discussed a high level summary of the submissions to the its Going Concern Discussion Paper. The general feedback received was that a fundamental revision of ISA 570 is not needed and there should be increased importance of working with the International Accounting Standard Board (IASB) to enhance the applicable financial reporting framework (which was consistent with the AUASB's submission). However, there are targeted areas where enhancements to requirements or application material in ISA 570 may be beneficial such as:
- (c) Enhanced transparency in the auditor's report, as well as clarifying the difference between key audit matters and material uncertainty related to going concern paragraphs.
 - (d) A more robust risk assessment process and linkages to ISA 315, and evaluation of management's going concern assessment using the concepts in ISA 540.
 - (e) Reconsider key terminology (such as Going concern and material uncertainty related to going concern), and the required timeline for the going concern assessment (as long as aligned with management's responsibilities).
- 22 The IAASB Going Concern working group will develop a project plan which is planned to be presented at the March 2022 IAASB meeting. This will provide more detail on possible changes to ISA 570 and the proposed timelines. The AUASB will continue to monitor developments.
- 23 The AASB also have a project to consider going concern and have agreed it is appropriate to focus on influencing the IASB to undertake a review of the requirements of IASB 1 *Presentation Financial Statements* relating to going concern assessment and disclosures. As part of this the AASB issued in October 2021 [AASB Staff Paper: Going Concern Disclosures: A Case for International Standard-Setting](#) which includes recommendations to the IASB to amend IAS 1 to include application guidance and better alignment to the requirements in the accounting standards with the requirements in the auditing standards. The ATG worked with the AASB staff to ensure that the paper incorporated the feedback the AUASB received at our going concern roundtable. The [AASB's submission](#) to the IASB's agenda consultation requests

that going concern is added as a “high priority” project. The AASB will wait for the IASB to finalise their agenda for 2022 – 2026 before considering any further actions.

Should further preparatory work be conducted ahead of the IAASB?

- 24 Relevant to the PJC’s recommendation we did receive strong feedback that the reporting requirements in the Accounting Standards is the first priority to be addressed. As noted above, whilst the AUASB’s preference would be for the AASB to have taken action and revise the disclosure requirements relating to Going Concern (as the NZASB has done), the AASB have referred this to the IASB via the AASB Staff Paper described above.
- 25 Note that the following focuses on transparency in the auditor’s report as the PJC recommendation is about the “sufficiency and effectiveness of the reporting requirements under the Australian standards”, and not the auditor’s overall responsibility in relation to going concern. This is supported by the narrative in the PJC’s interim report.
- 26 The AUASB received mixed feedback on increased reporting in the auditor’s report, however this feedback was predominantly from auditors, academics and (some) preparers of financial reports who attended our roundtable, and not from users. Note that when we discussed this with stakeholders it was at a high level, and there are a number of options which we could further explore such as:
 - (a) Should all auditor’s report include a “Conclusions relating to Going Concern” and an explicit statement that the auditor has not identified a MURGC, similar to revised Going Concern reporting requirements adopted in the [UK ISA 570](#)?
 - (b) Should going concern be a Key Audit Matter for all audits, or in all Audits where Going Concern has been identified as a significant risk, thereby the auditor is compelled to communicate going concern procedures performed to users?
 - (c) Should the auditor include more details about the audit procedures performed when there is a MURGC (currently being reported voluntarily by some auditors in Australia)?
- 27 The options above in Paragraph 26 could be explored through:
 - (a) A formal AUASB Discussion Paper seeking feedback.
 - (b) A further roundtable of stakeholders (building on the outreach we obtained at the previous Going Concern Roundtable held in October 2020 with UNSW).
 - (c) Conducting targeted interviews of auditors, users and directors.
 - (d) Further engagement with the academic community on existing relevant research.
- 28 Another area the AUASB could explore with stakeholders is whether it is appropriate to strengthen the review procedures required on management’s going concern assessments and the auditor’s reporting requirements at half year, which could also assist in improving audit quality. This could be based on the UK FRC’s recently amended ISRE 2410. This was included in our submission to the IAASB on its current Strategy and Work Plan as an area requiring their attention.

AUASB Agenda Paper

Question for the AUASB

Do you support further exploring options to increase transparency in the auditor's report detailed in Paragraph 26? Should this be done ahead of the IAASB?

If yes, how should this be done?

Or are there further actions the ATG should progress?

Materials Presented

Agenda Item	Description
5.1	Audit Quality Action Plan (Updated for November 2021)
5.2	Draft Audit Quality AUASB Bulletin (Board Only)
5.3	Status of PJC Inquiry Recommendations

FRC

AUDIT QUALITY ACTION PLAN

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

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

Actions to date:

- Revised Guidance Statement 5 *Evaluating the Appropriateness of a Management's Expert's Work* issued.
- Revised ASA 540 *Auditing Accounting Estimates and Related Disclosures* has been released and is now effective. Implementation support has been released.
- Revised ASA 315 *Identifying and Assessing the Risks of Material Misstatement* to require a more robust risk assessment process released and is effective 30 June 2022. Implementation support will be provided.
- Revised Quality Management Standards (QMS) have been issued and are effective 31 December 2022. Implementation support will be provided.
- ASIC have raised substantive testing methods (sampling and substantive analytical procedures) as possibilities of standards to revise.
- ASIC continually benchmark and review its Audit Inspection Program with the programs conducted by other regulators.
- **AUASB Bulletin Supporting auditors in enhancing audit quality drafted to be issued in December 2021 subject to AUASB feedback.**
- **Implementation support for ASA 315 to be issued progressively from November 2021.**

Future actions:

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

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

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

Actions to date:

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

Future actions:

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

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

Actions to date:

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

Future actions:

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

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

Actions to date:

Audit Committee Chairs

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

Investors

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

Chief Financial Officers

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

Future actions:

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

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

Actions to date:

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

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

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

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

Actions to date:

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

Future actions:

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

APPENDIX 1

PJC RECOMMENDATIONS RELEVANT TO THE FRC AND AUASB

Recommendation 3

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

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

Status

- The AASB have a project to determine the defined categories and disclosure requirements in relation to audit and non-audit services which includes benchmarking how other jurisdictions define and the associated fee disclosure requirements. The AASB will issue an exposure draft once a government response is received. The IESBA have made amendments to the International Code in relation to prohibited non-audit services. Based on this the APESB have issued an ED with proposed amendments to the Australian code ie. APES 110 including a list of non-audit services and defined categories of audit and non-audit services.

Recommendation 6

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

Status

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

Recommendation 8

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

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

Status

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



PJC Inquiry into the Regulation of Auditing in Australia

Status of PJC Recommendations – as at November 2021

	Recommendation	Status
1.	The committee recommends that ASIC: <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. 	Already in progress by ASIC. - ASIC developing a severity rating system.
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.	Already in progress by ASIC. ASIC published the individual audit firm inspection reports for the period ended 30 June 2020. The largest 6 firms had already voluntarily published their individual inspection results for periods ended 30 June 2018 and 30 June 2019.
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: <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 from providing to an audited entity. 	The FRC and AASB have commenced preparatory work on the first part of this recommendation whilst waiting for a government response. As part of this the AASB have issued a Research Report examining fee disclosure requirements in other jurisdictions, and the APESB have issued an exposure draft with proposed categories. The second part of this recommendation is in progress by the APESB who have issued an exposure draft as they align to amendments made to the International Code by the International Ethics Standards Board for Accountants.
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 auditor to specifically confirm that no prohibited non-audit services have been provided.	



	Recommendation	Status
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.	This is in progress by the APESB who have issued an exposure draft as they align to amendments made to the International Code by the International Ethics Standards Board for Accountants.
6.	The committee recommends that the Financial Reporting Council, by the end of the 2020–21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosure should include both the length of tenure of the entity's external auditor, and of the lead audit partner.	Preparatory work has commenced by the FRC, AASB, AUASB, and the Australian Institute of Company Directors, whilst waiting for a government response.
7.	<p>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>	
8.	<p>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.	Preparatory work has commenced by the FRC, AASB and AUASB while waiting for a government response. This is being considered by the equivalent International Boards. Australia aims to ensure compliance with international accounting and auditing standards and the FRC will monitor the international developments and timeline.



	Recommendation	Status
9.	<p>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<ul style="list-style-type: none">• the external auditor report on management's assessment of the entity's internal control framework.	Preparatory work has not commenced as waiting for a government response.
10.	<p>The committee recommends that the Australian Government take appropriate action to make digital financial reporting standard practice in Australia.</p>	



AUASB Agenda Paper

Project:	Public Sector Audit Issues: [Guidance Statement GS 023 <i>Special Considerations – Public Sector Engagements</i>]	Meeting:	30 Nov/1 Dec 2021
Topics:	1. Framework for AUASB Public Sector Guidance 2. ASA 210 Supplementary Guidance	Agenda Item:	6.0
Strategic Objective:	Develop and maintain Australian specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards	Decision-Making:	Approval to Issue
ATG Staff:	Matthew Zappulla Johanna Foyster	Project Status:	Ongoing Project Finalisation of Framework and ASA 210 Guidance sections
AUASB Sponsor:	Julie Crisp		

A. Action Required and Decisions to be Made

- The AUASB is requested to review and approve the proposed new AUASB Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*.

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

Question for the Board	ATG Recommendation Overview
Does the AUASB support the new GS 023, included at Agenda Item 6.1 ?	Approve GS 023 for issuance

C. Background and Previous Discussions on Topic

- The AUASB received its last update on the activities of the Public Sector Audit Issues Project Advisory Group (PAG)¹ at its June 2021 meeting (refer to [Agenda Paper 9](#)).

At this meeting, the Board was informed that the PAG at its April 2021 meeting agreed that:

¹ The PAG is made up of representatives from Offices of Australian Auditors-General of all jurisdictions in Australia and chaired by the Deputy Chair of the AUASB.

- The key outcomes from work undertaken by the PAG in 2019 continue to be relevant going forward.
- The development of a new AUASB Guidance Statement will be the best approach to respond to identified issues, as Guidance Statements have the necessary authority and can be tailored to be fit for purpose to address the specific needs of public sector auditors and assurance providers.
- As this is an ongoing project, topic specific guidance will be developed and incrementally added to an overarching framework, instead of issuing a “single issue” Guidance Statement that covers all issues. This approach will provide greater flexibility and allow for topic specific guidance to be developed and issued by the AUASB in a timely manner in response to emerging issues.
- The ATG proceed in developing guidance material to address challenges faced by auditors in applying ASA 210 *Agreeing the Terms of Audit Engagements* to public sector engagements, based on PAG deliberations at its October 2019 meeting.

3 Subsequent to the June 2021 AUASB meeting, the PAG met on:

- 28 June - to consider and provide feedback on a first draft of the proposed overarching *Framework for AUASB Public Sector Guidance*.
- 8 October - to consider and provide feedback on a first draft of the first topic specific guidance section - *Supplementary Guidance: ASA 210 Agreeing the Terms of Audit Engagements*.
- 3 November - to review and endorse a final draft of the proposed GS 023 that would be presented to the AUASB for approval to issue at its November 2021 meeting.

D. Matters to Consider

Description of the Problem

- 4 AUASB Standards are designed to be neutral with respect to the sector and the size of the entity subject to an audit/assurance engagement, and are intended to be applied, as appropriate, to engagements in both the public and private sectors.
- 5 Where appropriate, additional considerations specific to the public sector are included within the application and other explanatory material of AUASB Standards. These additional considerations assist in the application of the requirements of the standards in such engagements. However, these considerations and associated guidance are not extensive and, as a result, the standards focus largely on engagements undertaken in the private sector where the primary objective is on forming a conclusion in respect of compliance with a reporting framework.
- 6 Due to differences between engagements undertaken in the public and private sectors, public sector auditors may face challenges in applying the AUASB Standards in the public sector.
- 7 With the exception of the development of ASAE 3500 *Performance Engagements*, the AUASB has not addressed many initiatives that enhance audit and assurance consistency and quality in relation to audits performed on public sector entities.
- 8 The Australasian Council of Auditors-General (ACAG) has identified several issues presenting challenges in applying certain AUASB Standards in the public sector and has requested the AUASB provide additional guidance to assist public sector auditors to address these issues (ACAG correspondence tabled at the June 2016 AUASB meeting). In addition, subsequent outreach with

public sector auditing stakeholders has identified further areas where the AUASB should consider developing additional guidance specific to the public sector.

Objectives of AUASB Guidance Statement GS 023

- 9 PAG members expressed a strong desire for the development of an authoritative AUASB pronouncement that will assist in the credibility of their responses to identified issues and to act as a counterpoint to any issues they have when subject to quality reviews.
- 10 The PAG reached consensus that an AUASB Guidance Statement will meet this need as it is an authoritative pronouncement of the AUASB that is formally approved by the Board and developed, issued and maintained in accordance with the AUASB's *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications* (Due Process Framework).
- 11 GS 023 has been developed by the ATG and the PAG to provide supplementary guidance to public sector auditors/assurance practitioners in implementing and applying AUASB Standards to audits, reviews, other assurance and related services engagements in the public sector.
- 12 The main objective in issuing GS 023 is to provide additional guidance to support public sector auditors to either comply with the requirements in AUASB Standards or identify appropriate alternative procedures which will enable the auditor/assurance provider to achieve the objectives of a standard. The aim of the AUASB in issuing GS 023 is to provide necessary clarification to promote consistent application of AUASB Standards in the public sector and to enhance the quality of public sector audit/assurance engagements and their resulting reports.
- 13 In accordance with the AUASB's Due Process Framework, GS 023 refers to and are written in the context of specific AUASB Standards. GS 023 does not establish new or extend the existing requirements under any existing AUASB Standard(s) or existing legislation/regulation. It provides supplementary topic specific guidance in relation to the definitions, objectives, requirements and application and explanatory material (as applicable) contained in AUASB Standards.

Section 1 - Framework for AUASB Public Sector Guidance (Framework)

- 14 The overarching Framework explains the purpose, status and authority of the Guidance Statement and how guidance material included in the Guidance Statement is to be understood and applied to public sector engagements.
- 15 The Framework also outlines the unique challenges faced by public sector auditors in complying with AUASB Standards which provides the necessary context for the individual topic specific guidance sections that will be developed and added to the Guidance Statement on an incremental basis.
- 16 Topic specific guidance is to be read and applied in conjunction with the Framework section.

Refer to the pages 9-15 of GS 023 (Agenda Item 6.1 of Board papers).

Section 2 - Supplementary Guidance: ASA 210 Agreeing the Terms of Audit Engagements

- 17 The first topic specific section of the Guidance Statement provides additional guidance to public sector auditors in relation to selected issues identified as presenting challenges in applying ASA 210 in the public sector. These challenges are outlined in paragraphs 3-9 (pages 16-17) of GS 023 (Agenda Item 6.1 of Board papers).
- 18 Supplementary guidance is provided in relation to the following requirements of ASA 210:

- (a) Preconditions for an Audit – Obtaining agreement of management that it acknowledges and understands its responsibility (ASA 210, paragraph 6(b)) – refer to paragraphs 11-14 on pages 17-18 of GS 023; and
- (b) Agreement on Audit Engagement Terms (ASA 210, paragraphs 9-13) – refer to paragraphs 15-36 on pages 18-21 of GS 023.

- 19 The ATG prepared an analysis of ASA 210 requirements to determine whether they are conditional, and whether the necessary condition is not present for a public sector audit engagement. In addition, PAG members were asked to provide feedback on the current work practices each Auditor-General Office undertook to address issues in order to identify common practices and to determine the best approach going forward. This analysis was used as starting point to develop guidance material.
- 20 In accordance with the AUASB’s Due Process Framework, the PAG was asked to review and provide feedback on the content of the Guidance Statement as it was developed. The level of engagement and quality of the input by PAG members, who represent each of the Auditor-General’s Office in Australia has been very good. A final Draft of the proposed Guidance Statement was endorsed at the PAG’s November 3 meeting.
- 21 In developing the ASA 210 guidance, the ATG considered relevant guidance provided to public sector auditors in International Organization of Supreme Audit Institutions (INTOSAI) GUID 2900 *Guidance to the Financial Auditing Standards*. INTOSAI Guidance are non-mandatory supplementary guidance which assist Supreme Audit Institutions (SAIs) in implementing the International Standards of Supreme Audit Institutions (ISSAIs). ISSAIs are the authoritative international standards on public sector auditing. INTOSAIs financial auditing ISSAIs are derived from International Standards on Auditing (ISAs).

E. Next steps/Way Forward

- 22 Once approved, the new GS 023 will be published on the AUASB website.
- 23 The next meeting of the AUASB Public Sector Audit Issues PAG will take place in the second week of February 2022. At this meeting the PAG will consider the issues presenting challenges in applying ASA 570 *Going Concern* in the public sector and consider how these issues can be best addressed within the Guidance Statement.

The ATG is planning to bring an updated Guidance Statement, which will include additional topic specific ASA 570 guidance, to the April 2022 AUASB meeting for consideration and approval to issue.

- 24 The next priority for the PAG, as identified in the PAG’s Terms of Reference (updated April 2021), will be ‘Engagement Leader Responsibilities’ (planned to commence mid-2022).

F. Materials Presented

Agenda Item	Description
6.1	Draft GS 023 <i>Special Considerations – Public Sector Engagements</i>

GS 023
(December 2021)

Guidance Statement GS 023

Special Considerations – Public Sector Engagements

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Guidance Statement

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

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Important Note

Guidance Statements are developed and issued by the AUASB to provide guidance to auditors and assurance practitioners on the application of AUASB Standards and assist auditors and assurance providers to comply with standards. Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard or standards of general application to particular circumstances or specialised industries/sectors.

Guidance Statements are designed to provide guidance to auditors and assurance practitioners to achieve the objective(s) of the audit or other assurance engagement. Accordingly, Guidance Statements refer to, and are written in the context of a specific AUASB Standard(s); and, where relevant, legislation, regulation or other authoritative publication.

Guidance Statements, whilst formally approved and issued by the AUASB, do not establish new principles or amend existing standards. Guidance Statements therefore do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and are not legally enforceable. Guidance Statements are not aimed at providing guidance covering all aspects of an audit or other assurance engagement.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements* is not, and is not intended to be, a substitute for compliance with the relevant AUASB Standards and auditors and assurance practitioners are required to comply with the relevant AUASB Standards when conducting an audit or other assurance engagement.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 023 *Special Considerations – Public Sector Engagements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist auditors and assurance practitioners to achieve the objective(s) of the audit or other assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. Auditors and assurance practitioners exercise professional judgement when using this Guidance Statement.

This Guidance Statement does not prescribe or create new requirements.

Dated: 1 December 2021

W R Edge
Chair - AUASB

Conformity with International Pronouncements

This Guidance Statement has been formulated for Australian public interest purposes and accordingly there is no equivalent International Auditing Practice Note (IAPN) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

In developing the Guidance Statement, the AUASB considered relevant guidance provided to public sector auditors in INTOSAI Guidance GUID 2900 *Guidance to the Financial Auditing Standards*, issued by the International Organisation of Supreme Audit Institutions (INTOSAI), as part of the INTOSAI Framework of Professional Pronouncements.

GUIDANCE STATEMENT GS 023

Special Considerations – Public Sector Engagements

Application

1. This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide supplementary guidance to public sector auditors and assurance practitioners in implementing and applying AUASB Standards¹ to audits, reviews, other assurance and related services engagements in the public sector (public sector engagements).
2. The aim of the AUASB in issuing this Guidance Statement is to promote consistent application of AUASB Standards in the public sector to enhance the quality of public sector audit and assurance engagements and their resulting reports.
3. This Guidance Statement is to be read and applied in conjunction with applicable AUASB Standards, which set out the minimum requirements and related application and other explanatory material that are to be applied in conducting public sector engagements. This Guidance Statement does not establish or extend the requirements (or basic principles or essential procedures) under existing AUASB Standards for public sector engagements.
4. Auditors and assurance practitioners should exercise professional judgement when using this Guidance Statement.

Issuance Date

5. This Guidance Statement is issued by the AUASB on **1 December 2021**.

Structure of Guidance Statement

6. This Guidance Statement comprises two parts:

(a) Framework for AUASB Public Sector Guidance

The purpose of the *Framework for AUASB Public Sector Guidance* (Framework) is to explain the purpose, status and authority of this Guidance Statement (GS) and how guidance material included in this Guidance Statement is to be understood and applied to public sector engagements.

The Framework also provides the necessary context for the individual topic specific guidance and outlines the unique challenges faced by public sector auditors and assurance practitioners in complying with AUASB Standards.

(b) Supplementary Guidance

Topic specific guidance is developed and issued when a need for specific supplementary guidance relating to public sector engagements is identified in practice, and will be incrementally added to the Framework.

Topic specific guidance material included in this Guidance Statement is to be read and applied in conjunction with the Framework.

¹ AUASB Standards comprise Australian Auditing Standards (ASAs), Australian Standards on Quality Management Standards (ASQMs), Standards on Assurance Engagements (ASAEs), Standards on Review Engagements (ASREs) and Standards on Related Services (ASRSs). See Auditing Standard ASA 101 *Preamble to AUASB Standards*, paragraphs 7 and 10.

FRAMEWORK FOR AUASB PUBLIC SECTOR GUIDANCE

Application

1. This *Framework for AUASB Public Sector Guidance* (Framework) explains the purpose, status and authority of this Guidance Statement and how guidance material included in this Guidance Statement is to be understood and applied to audits, reviews, other assurance and related services engagements in the public sector (public sector engagements).
2. This Framework provides a frame of reference for:
 - (a) public sector auditors and assurance practitioners; and
 - (b) the AUASB in its development of supplementary public sector guidance.
3. Topic specific guidance material included in this Guidance Statement is to be read and applied in conjunction with this Framework.

Public Sector Engagements

4. Law or regulation governing public sector engagements generally mandate the appointment of a public sector auditor and commonly set out the public sector auditor's responsibilities, functions and powers. Law or regulation may also prescribe other aspects of the terms of the audit engagement, including the objective and scope of the audit and the responsibilities of management. There may be instances where the mandate or authority to perform an audit and the public sector auditor's powers reside in different pieces of legislation. Australian Auditing Standards do not override law or regulation in such matters.
5. Where a public sector engagement is mandated by legislation, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position to not accept (that is, to decline) or not continue (that is, to withdraw from) the engagement. A public sector auditor may be required to perform these types of engagements whether or not the preconditions for the audit exist and whether or not management's agreement on the terms of the engagement has been obtained. Consequently, the acceptance and continuance requirements of AUASB Standards may not be applicable to the public sector for legislatively mandated engagements.
6. In addition to legislatively mandated audits and assurance engagements in the public sector, the appointment of a public sector auditor may also be included as a requirement of an agreement, such as a Commonwealth agreement for the provision and acquittal of funding by the States and Territories or grant agreements from governments to Non-Government Organisations (NGO) service providers.
7. In Australia, Commonwealth, State or Territory Auditors-General are responsible for undertaking the majority of public sector engagements. Engagements at local government level are the responsibility of State or Territory Auditors-General in some jurisdictions, while in others, local government engagements are conducted by private sector auditors or audit firms, with or without the Auditor-General having an oversight role. Statutory bodies may be audited by private sector auditors or audit firms but this will depend on the specific legislation under which these entities operate.

8. Auditors-General exercise their public sector audit function within their specific jurisdictional legislative mandate, which governs the independence of their role and power of discretion in performing certain duties.
9. The responsibility to form an opinion or conclusion and to report outcomes is usually the domain of the Auditor-General. However, depending on the legislative mandate in each jurisdiction, an Auditor-General may in some cases:
 - (a) engage a private sector auditor or audit firm under contract to assist and/or undertake certain functions of the Auditor-General; and/or
 - (b) delegate to a person employed in the Auditor-General’s Office, or to a private sector auditor or audit firm, the power to express an opinion or conclusion, or to make a report.
10. In addition to legislatively mandated audits, legislation may enable an Auditor-General to undertake audits or audit-related services by arrangement - that is, a public sector entity, a minister or the Legislature may request audits or audit-related services under an agreement with the Auditor-General. These engagements may be requested as a once-off arrangement or as an annually recurring service. These types of engagements are often referred to as “by-arrangement” or “by-request” audits or reviews. An Auditor-General may only undertake these types of engagement where it falls within the Auditor-General’s legislative powers.
11. Auditors-General in Australia may be mandated to perform different types of assurance engagements on any subject of relevance to the responsibilities of management and those charged with governance of a public sector entity and the application of public resources. The extent or form of these engagements and the reporting thereon will vary according to the legislated mandate of the Auditor-General concerned and any legislation applicable to the entity which is the subject of the audit.
12. Depending on the legislative mandate in each jurisdiction, Auditors-General may be required to:
 - (a) conduct public sector engagements in accordance with applicable AUASB Standards;
 - (b) have regard to recognised professional standards; or
 - (c) set their own standards. Standards established by an Auditor-General may incorporate AUASB Standards.

Financial Audits

13. In the Australian public sector, the scope and nature of financial audits conducted by public sector auditors are governed by relevant enabling legislation in each different jurisdiction.
14. For financial audits conducted under AUASB Standards, the public sector auditor applies the Australian Auditing Standards (ASAs) relevant to the engagement. As described in the Preamble to AUASB Standards¹, AUASB Standards are:
 - (a) neutral with respect to the audited or reviewed entity’s sector and size; and

¹ See Auditing Standard ASA 101 *Preamble to AUASB Standards*, paragraphs A11-A15.

- (b) intended to be applied, as appropriate, to all audit, review, assurance and related service engagements conducted by an auditor or audit firm in both the public and private sectors².

The application and explanatory material in ASAs may contain considerations specific to public sector entities.

15. The public sector auditor's responsibilities may be affected by the audit mandate, or by obligations on public sector entities arising from law, regulation or other authority (such as ministerial directives, government policy requirements, or resolutions of the Legislature), which may encompass a broader scope than an audit of a financial report in accordance with the ASAs. These additional responsibilities are not dealt with in the ASAs. They may be dealt with in standards or guidance issued by government audit agencies.³
16. The scope of an annual audit in the public sector may include, in addition to the audit of the financial report of a public sector entity, an audit of service performance (for example, an audit of annual performance information or performance statements) and/or elements of a compliance engagement (for example, reporting on compliance with key legislation). A public sector auditor may also perform other discretionary assurance engagements such as performance audits, reviews or assurance engagements on controls.
17. Specific requirements may exist within the legislation governing the audit mandate, for example, the public sector auditor may be required to report directly to a minister, the Legislature or the public if the entity attempts to limit the scope of the audit. Furthermore, law or regulation may establish additional reporting requirements for the auditors of public sector entities, for example, to prepare a separate report on instances of non-compliance with law or regulation to the Legislature or other governing body, or communicating such instances in the auditor's report on the financial report.
18. In the public sector, the users of financial information include parliament, ministers and the public. In order to meet the information requirements of a broad range of users, a public sector auditor's mandate may require, or allow for, reporting on non-compliance with laws or regulations and unacceptable conduct (such as lack of probity) in the public sector. Auditors-General may elect or may be required to address probity and public interest considerations in their annual financial audits. This may necessitate a further broadening of the scope of an audit beyond the scope envisaged by the ASAs under which the audit is performed. The broadening of scope may present a challenge for the auditor in determining how to effectively report on the outcome of any additional work the auditor may decide to undertake within the structure of the opinion normally required by the relevant ASAs.
19. The objectives of a financial audit in the public sector therefore may be broader than expressing an opinion on whether the financial report has been prepared, in all material respects, in accordance with an applicable financial reporting framework. While the ASAs provide minimum requirements, they do not stipulate or provide additional requirements relevant to the broader scope of engagements undertaken in the public sector.

² In the public sector, "audit firm" is to be read as referring to a public sector equivalent, for example, an Auditor-General's Audit Office.

³ See ASA 200, paragraph A59. In Australia, the term "government audit agencies" refers to Commonwealth, State or Territory Auditors-General.

Other Assurance and Assurance Related Engagements

20. For other public sector assurance and assurance related engagements required to be conducted under AUASB Standards, the public sector assurance practitioner applies the relevant requirements of the applicable AUASB Standard relevant to the engagement. For example:
- Reviews of financial reports or historical financial information (limited assurance engagements) — refer to the applicable Standards on Review Engagements.
 - Assurance engagements on subject matters other than historical financial information — refer to Standard on Assurance Engagement ASAE 3000.⁴
 - Compliance engagements — refer to Standard on Assurance Engagement ASAE 3100.⁵
 - Assurance Engagements on Controls — refer to Standard on Assurance Engagement ASAE 3150.⁶
 - Performance engagements — refer to Standard on Assurance Engagement ASAE 3500.⁷

Addressing Challenges associated with applying AUASB Standards in the Public Sector

21. As noted in paragraph 14, AUASB Standards are designed to be neutral with respect to the sector and the size of the entity subject to the engagement, and are intended to be applied, as appropriate, to engagements in both the public and private sectors.
22. Where appropriate, additional considerations specific to the public sector are included within the application and other explanatory material of AUASB Standards. These additional considerations assist in the application of the requirements of the standards in such engagements. However, these considerations and associated guidance are not extensive and, as a result, the standards focus largely on engagements undertaken in the private sector where the objective is on forming a conclusion in respect of compliance with a reporting framework.
23. Due to the differences between engagements undertaken in the public and private sectors, public sector auditors and assurance practitioners may face challenges in applying the AUASB Standards in the public sector. For example, practitioners may need to apply professional judgement in:
- interpreting terminology used in AUASB Standards that is not usually found in the public sector, for example, terms such as “client”, “listed entity”, “firm”, “partner”, “engagement partner” and “lead assurance practitioner”.
 - applying AUASB Standards in delivering audit mandates established within legislation.
 - distinguishing a compliance engagement from a financial audit with elements of compliance with law or regulation.

⁴ See ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

⁵ See ASAE 3100 *Compliance Engagements*.

⁶ See ASAE 3150 *Assurance Engagements on Controls*.

⁷ See ASAE 3500 *Performance Engagements*.

- determining materiality levels for public sector engagements where, for example, application of private sector benchmarks may not be appropriate and where the impact of qualitative considerations may be more prevalent.
- identifying and communicating matters required to be reported by law or regulation within the structure of the opinion promulgated by the relevant AUASB Standards.
- complying with AUASB Standards in circumstances where it may be against the public interest to disclose certain sensitive information in reports.

AUASB Guidance Statements

24. Whilst the AUASB generally does not set industry or sector specific standards, the AUASB may from time to time produce industry or sector specific guidance materials in the form of authoritative AUASB Guidance Statements and/or other non-authoritative materials. The AUASB's *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications* (AUASB Due Process Framework) outlines the circumstances that may lead to the AUASB issuing guidance materials and identifies factors the AUASB will consider in determining the form of guidance that will be appropriate in the circumstances.⁸
25. AUASB Guidance Statements are authoritative AUASB pronouncements⁹ that are formally approved and issued by the AUASB. Guidance Statements are developed, issued and maintained in accordance with the AUASB's Due Process Framework.¹⁰ Refer to the *Foreword to AUASB Pronouncements* for further information on the purpose, authority and legal status of Guidance Statements.¹¹

Scope of this Guidance Statement

26. The topic specific guidance included in this Guidance Statement aims to support public sector auditors and assurance practitioners in implementing and applying the AUASB Standards in practice by providing supplementary guidance in relation to the definitions, objectives, requirements and application and explanatory material contained in the standards.
27. The main objective is to provide additional guidance to support public sector auditors and assurance practitioners to either comply with the requirements in AUASB Standards or identify appropriate alternative procedures which will enable the auditor/assurance practitioner to achieve the objective of a standard.
28. This Guidance Statement covers only selected issues identified as presenting challenges in applying AUASB Standards to public sector engagements. It includes application and explanatory material on specific matters for the purposes of understanding and complying with the relevant requirements in AUASB Standards. In particular, guidance may:
- explain more precisely what a requirement means or is intended to cover;

⁸ See AUASB Due Process Framework, Sections IV, IX and X.

⁹ See *Foreword to AUASB Pronouncements*, paragraphs 10-23.

¹⁰ See AUASB Due Process Framework, Section IX.

¹¹ See *Foreword to AUASB Pronouncements*, paragraphs 20-23.

- provide background information on matters addressed in an AUASB Standard, for example, to explain circumstances that may need further consideration in the public sector;
 - include examples that illustrate how the requirements might be applied and/or provide examples of procedures that may be appropriate in the circumstances; and
 - include illustrative examples of auditor reports or other documents.
29. AUASB Standards contain the basic principles and essential procedures to be applied to audits, reviews, other assurance and related services engagements in the public sector. The topic specific guidance in this pronouncement is to be read and applied in conjunction with the AUASB Standard to which it relates and is not a substitute for referring to the requirements and application and other explanatory material contained in applicable AUASB Standards. It is not intended that this Guidance Statement limit or replace the assurance practitioner's professional judgement in applying AUASB Standards to public sector engagements.

Structure of Topic Specific Guidance

30. Topic specific guidance included in this Guidance Statement is structured as follows:

(a) Application

This section clarifies how the topic specific guidance is to be used and for what purpose it has been developed, and identifies:

- the relevant AUASB Standard the guidance applies to; and
- the type of engagement (or combination thereof) and, where relevant, the subject matter it addresses.

It includes a clear statement that the Guidance Statement:

- provides supplementary guidance in relation to the AUASB Standard it applies to and that it does not contain any further requirements for the conduct of the public sector engagement;
- is to be read and applied together with the relevant AUASB Standard; and
- is to be read and applied in conjunction with this Framework.

(b) Introduction (where applicable)

Topic specific guidance may include further introductory material to provide context relevant to a proper understanding of the topic specific supplementary guidance. Introductory material may include, as necessary, such matters as explanation of the:

- purpose and scope of the supplementary guidance, including how the guidance relates to other segments of the Guidance Statement; and
- topic specific subject matter.

(c) Scope

This section identifies the relevant paragraphs or sections of the AUASB Standard the supplementary guidance relates to.

(d) Definitions

Definitions necessary to understand guidance provided in this Guidance Statement are included with the topic specific guidance it relates to.

(e) Guidance

This section sets out supplementary application and other explanatory material to assist the auditor/assurance practitioner to achieve the objectives of the relevant AUASB Standards.

Drafting Conventions

31. The following drafting conventions apply to the guidance issued under this Framework:

- (a) Words such as “should”, “shall” or “must”, or any other term that denotes something as a mandatory requirement, are not to be used, except when repeating or referring to the requirements from relevant AUASB Standards.
- (b) Guidance supports the general requirements and application and explanatory material contained in AUASB Standards, and:
 - (i) does not extend the requirements of the public sector auditor/assurance practitioner as stated in the AUASB Standards;
 - (ii) refers to the requirements in the AUASB Standards to which the guidance is supplementary; and
 - (iii) is consistent with the relevant AUASB Standards the guidance relates to.
- (c) The present tense of verbs is used when it is the best form of expression. Use of the present tense does not create or imply mandatory requirements.
- (d) The word “including” means a list of items or examples is provided but the list does not purport to contain all relevant items or examples and intentionally is not exhaustive.

SUPPLEMENTARY GUIDANCE:

Auditing Standard ASA 210 *Agreeing the Terms of Audit Engagements*

Application

1. This section of the Guidance Statement provides supplementary guidance to public sector auditors in relation to selected issues identified as presenting challenges in applying Auditing Standard ASA 210 *Agreeing the Terms of Audit Engagements* in the public sector. It does not contain any further requirements for the conduct of the audit. It is to be read and applied together with ASA 210.
2. This section is to be read and applied in conjunction with the *Framework for AUASB Public Sector Guidance* section of this Guidance Statement, which explains how the guidance material included in this Guidance Statement is to be understood and applied to audits, reviews, other assurance and related services engagements in the public sector.

Introduction

3. ASA 210 deals with the auditor's responsibilities in agreeing the terms of the audit engagement with management and, where appropriate, those charged with governance. This includes:
 - (a) establishing that certain preconditions for an audit are present before accepting the engagement; and
 - (b) confirming that there is a common understanding between the auditor and the entity of the terms of the audit engagement.
4. The preconditions for an audit are defined in ASA 210, paragraph 4, to mean the use by management¹ of an acceptable financial reporting framework in the preparation of the financial report and the agreement of management to the premise² on which an audit is conducted.
5. In the public sector, law or regulation governing the operations of public sector audits generally mandate the appointment of a public sector auditor and commonly set out the public sector auditor's responsibilities, functions and powers, including the power to access an entity's records and other information. Law or regulation may also prescribe other aspects of the terms of the audit engagement, including the objective and scope of the audit and the responsibilities of management. Australian Auditing Standards do not override law or regulation in such matters.
6. Where the public sector financial audit is mandated by legislation, the public sector auditor cannot avoid such an obligation and, consequently, may not be in a position to not accept (that is, to decline) or not continue (that is, to withdraw from) the engagement. The public sector auditor may be required to perform these types of audits whether or not the ASA 210

¹ Consistent with ASA 210, references to "management" should be read hereafter as "management and, where appropriate, those charged with governance".

² See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 13(j).

preconditions for the audit exist and whether or not management’s agreement on the terms of the engagement has been obtained.

7. Consequently, the use of engagement letters may not be a widespread practice in the public sector for audits mandated by legislation. Nevertheless, there may be benefit in communicating a common understanding of the terms of the audit engagement between the auditor who is carrying out the audit and those charged with governance of the public sector entity, to avoid misunderstandings with respect to the engagement and to provide for an efficient and quality audit to be carried out.
8. Use of ASA 210 terminology such as to “accept” or “continue” an audit engagement, or to “agree” the terms of an engagement with management may be problematic in the public sector context for audits mandated by law or regulation.
9. This section of the Guidance Statement provides additional guidance to reflect the public sector perspective on ‘agreeing’ the terms of financial audit engagements undertaken in the public sector.

Scope of this Guidance Statement

10. This section of the Guidance Statement provides supplementary guidance for public sector auditors related to the following requirements of ASA 210:
 - (a) Preconditions for an Audit – Obtain agreement of management that it acknowledges and understands its responsibility (ASA 210, paragraph 6(b)).
 - (b) Agreement on Audit Engagement Terms (ASA 210, paragraphs 9-13).

Guidance

Preconditions for an Audit

Obtain Agreement of Management that it Acknowledges and Understands its Responsibility (ASA 210, paragraphs 6(b) and 12)

11. An audit in accordance with Australian Auditing Standards is conducted on the premise that management has acknowledged and understands that it has the responsibilities set out in paragraph 6(b) of ASA 210. To avoid misunderstanding about the respective responsibilities of management and the auditor, ASA 210, paragraph 6(b), requires the auditor to obtain the agreement of management that it acknowledges and understands these responsibilities. In the private sector, this acknowledgement from management is usually obtained as part of agreeing and recording the agreed terms of the audit engagement in an engagement letter or other suitable form of written agreement, in accordance with the requirements of ASA 210, paragraphs 9-12.
12. However, the terms of an audit engagement in the public sector are normally mandated by legislation and therefore not subject to agreement with management. ASA 210 addresses this situation and outlines that if, in the circumstances described in paragraphs 10 and 11 of the Standard, the public sector auditor concludes that it is not necessary to issue an engagement letter or other suitable form of written agreement, the auditor is required only to obtain the acknowledgement of management that it understands that it has the responsibilities set out in paragraph 6(b) of the Standard.
13. In accordance with paragraph 12 of the Standard, the written acknowledgement from management may use the wording of the law or regulation if such law or regulation

establishes responsibilities for management that are equivalent in effect to those described in paragraph 6(b) of the Standard. For those responsibilities that are not prescribed by law or regulation such that their effect is equivalent, the written acknowledgement uses the description in paragraph 6(b) of the Standard.

14. When obtaining the agreement of management that it acknowledges and understands its responsibility as required in ASA 210, paragraph 6(b), the public sector auditor also takes into account the fact that the responsibilities of management in the public sector may be broader than those responsibilities in the private sector. Legislative, governance and management structures may vary widely within the public sector, and there may be increased value in formalising the acknowledgement and understanding of such responsibilities.

Agreement on Audit Engagement Terms

Legislatively Mandated Financial Audits

Agreeing the Terms of the Audit Engagement (ASA 210, paragraph 9)

15. The terms of an audit engagement in the public sector are normally mandated by legislation and thus not subject to requests from, and agreement with, management. Therefore, ASA 210, paragraph 9, is not relevant in these circumstances.

Engagement Letter or Other Form of Written Agreement (ASA 210, paragraphs 10-11, 13)

16. Whether or not to formally record the terms of the engagement in an engagement letter or other suitable form of written agreement depends on whether law or regulation prescribes in sufficient detail the matters described in ASA 210, paragraph 10.
17. If law or regulation prescribes in sufficient detail the matters described in paragraph 10 of the Standard, paragraph 11 of the Standard permits the auditor to include in the engagement letter only reference to the fact that such law or regulation applies and that management acknowledges and understands its responsibilities as set out in paragraph 6(b).
18. In circumstances where paragraph 11 of the Standard applies, the public sector auditor is therefore not required to issue a full engagement letter³ or to obtain management's formal agreement to the terms of the engagement.⁴ However, the public sector auditor is still required to obtain the written acknowledgement from management that it understands that it has the responsibilities set out in paragraph 6(b) of the Standard (see paragraphs 11-14 above).
19. For paragraph 11 to apply, ASA 210 requires the relevant law or regulation includes all the elements outlined in paragraph 10 of the Standard and prescribe in sufficient detail the terms of the audit engagement. The law or regulation describing the elements in paragraph 10 may be from different sources.
20. Where law or regulation does not include all the elements outlined in paragraph 10 of the Standard or is not sufficiently detailed, paragraph 11 of the Standard does not apply and the public sector auditor will be required to include the relevant detail in an engagement letter (or equivalent form of communication) in order to comply with ASA 210, paragraph 10.

³ That is, an engagement letter that includes all the elements outlined in paragraph 10 of the Standard.

⁴ If the circumstances described in ASA 210, paragraph 11, applies to the engagement, there is no requirement for the auditor to document the reasons why an engagement letter that includes all the elements outlined in paragraph 10 of the Standard has not been issued in accordance with the requirements of paragraphs 9-10, as the requirement is not relevant in the circumstances of the engagement. See ASA 101, paragraphs A41-A43.

21. In circumstances where paragraph 11 of the Standard applies (see paragraphs 17-19 above), the public sector auditor may nonetheless consider that there may be benefit in communicating the matters described in paragraph 10 of the Standard in an engagement letter (or equivalent form of communication) for the information of management. The objective of the public sector auditor in documenting and communicating the terms of the engagement in these circumstances, is to confirm that there is a common understanding of the terms between the auditor who is carrying out the audit and management of the public sector entity, to clarify any matters that may be misunderstood⁵ and to provide for an efficient and quality audit to be carried out.
22. Use of an engagement letter that draws together the detail of the terms of the engagement may be particularly beneficial where there are matters that are unique to the engagement, or where the matters described in paragraph 10 of the Standard are located in more than one piece of legislation.
23. In these circumstances, the engagement letter is not an agreement (contract) nor is it an audit proposal, and neither the public sector entity nor the public sector auditor can use the engagement letter as a vehicle to negotiate or vary the terms of the engagement in the letter. The engagement letter communicates the terms of the engagement, as determined under law or regulation, to the public sector entity. The auditor is required to obtain acknowledgement that management understands its responsibilities - not agreement of the terms of the engagement outlined in the letter.
24. Documentation of the terms of the engagement cannot reduce obligations imposed by law or regulation and the public sector auditor is required to refer to the applicable provisions of the law in undertaking the engagement.

Form and Content of Engagement Letter or Equivalent Communication

25. As noted in ASA 210, paragraph A23, it is in the interests of both the public sector entity and the public sector auditor that an engagement letter or equivalent communication is issued before the engagement commences to help avoid misunderstandings with respect to the engagement.
26. On recurring engagements, the public sector auditor applies professional judgement to determine whether there is a need to periodically re-issue the engagement letter and/or obtain re-acknowledgement from management that it understands its responsibilities, for example, taking into account the factors outlined in ASA 210, paragraph A30.
27. Typically, engagement letters issued for new recurring engagements may represent a standing arrangement until such time as the public sector auditor issues a new letter due to changes in the conditions or the scope of the engagement, or significant changes in the senior management of the public sector entity or in management's responsibilities.
28. The public sector auditor may also consider drafting an engagement letter that extends beyond one year. For example, an Auditor-General may decide to publish an engagement letter to Parliament for the life of the Parliament, although no specific response is required or received back.

⁵ For example, such communication may assist to avoid misunderstanding about the respective responsibilities of management and the public sector auditor.

29. The form and content of the engagement letter may vary according to the nature of the engagement, the terms of appointment of the public sector auditor, and the extent to which the terms of the engagement are prescribed in law or regulation, and may be in a form different to a traditional engagement letter. For example, as detailed in the previous section, in circumstances where law or regulation mandate the appointment of a public sector auditor and prescribe in sufficient detail the terms of the engagement, the auditor is not required to issue an engagement letter that includes all the elements outlined in paragraph 10 of the Standard.
30. In circumstances where the public sector auditor concludes that it is not appropriate or necessary to issue a traditional engagement letter or other form of written agreement, the terms of the engagement and other arrangements may be communicated to management at preliminary (entrance) meetings with the entity. Different jurisdictions may use different approaches and different documents⁶ for this purpose.
31. The public sector auditor requests management to acknowledge receipt of the engagement letter (or equivalent communication) and that it acknowledges and understands its responsibilities. The auditor may also consider seeking written acknowledgement from management of other aspects of the terms of the engagement⁷ or arrangements concerning the engagement. Typically, the auditor obtains such acknowledgement for new engagements, once-off engagements or where there has been changes to the scope of the engagement or changes in senior management of the entity.
32. In the public sector, there may be additional matters besides the examples listed in ASA 210, paragraphs A24-A26, that public sector auditors have to report if they become aware of them during the course of the audit and that may be relevant to the engagement letter. When relevant, other audit objectives stipulated by the mandate may also be included in the engagement letter (or equivalent communication).
33. ASA 210, paragraph A25, recommends that it may be helpful for the auditor to make reference in the terms of the audit engagement to the possibility of communicating key audit matters in the auditor's report. Public sector auditors may be required to, or may decide to, communicate key audit matters to other parties, such as the Legislature, in addition to management or those charged with governance when relevant legal provisions do exist.

Audits Conducted By Arrangement

34. In addition to legislatively mandated audits, legislation may enable a public sector auditor to undertake audits and audit-related services by arrangement – that is, a public sector entity, a minister or the Legislature may request an audit or review under an agreement with the public sector auditor. These engagements may be requested as a once-off arrangement, or as an annually recurring service. These types of engagements are often referred to as “by-arrangement” or “by-request” audits or reviews. A public sector auditor may only undertake these types of engagements where it falls within the auditor's legislative powers.
35. As these types of engagements are not legislatively mandated, the public sector auditor, in limited circumstances, may have discretion on whether to accept, or continue with, the engagement (for example, when requested by a public sector entity). However, legislation may provide for the public sector auditor to undertake these types of engagements at the request or direction of a Minister or the Legislature. Where this is the case, the public sector

⁶ For example, overall planning or strategy type documents are often used to communicate the objective and scope of the engagement.

⁷ For example, the objective and scope of the engagement, the responsibilities of the auditor and identification of the applicable financial reporting framework for the preparation of the financial report.

auditor will not generally have discretion to decline the request and does not need the auditee to agree to the terms of the engagement.

36. For these types of engagements, the public sector auditor complies with the relevant requirements of ASA 210 as applicable to the engagement. This may include agreeing the terms of the engagement, which includes the matters set out in paragraph 10 of ASA 210, with management and recording the agreed terms in an engagement letter (or equivalent communication) before any assurance work is undertaken.

Draft for AUASB Approval



AUASB Agenda Paper

Project:	Extended External Reporting (EER) and Assurance Update	Meeting:	30 November 2021
Topic:	EER	Agenda Item:	7.0
Strategic Objective:	International Influence	Decision-Making:	Views on key developments in EER and proposed next steps under AUASB EER Strategy
ATG Staff:	Marina Michaelides	Project Status:	Ongoing
AUASB Sponsor:	Jo Cain / Bill Edge		

Action required and decisions to be made

- 1 The purpose of this agenda item is two-fold, as follows:
 - Update the AUASB on key developments in Extended External Reporting (EER) and seek views on implications for Australia.
 - Update the AUASB on the implementation of the AUASB Extended External Reporting (EER) Strategy-on-a-Page as presented at the April 2021 AUASB meeting (**Agenda Item 7.1**) and seek feedback on the next steps (refer page 3 to 5 of this paper).

ATG Questions for the Board

Question number	Question for the Board	ATG recommendation overview
Question 1	Does the AUASB have any comments about the recent key developments internationally primarily around the formation of the ISSB and impacts for Australia?	N/A
Question 2	Does the AUASB have any feedback on the actions taken to-date on EER assurance and the next steps outlined in the implementation update table on page 3 to 5 of this paper?	The ATG recommends support of the actions taken to-date and proposed next steps on EER assurance.

Update on key developments in Extended External Reporting (EER)

Global

1. The IFRS Foundation announced on 3 November 2021 at the COP26 UN Climate Change Conference:
 - The formation of a new International Sustainability Standards Board (ISSB) to develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors’ information needs;
 - A commitment by leading investor-focused sustainability disclosure organisations to consolidate into the new board. The IFRS Foundation will complete consolidation of the Climate Disclosure Standards Board (CDSB—an initiative of CDP) and the Value Reporting Foundation (VRF—which houses the Integrated Reporting Framework and the SASB Standards) by June 2022; and
 - The publication of prototype climate and general disclosure requirements developed by the Technical Readiness Working Group (TRWG), a group formed by the IFRS Foundation Trustees to undertake preparatory work for the ISSB. These prototypes are the result of six months of joint work by representatives of the CDSB, the International Accounting Standards Board (IASB), the Financial Stability Board’s Task Force on Climate-related Financial Disclosures (TCFD), the VRF and the World Economic Forum (Forum), supported by the International Organization of Securities Commissions (IOSCO) and its Technical Expert Group of securities regulators. The TRWG has consolidated key aspects of these organisations’ content into an enhanced, unified set of recommendations for consideration by the ISSB.

The ISSB will sit alongside and work in close cooperation with the IASB, ensuring connectivity and compatibility between IFRS Accounting Standards and the ISSB’s standards—IFRS Sustainability Disclosure Standards. To ensure public interest legitimacy, both boards will be overseen by the Trustees, who are in turn accountable to a Monitoring Board of capital market authorities responsible for corporate reporting in their jurisdictions. The ISSB and the IASB will be independent, and their standards will complement each other to provide comprehensive information to investors and other providers of capital.

2. The ISSB Chair and Members are yet to be announced, however the ISSB is likely to include an IASB Member.
3. In October 2021 the XRB published for consultation an initial draft of its climate-related financial disclosures standard related to governance and risk management. This is the first of two draft standards, the second which will be published in 2022 and relates to strategy, metrics, and targets. Development of these standards follows the announcement in 2020 to introduce a mandatory reporting regime for key New Zealand organisations including large, listed issuers and financial sector entities.
4. In May 2021, the European Commission published its proposed Corporate Sustainability Reporting Directive (CSRD) and tasked EFRAG with commencing technical work to develop sustainability reporting standards consistent with that Directive.

Local

5. The AASB, AUASB and FRC (the Boards) need to be in a lead position to take on EER opportunities and manage any risks emerging from the formation of the ISSB for Australian standard setting. The Boards have issued a [position statement on Extended External Reporting and Assurance](#) (see **Agenda Item 7.2**) which covers the structure of the Boards, objectives, and development of the framework.

AUASB Agenda Paper

To support the development of the framework the Boards established an EER Project Advisory Panel (EER PAP) in August 2021. The EER PAP is made up of a diverse range of stakeholders with EER expertise including investors, reporters, assurance practitioners, legal practitioner, academics and the accounting professional bodies. The Boards will utilise the expertise on the EER PAP to support the framework for setting sustainability reporting and assurance standards in Australia. For actions to date refer to Objective 2 of the implementation update on the AUASB EER Strategy-on-a-Page at **Agenda Item 7.1**.

- 6 The AASB have now released their [ITC on EER](#) – which is primarily asking their stakeholders for feedback on the proposed AASB position, namely that the AASB supports, as an initial step, the voluntary adoption of the recommendations put forward by the Taskforce on Climate-related Financial Disclosures (TCFD) for EER.

Implementation Update on the AUASB EER Strategy-on-a-Page

Objectives	What we said we would do / Approach	Actions to date	Next steps
1. Roll out effective EER assurance standards and guidance for our stakeholders	<p>Roll-out IAASB EER Assurance Guidance</p> <p>Enhance accessibility of the Guidance (lengthy document)</p> <p>Consult on how best to monitor Guidance implementation</p> <p>Identify any gaps in the Guidance</p> <p>AUASB to play a strategic role in any EER/Sustainability Assurance Standards development</p>	<p>Joint AUASB/ NZAuASB outreach session to roll out the IAASB Non-authoritative EER Assurance Guidance in June 2021</p> <p>Issued the EER Assurance Guidance Bulletin in August 2021. The release was communicated to stakeholders in the AUASB September Newsletter and direct email sent to attendees of the joint outreach session</p> <p>Created a separate landing page on the AUASB website dedicated to EER</p>	<p>Review and analysis of the ASAE 3410 <i>Assurance engagements on Green House Gas Statements</i> standard to inform options on standard setting activity around assurance on climate disclosures and leverage off the work being done in this area by the NZAuASB</p> <p>Leverage off IAASB actions as a basis for a standard/guidance on Assurance on Climate Disclosures in Australia</p>

AUASB Agenda Paper

Objectives	What we said we would do / Approach	Actions to date	Next steps
<p>2. Demonstrate leadership in EER reporting and assurance in collaboration with the AASB/FRC in Australia, NZAuASB/XRB in New Zealand and other like-minded National Standard Setters (NSS)</p>	<p>Lead EER assurance standards and guidance in our region in partnership with AASB/BRLF/NZAuASB/XRB</p> <p>Create Trans-Tasman EER Committee of the AUASB/AASB/NZAuASB/XRB</p> <p>Climate change disclosure guidance (NZ mandatory disclosure)</p> <p>Engage stakeholders dynamically and regularly, keeping them informed</p> <p>Build investor and market trust in EER</p>	<p>Established a joint AASB/AUASB EER Project Advisory Panel (EER PAP) in August 2021 with FRC involvement:</p> <ul style="list-style-type: none"> - Broad stakeholder membership - Three meetings held in August, October and November 2021 - Exploring what the joint Boards need to do on EER in the short, medium and longer term - FRC/AUASB/AASB liaising with Treasury on EER developments, including Joint Position Statement on EER - Issued Joint Position Statement on EER in Australia (Agenda Item 7.2) <p>Continued liaison with XRB Climate Reporting Project Steering Group on progress of Climate Reporting Standard</p> <p>Attended AASB and IASB webinars on ED 311re Management Commentary. Worked with the AASB on their submission to IASB on ED 311 Management Commentary</p> <p>AASB recruited an Assistant Senior Manager with EER expertise</p>	<p>Implement the approach outlined in the AASB/AUASB EER PAP Position Statement</p> <p>Develop a Bulletin with the AASB on broader international developments in EER, including sustainability, ESG and climate change reporting and the impact on Australia and the next steps for the Boards. To be issued by mid Dec 21</p> <p>Ongoing review of XRB Climate Reporting Project papers</p> <p>Obtain updates on Climate Reporting Projects at XRB meetings attended by AUASB Chair</p> <p>Work closely with AASB technical staff on ED 311 feedback and final submission to IASB</p>

AUASB Agenda Paper

Objectives	What we said we would do / Approach	Actions to date	Next steps
<p>3. Adopting an Evidence Informed Strategy through relevant and appropriate research.</p>	<p>Work and collaborate with key academics and researchers in the EER field to provide relevant and timely data and research to assist with evidence to inform the future development of EER standards and guidance</p>	<p>AUASB / AASB research:</p> <ul style="list-style-type: none"> - Appointed Dr Shan Zhou (University of Sydney) AUASB Academic Scholar in Aug 2021 <p>Brad Potter, University of Melbourne: Short term research on the quality and comparability of climate reporting in the Australian market</p> <p>Arc Linkage 3 Year Project - Climate Risk Disclosure: Developing Measures for Best Practice: Build an evidence base of climate risks relevant to economic entities and best practice calibration in physical and financial terms. Develop understanding of best practice in evidentiary bases on which assurance and audit professionals can conduct satisfactory assessments</p>	<p>AUASB Scholar research / review reports: (1) UK's experience with Strategic Reporting and a comparative study using Australia data and (2) comparative analysis of this data on the reporting quality (including assurance practices) on the annual reports of the top 100 ASX listed companies across 4 years and the economic impact analysis expected to be completed by December 2021. Promote these reports/reviews via AUASB website, AUASB research forums and AFAANZ insight sessions on EER reporting and assurance to be held in the second quarter of 2022</p> <p>University of Melbourne research informing the AASB/AUASB understanding of the key role of accounting standard setters in enhancing the reporting of sustainability information by Australian businesses. This will include the nature and type of guidance that standard setters might develop and issue over time and how this is to be understood and implemented in light of likely interactions with key regulators. The main component of the research comprises a descriptive analysis of key aspects of climate disclosures made by selected Australian companies. To be completed in Q1 2022</p> <p>The AASB & AUASB will continue to liaise with the Arc Linkage project team and review milestones and final research paper due around mid 2023.</p>

AUASB Agenda Paper

Objectives	What we said we would do / Approach	Actions to date	Next steps
<p>4. Influence International EER standards and guidance from the IAASB and IFRS Foundation</p>	<p>Direct involvement in ISSB</p> <p>Direct involvement in IAASB EER assurance work</p>	<p>Working with AASB and EER PAP to promote Australian representation on ISSB</p> <p>AUASB Chair appointment to IAASB for 3 year term from 1 January 2022.</p>	<p>Secure funding (or explore secondments) to enable recruitment of EER expertise to staff of AASB and AUASB</p> <p>Direct involvement on IAASB – Non Financial Information/ EER Assurance Working Groups / Task Forces as maybe set up by the IAASB.</p>

AUASB EER Strategy-on-a-Page

Develop thought leadership and implement strategic projects to improve assurance practice in priority areas such as Extended External Reporting (EER)

Objectives:
Engage stakeholders in EER standards, guidance and other publications that meet their needs and build confidence in the market:

- Roll out effective** EER assurance standards and guidance for our stakeholders
- Demonstrate leadership** in EER reporting and assurance in collaboration with the AASB/FRC in Australia, NZAuASB/XRB in New Zealand and other like-minded National Standard Setters (NSS)
- Influence International** EER standards and guidance from the IAASB and IFRS

Stakeholder Groups	Their Focus
Critical Stakeholders <ul style="list-style-type: none"> Practitioners Report developers Reporting entities Investors AASB/NZAuASB/XRB ASIC/APRA AICD/BLRF IIRC/SASB 	Hold influential roles or specific expertise to help shape development of EER reporting and assurance Their engagement in the process of developing EER standards and guidance adds credibility <i>We can achieve more together than we can alone – and a lot quicker</i>
Key Interest Groups <ul style="list-style-type: none"> Professional bodies Academics/researchers Science/environment sector Media commentators 	Have a strong interest or stake in EER Can help with evidence to inform EER standards and guidance development Connected to critical stakeholders <i>Allies – numbers help</i>
Broader Audiences <ul style="list-style-type: none"> Broader market The public Mainstream media 	Interested in EER but not informed Supportive of leadership in this region Seeking credibility and trust in EER <i>Determine AUASB reputation on EER</i>

Objective	Approach	Tactics	Stakeholders
1. Roll out effective EER assurance standards and guidance for our stakeholders	<ul style="list-style-type: none"> Issue an AUASB Bulletin as Australian non-authoritative material linking to IAASB EER Guidance Roll-out IAASB EER Assurance Guidance Enhance accessibility of the Guidance (lengthy document) Consult on how best to monitor Guidance implementation Identify any gaps in the Guidance Play a strategic role in any EER Standards development 	<ul style="list-style-type: none"> Bulletin on EER Assurance Guidance EER Workshop Series: <ul style="list-style-type: none"> Joint: AUASB/AASB/NZAuASB/XRB Multi-location: MEL/SYD/AKL/WEL Timing: May/June 2021 EER Assurance Guidance roll-out EER developments update Roundtable discussion of implementation monitoring Dedicated EER Assurance web page Newsletter updates 	Practitioners Report developers Reporting entities Investors
2. Demonstrate leadership in EER reporting and assurance in collaboration with the AASB/FRC in Australia, NZAuASB/XRB in New Zealand and other like-minded NSS	<ul style="list-style-type: none"> Lead EER assurance standards and guidance in our region in partnership with AASB/NZAuASB/XRB/BRLF Create Trans-Tasman EER Committee of the AUASB/AASB/NZAuASB/XRB Climate change disclosure guidance (NZ mandatory disclosure) Engage stakeholders dynamically and regularly, keeping them informed Build investor and market trust in EER 	<ul style="list-style-type: none"> Active Trans-Tasman EER liaison with XRB/NZAuASB/AASB at senior technical manager and Board level Active and ongoing engagement with other NSS: CAN/UK/SA Hold regular roundtable discussions Promote leading work being done via: <ul style="list-style-type: none"> AUASB/AASB/NZAuASB/XRB websites Newsletter updates Presenting at conferences/events LinkedIn Media releases Targeted opinion pieces in media 	AASB NZAuASB XRB BRLF Professional bodies Practitioners Report developers
3. Influence international EER standards and guidance from the IAASB and IFRS Foundation	<ul style="list-style-type: none"> Direct involvement in IFRS Sustainability Standards Board (SSB) Strategic partnerships and collaboration with key groups: IFRS/IFAC/IASB/IAASB/IIRC/SASB Direct involvement in any further IAASB EER assurance work 	<ul style="list-style-type: none"> Regular engagement with key groups Strategic alignment via collaboration Position for direct involvement in SSB Participate in/observe EER discussions by key groups at every opportunity Stay up-to-date and informed 	IFRS IFAC IASB IAASB IIRC SASB

Success Criteria

- EER reporting and assurance standards adopted in Australia, building market credibility and trust
- Local EER reporting and assurance standards, guidance and other publications developed via high stakeholder engagement
- AUASB/AASB operational support to adopt and roll out EER standards and guidance in Australia is effective

Key Risks

- Other parties lay claim to this space, FRC/AASB/AUASB not seen as leading on EER in Australia/NZ
- Low stakeholder engagement/input into the development of EER standards and guidance
- Confusion over roles of Boards and other bodies in EER
- Convergence with IFRS/XRB on Climate Reporting Standards



AUASB Agenda Paper

Project:	Technology	Meeting:	30 November & 1 December 2021
Topic:	AUASB Technology Plan Update	Agenda Item:	8.0
Strategic Objective:	Objectives 1 & 2	Decision-Making:	For noting
ATG Staff:	Tim Austin	Project Status:	In progress
AUASB Sponsor:	Rodney Piltz		

Action Required and Decisions to be Made

- 1 The objective of this agenda item is to provide an update to the AUASB on the work undertaken by the AUASB Technical Group (ATG) supported by the Technology Project Advisory Group (PAG).

Background

- 2 At the April 2021 AUASB Meeting, the ATG provided an update to the AUASB on the work being undertaken to address the impact of technology on audit and assurance by the ATG, supported by the Technology PAG, and the IAASB Technology Working Group (IAASB TWG). This update also included an update on the progress of the development of the AUASB Standards portal.
- 3 Since the update in April 2021, the ATG has released two publications:
 - (a) [The Consideration of Cyber Security Risks in an Audit of a Financial Report](#); and
 - (b) [Integrity of Data Obtained for the Purpose of an Audit of a Financial Report](#).
- 4 The [AUASB Standards Portal](#) has also been released with the first round of improvements to occur in Q1 2022.
- 5 The ATG is currently working on a publication to address the reliability of data in an audit of a financial report. The ATG initially planned to develop a single publication addressing integrity and reliability however, during development of the publication, it was decided to split

integrity and reliability into two publications. The rationale for this decision was that whilst the concepts are linked, integrity and reliability are not interchangeable terms and addressing both concepts in a single publication would significantly increase its length.

- 6 The IAASB TWG has not released any new technology publications since the update in April 2021. The ATG monitors the work of other National Standard-Setters in responding to the impact of technology, including working closely with the Canadian NSS on our different publications. Publications considered relevant for Australian practitioners have been linked by the ATG on the Technology Implementation Support page on the [AUASB website](#).

Previous Discussions on Topic

- 7 4-5 December 2018 – Agenda Item 10.2.0.
- 8 20 April 2021 – Agenda Item 6.0

Next steps/Way Forward

- 9 As outlined above, the ATG is currently drafting a publication addressing data reliability. The ATG has also commenced work on a series of FAQs related to IT General Controls to be issued as part of implementation support for the new ASA 315, which will be released in December 2022.
- 10 Based on the feedback from AUASB Members and Technology PAG Members, the ATG has developed the plan shown in Figure 1 below. Once the in-progress topics are completed, the ATG plans to commence work on the reliability of firm tools publication to complete the data integrity and reliability series and then commence on the remaining publications related to cyber security.
- 11 The reliability of firm tools publication will provide guidance for firms and auditors in meeting the requirements of ASQM 1 *Quality Management for Firms that Perform Auditors or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*¹ and ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*² regarding the use of firm-approved technology tools to perform audit procedures.

¹ See ASQM 1 paragraph 32(f).

² See ASA 220 paragraph 25.

AUASB Agenda Paper

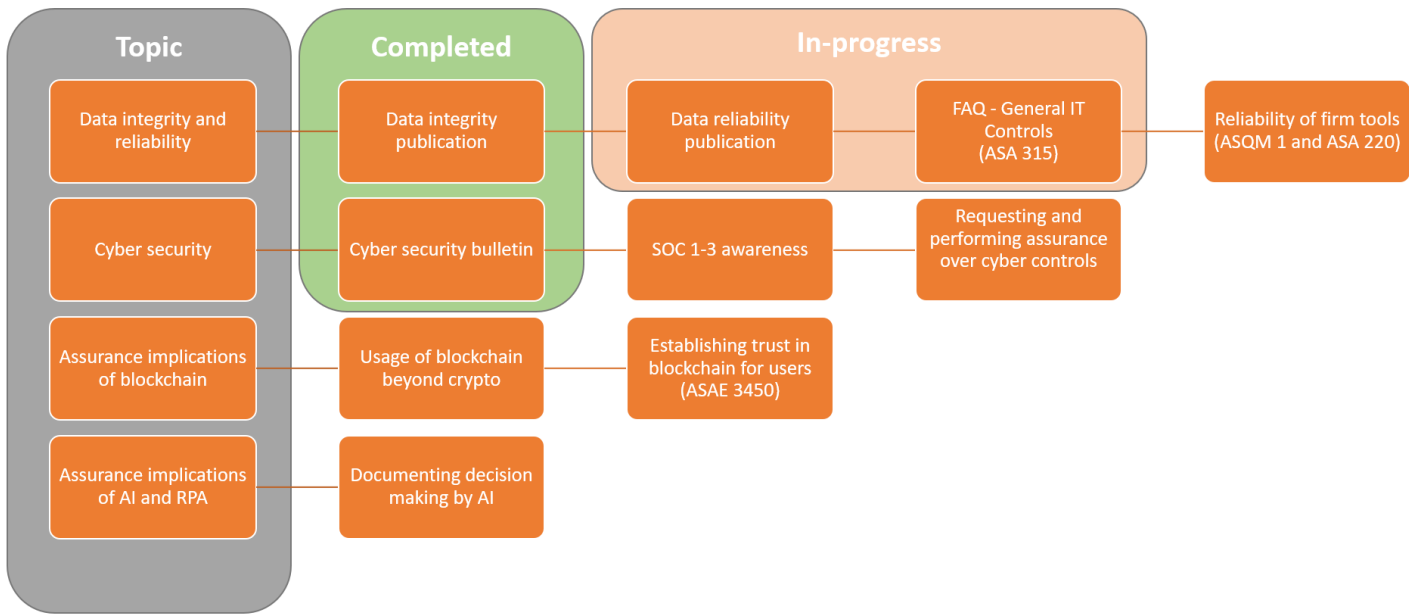


Figure 1- Technology projects plan



AUASB Agenda Paper

Projects:	AUASB Technical Work Program	Meeting:	1 December 2021
Topic:	AUASB Technical Work Program 2021-22 Update	Agenda Item:	9.0
Strategic Objective:	All	Decision-Making:	For Discussion
ATG Staff:	Matthew Zappulla	Project Status:	Ongoing
AUASB Sponsor:	Bill Edge		

Action Required and Decisions to be Made

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

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendations
Question 1	Does the AUASB have any feedback on the strategic priorities for 2021-22 and current status and planned projects/tasks for 2021-22 outlined in the AUASB Work Program Update presented at Agenda Item 9.1 .	N/A

Background

- 3 The ATG has updated the 2021-22 Technical Work Program to address changes since the September 2021 AUASB meeting.

Matters for Discussion

- 4 As previously addressed at the September 2021 AUASB Meeting the 2021-22 AUASB Technical Work Program, in consultation with the AUASB Chair the ATG has realigned the focus on the AUASB's work program so there is greater emphasis on our strategic priority areas:
 - (a) LCE Audits
 - (b) EER Assurance
 - (c) Audit Quality
 - (d) Implementation of the Quality Management Standards
 - (e) Technology
 - (f) Public Sector Audit Issues
 - (g) The IAASB Agenda
- 5 The Public Sector Audit Issues project has been elevated to being a separate strategic priority since the last version of the Technical Work Program was presented to the AUASB, reflecting the strategic importance of this project and work effort the AUASB Technical Group is devoting to this project.
- 6 Three corporate priority areas have also been identified for the AUASB in 2021-22 – AASB Collaboration, Stakeholder Engagement and Communications. These will be implemented in conjunction with the AASB-AUASB Managing Director and AASB staff to align to our combined AASB-AUASB corporate strategy, systems and processes. Since the last AUASB meeting in September 2021 there has been a number of developments to review the AUASB's Communications Strategy with the AASB, and the review of the AUASB's key stakeholders presented at the last meeting has been made operational.
- 7 To date the AUASB Technical Staff have identified 50 individual projects for 2021-22, with approximately half of these connected to the seven strategic priority areas outlined above. Nine projects have been completed so far over the first 4 months of the 2021-22 reporting period.
- 8 The ATG maintains a detailed spreadsheet which tracks the staff working on each project and targeted timelines which is reviewed regularly by the AUASB Chair and Technical Directors. The workplan for 2021-22 is summarised for AUASB Board Member review in a Powerpoint presentation at **Agenda Item 9.1** (using a standardised format consistent with the format used by the AASB). The ATG will review and update this presentation quarterly to inform AUASB members of the progress against the 2021-22 AUASB Technical Work Program and, with the approval of the AUASB Chair, publish on the AUASB Website.
- 9 Note that the projects and initiatives included in the Technical Work Program include only those matters directly impacting the outputs and outcomes of the AUASB. Projects of a more

corporate nature only impacting the AUASB Technical Group and the AASB-AUASB offices (e.g. HR or IT matters) are not included.

Question for the AUASB

Please provide feedback on the priority areas and planned projects/tasks for 2021-22 outlined in the 2021-22 AUASB Technical Work Program presented at **Agenda Item 9.1**.

Collaboration with NZAuASB and other standard setters

- 10 The ATG has a regular dialogue with NZAuASB technical staff to identify projects and activities where sharing and collaboration of information should occur. The AUASB and NZAuASB Technical Directors last met on 9 November 2021 to identify and put in place plans to collaborate on common projects over the current period, and bi-monthly meetings are scheduled throughout the year to ensure coordination. In addition, through the joint membership of the AUASB and NZAuASB by each Board's Chair we regularly review and provide input into the NZAuASB work program, and vice versa.
- 11 The AUASB and NZAuASB technical staff continue to collaborate on IAASB projects through their roles as technical advisors to IAASB members in each territory and also through the IAASB National Standard Setters forum.

Next steps/Way Forward

- 12 Subject to changes requested by AUASB Members, the ATG will arrange to have this latest version of the 2021-22 AUASB Technical Work Program published on the AUASB Website.
- 13 The AUASB Technical Staff currently plan to conduct an Agenda Consultation process with key stakeholders and conduct a public consultation process in the first half of 2022. The format and timing for this is Agenda Consultation is still to be determined.

Materials Presented

- 14 The updated of the 2021-22 AUASB Technical Work Program for consideration is at **Agenda Item 9.1**.



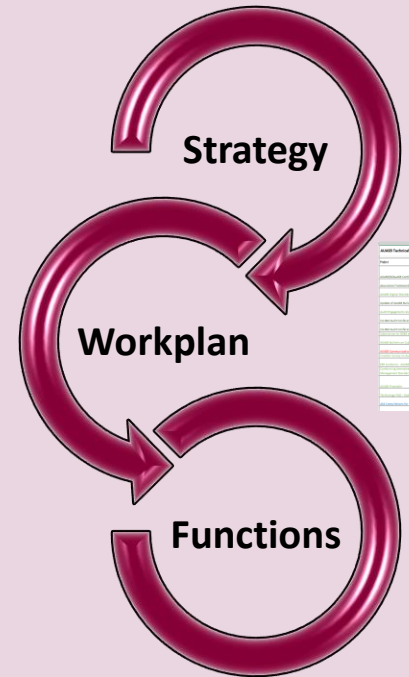
AUASB Work Program

November 2021

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



2021-22 AUASB Strategic Priority Areas



Technical



Item	Strategic Priority Area	Key Performance Indicator	Target	Actual	Notes
1	EER/Sustainability	...	...	...	...
2	LCE Audits	...	...	...	...
3	Audit Quality	...	...	...	...
4	Public Sector	...	...	...	...
5	IAASB Agenda	...	...	...	...
6	Technology	...	...	...	...
7	Quality Management Standards	...	...	...	...
8	Standards and Guidance	...	...	...	...
9	International Influence	...	...	...	...
10	Thought Leadership	...	...	...	...
11	Frameworks	...	...	...	...
12	Stakeholder Relationships	...	...	...	...

2021-22 Technical Work Program

Key outputs / projects delivered to date

- AUASB Bulletin on EER Assurance
- Response to IAASB 2022-23 Work Plan Survey
- Updated AUASB Preamble (ASA 101)
- Revised ASA 560 *Subsequent Events*
- Data Integrity Guidance Bulletin
- Consultation Paper for Audits of Less Complex Entities
- Update of GS 010 (Questions at AGM's)
- ASA 800 updated for AASB changes to remove SPR
- Amending Standard for Portal/ASA 101/ASA 315 editorial changes
- Updated AUASB Due Process Framework for 'Narrow Scope' projects
- Updated AUASB/NZAuASB Conformance and Harmonisation Policy



2021-22 Technical Work Program

Projects in progress or carried forward from 2020-21

- LCE Consultation Paper #
- Audit Engagement related disclosures
- Data Reliability Guidance Publication
- FRC Audit Quality Action Plan and PJC Responses (incl. Going Concern) #
- ASA 315 Implementation Guidance
- Quality Management Standards Implementation Support
- Public Sector Audit Issues Project Advisory Group / GS 023 #
- Compilations - ASA 315 & QM Standards
- AUASB Bulletin on Review of ASIC Inspection Findings #
- Joint Bulletin with the AASB on broader international developments in EER
- IAASB Projects (ISA 600 #, Audit Evidence, Going Concern #, Fraud #)

Included on Nov / Dec 2021 AUASB Agenda



Other 2021-22 AUASB Projects

- Update of AUASB Domestic Standards for revised QM Standards
- AUASB Agenda Consultation Process
- Consideration of KAM reporting beyond Listed Entities
- ASAE 3450 Assurance Fundraisings Standard Update
- GS 016 Bank Confirmations
- Post Implementation Reviews - ASAE 3100 & ASAE 3500
- New Group Audits Standard - ASA 600





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AUASB Agenda Paper

Project:	Less Complex Entities	Meeting:	1 December 2021
Topic:	LCE Consultation Paper	Agenda Item:	10
Strategic Objective:	Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards	Decision-Making:	For Discussion
ATG Staff:	Rene Herman	Project Status:	In Progress
AUASB Sponsor:	Michelle Shafizadeh		

A. Purpose of Agenda Item and AUASB Action Required

- 1 AUASB Technical Group to provide the AUASB with a summary of outreach undertaken and themes/messages coming through outreach sessions relating to the [AUASB LCE Consultation Paper](#).
- 2 AUASB to consider and provide input into the IAASB Exposure Draft on *Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)*. For additional information – refer paragraphs 13 - 14 of this Agenda Paper.

Note to AUASB: Detailed discussion and AUASB input on Section B of the AUASB Consultation Paper (Australian options for consideration) will be brought to the March 2022 AUASB meeting for further discussion and evaluation. At this AUASB meeting we will focus on Section A of the Consultation Paper (LCE Standard).

Questions for the AUASB

Question No.	Question for the Board
Question 1	After hearing the summary of stakeholder feedback as presented by the ATG, the AUASB to consider and provide input into the Questions on Consultation laid out in Appendix 1.

B. Background

- 3 At the September 2021 AUASB meeting the AUASB approved to issue the [Consultation Paper Auditing of Financial Statements of Less Complex Entities \(ISA for LCE\); and Consideration of Possible alternative options for Australian LCE audits](#) (Consultation Paper), with an exposure period of 120-days, closing 14 January 2022. The Consultation Paper has two objectives:
- Objective 1: Exposure of ED ISA – LCE (Section A of the Consultation Paper)
 - Objective 2: Seeking feedback from stakeholders on the proposed options for further exploration by the AUASB to address challenges associated with the audits of LCEs in Australia (Section B of the Consultation Paper)

This AUASB meeting will entail a detailed discussion regarding Objective 1 of the Consultation Paper, while Objective 2 will be discussed and evaluated at the March 2022 AUASB meeting.

C. Matters for Discussion

Part I – Outreach activities

Education

- 4 An AUASB educative information [webinar](#) was released early October on the AUASB website and promoted through social media and the professional bodies to provide stakeholders with the information they need to understand what is being proposed by the AUASB Consultation Paper.

Roundtables – targeted event (by invitation)

- 5 Each roundtable session was 2.5 hours in duration with 1.5 hours dedicated to the ED ISA – LCE while 45 minutes was dedicated to Section B of the AUASB Consultation Paper. The ATG focussed stakeholders on key matters from the Consultation Paper including: the authority of the standard, whether the standard meets stakeholder expectation/needs, consideration of user's perceptions of the standard, the auditor's report, the stand-alone nature of the standard as well as group audits.
- 6 The ATG had originally planned the following targeted roundtables, with participants directly emailed:
- 26 October – Audit practitioners
 - 29 October – Regulators (including state regulators), professional bodies and users
 - 5 November – Audit academics
- 7 The 29 October and 5 November sessions had few registered participants and accordingly, these sessions were cancelled, with the registered participants invited to join the targeted 26 October session or the open session on 9 November.
- 8 The 26 October session was attended by seventeen stakeholders, including AUASB members, NZAuASB staff, practitioners (small, medium and large), professional accounting bodies and regulators.

Roundtables – open events

- 9 The ATG had planned for one open session on 9 November 2021. However, due to the overwhelming response, the ATG added an additional session on 17 November 2021. The session on 9 November was well attended with over thirty stakeholders, representing a broad range of backgrounds, including AUASB members, NZAuASB staff, practitioners (small, medium and large), professional accounting bodies and regulators.

Other targeted outreach

- 10 The ATG is in the process of obtaining feedback from the following stakeholder groups on a more individualised basis:
- ASIC
 - AICD
 - ACNC
 - Australian Bankers Association
 - ACAG

Part II – Feedback from roundtables

- 11 In relation to the LCE standard, since the ATG is still in the process of conducting outreach, a detailed summary of stakeholder feedback will be presented to the AUASB at the December 2021 AUASB meeting. The key themes that we have heard to date include:
- (a) Mixed views as to the appropriateness and usefulness of the standard, with stronger support coming from the smaller practitioner group.
 - (b) Concern regarding the level of judgement involved in the Authority of the Standard, leading to inconsistency in use and further fragmentation, particularly with reference to the 'Qualitative Characteristics' element.
 - (c) Concern regarding the appropriateness of the stand-alone nature of the standard.
 - (d) Concern regarding user's perception of a 'different assurance product'.
- 12 In relation to other Australian Options (Part B of the Consultation Paper), since the ATG is still in the process of conducting outreach, and in the interest of timing, a detailed summary of stakeholder feedback will be presented to the AUASB at the March 2022 AUASB meeting. The key themes that we have heard to date include support for further consideration and investigation by the AUASB in relation to all areas outlined in the Consultation Paper with messaging around:
- (a) Further consideration of assurance products, recognising that Review Engagements are not currently widely used in the Australian market and that this may stem from a perception issue or a lack of understanding of the different assurance offerings and how they can be applied.
 - (b) The possible need for legislative reform as the requirement for a reasonable assurance engagement may not always be the optimal solution.

- (c) The need for non-authoritative support materials akin to the AUASB's GS 009 *Auditing Self-Managed Superannuation Funds* and more recent AUASB Bulletins which provide real-time information on current assurance issues.
- (d) A recognition that many reforms may be outside of the AUASB's remit.

Part III – Questions on Consultation

- 13 The ATG seeks AUASB input on the questions laid out in Appendix 1 of the Consultation Paper. For ease of reference, these questions have been reproduced in Appendix 1 to this agenda paper.
- 14 The ATG would like the AUASB to focus on the following areas:
 - Meeting the needs of stakeholders/appropriate solution – Questions 1, 4 and 5
 - Authority of the standard – Questions 6 and 7
 - Auditor Reporting and user's perception – Question 11
 - Appropriateness of excluding Group Audits – Question 12

D. Collaboration with NZAuASB and other standard setters

- 15 The ATG will attend the NZAuASB December 2021 Board meeting to listen in the Board's discussion of the LCE standard.
- 16 The ATG will be meeting with AICPA, AASB Canada and NZAuASB to share feedback obtained from various outreach activities across jurisdictions.

E. Next steps/Way Forward

- 17 All stakeholder feedback and AUASB input will be considered in a draft response to the IAASB. This will be circulated to AUASB members in January 2022. See timeline below:

14 January 2022	AUASB Consultation Paper Comment period closes
25 January 2022	Draft AUASB response to the IAASB circulated to AUASB for responses by 31 January 2022
28 January 2022	Updated response circulated to AUASB for fatal flaw comment
2 February 2022	Submission due to IAASB – (NB: Late submission requested to accommodate AUASB staff availability over summer holiday period)

Appendix 1 – Questions on Consultation

Overarching

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

Authority of the standard

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

Essential Explanatory Material

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

Auditor Reporting

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

Group Audits

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



AUASB Agenda Paper

Project:	ISA 600	Meeting:	1 December 2021
Topic:	Revision of Group Audit Standard	Agenda Item:	11.1
Strategic Objective:	Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards	Decision-Making:	For Discussion and AUASB input
ATG Staff:	Rene Herman	Project Status:	In progress (subject to review and approval by IAASB on December 14 2021)
AUASB Sponsor:	Rodney Piltz		

A. AUASB Action Required and Decisions to be Made

- 1 The **purpose** of this Agenda Item is to take the **AUASB through any substantive changes on the draft ISA 600 since the September 2021 AUASB meeting – refer Section C of this Agenda Paper. The AUASB is asked for any comments on the 4 matters raised in Section C of this Agenda Paper.**
- 2 A hyperlink to the updated proposed ISA-600 (as being presented at the December 2021 IAASB meeting) is available [here](#).
- 3 As this standard is being voted on at the December 2021 IAASB meeting, as part of the AUASB International Influencing Strategy, **the AUASB is asked for any final fatal flaw input/comments into the revised standard.**

B. Background

- 4 At the September 2021 AUASB meeting the ATG took the AUASB through the main issues raised by the AUASB in the [AUASB submission to the IAASB on ED-ISA 600](#) and how these issues have been addressed by the IAASB in the revisions to ISA 600 since ED. At September 2021 the AUASB supported the direction of the proposed ISA 600.

C. Substantive changes to the standard (since September 2021)

- 5 There have been minimal changes to requirements of the draft standard since September 2021, there have been a few changes in the application material of the standard. For the most part, all changes are to tighten up the flow and construct of the standard, tightening of language and strengthening linkage to ISA 220 and ISA 315. The table below reflects the more substantive changes:

a. Access – non-controlling interest (equity method)

Application material (para A40) that when a group audit cannot overcome access restrictions for a non-controlling interest in an entity that is accounted for by the equity method, the group auditor may discuss with group management whether restrictions on group management's ability to provide access to information or people indicate that the equity method of accounting may not be appropriate in accordance with the applicable financial reporting framework.

ATG comment: At the September 2021 AUASB meeting, AUASB members confirmed that auditor's access for equity investments is not a general issue for Australian group audits. As such, this amendment is not expected to cause any issues in Australia.

b. Engagement Performance

Strengthened and clarified in the application material (para 28 and A74) the Group Audit Partners responsibility in applying ISA 220.

ATG comment: The ATG supports the strengthening of the linkage into ISA 220, making it clear as to the GAP's responsibilities.

c. Review of component auditors workpapers

Strengthened and clarified in the requirements and application material (para 47; A145-A146):

- Whether and the extent to which it is necessary for the group auditor to review additional parts of the component auditor's audit documentation in order to conclude on the group audit (effectively a stand-back). This requirement is in relation to consideration of anything additional i.e.: beyond that already required specifically by the standard and ISA 22. There is extensive application material on factors that may impact this determination.

ATG comment: The ATG supports the clarification of the stand-back provision, noting that the work effort in relation to review of component auditor's work papers is more robust than extant ISA 600.

d. Documentation

Amended application material (para A173) that removes the statement that 'component auditor documentation ordinarily need not be replicated in the group auditor's audit file.' Instead, the application material now only states that: 'Depending on the facts and circumstances, the group auditor may decide to summarise, replicate or retain copies of certain component auditor documentation in the group auditor's audit file to supplement the description of a particular matter in communications from the component auditor, including the matters required to be communicated by this ISA [examples of documentation are provided].'

ATG comment: The ATG does not support the removal of this statement and considers that the statement may assist in the expectation gap between regulators and practitioners.

D. Due Process Considerations

- 6 The ISA 600 working group has considered all due process matters and, in their view, all significant matters raised on ED have been addressed (as outlined to the AUASB in the September 2021 AUASB meeting papers), while still meeting all the objectives of the project per the project proposal.

7 The working group is of the view that there are no substantial changes to the key concepts of the project, no new key concepts have been introduced and changes resulting from ED process and QM suite do not substantively change the proposals of the ED. Additionally, the working group is of the view that any re-exposure would not result in new information not already considered. On this basis, the working group does not recommend re-exposure of this standard.

E. Way forward

8 There are conforming and consequential amendments arising from proposed ISA 600, but these are minimal and there are no substantive areas of amendment.

9 ISA 600 operative date would be for periods commencing on/after 15 December 2023 with early adoption permitted.

10 The IAASB plan to finalise and vote to issue ISA 600 at the December 2021 IAASB meeting. IOB approval expected March 2022, thereafter the standard would be issued.

11 Dependent on the timing of IOB approval and release of the final standard by the IAASB, the proposed revised ASA 600 would be brought to the March or April 2022 AUASB for consideration to issue as a basis for an Australian standard by the AUASB.



AUASB Agenda Paper

Project:	IAASB Fraud Project	Meeting:	30 November 2021
Topic:	IAASB Fraud Project Proposal	Agenda Item:	11.2.0
Strategic Objective:	International Influence	Decision-Making:	Update and Discussion for feedback to Australian public interest IAASB member and TA
ATG Staff:	Marina Michaelides	Project Status:	In Progress
AUASB Sponsor:	TBD / Bill Edge		

Action Required and Decisions to be Made

- 1 The purpose of this Agenda Item is to update the AUASB on the IAASB Fraud Working Group’s project proposal on the ‘Revision of ISA 240 and the Conforming and Consequential Amendments to Other Relevant ISAs to enhance or Clarify the Auditor’s responsibilities on Fraud in the Financial Statements’ (Fraud Project Proposal). A link to IAASB project proposal is provided [here](#).

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Q1. Does the AUASB have any views or comments on the IAASB’s proposed Fraud project proposal – objectives, key themes/issues to be addressed, scope of proposed actions to appropriately address key themes to meet the project objectives?	Refer Paragraph 10 A of this paper and Agenda Item 11.2.1 for matters for discussion.
Question 2	Q2. Does the AUASB have any views on the insights or see any gaps in the Fraud project proposal that the AUASB may consider addressing in Australia in the short to medium term?	Refer Paragraph 10 B for matters for further discussion.

Background

- 2 The IAASB issued the Fraud and Going Concern Discussion Paper (DP) in September 2020 for comment by 1 February 2021 (extended from 12 January 2021).
- 3 The AUASB conducted an Australian Roundtable on the Fraud DP in November 2020 to hear feedback from stakeholders on the areas outlined in the DP.
- 4 The AUASB discussed and finalised their submission to the IAASB at its December 2020 meeting with the final submission received by the IAASB at the end of December 2020.
- 5 The IAASB met via teleconference on 22 April 2021 to:
 - (a) Provide an overview of the feedback received to date related to fraud; and
 - (b) Obtain the IAASB's views on the possible direction on the matters identified

There were 85 responses to the IAASB's DP. Overall feedback from respondents to the DP and input from other information gathering activities indicated that a fundamental revision of ISA 240 was not needed. However, there are targeted areas where enhancements to requirements or application material may be beneficial. Respondents emphasised the importance of all stakeholders in the financial reporting ecosystem. This overall theme was supported by IAASB members. The main public interest standard setting potential areas largely fall into the following 4 categories: linkages to other standards, highlighting the importance of professional scepticism, enhancements in relation to auditor communications and modernisation of the standard to reflect technology.

- 6 The UK FRC has issued revised ISA (UK) 240 (Revised May 2021) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* on 27 May 2021. The revisions are designed to provide increased clarity as to the auditor's obligations, addressing the concern raised by the Brydon review of the quality and effectiveness of audit. The revisions include enhancements to the requirements for the identification and assessment of risk of material misstatement due to fraud and the procedures to respond to those risks. These revisions do not address Brydon recommendations around controls and detection of fraud that may impact audit reporting. These will be dealt with separately by the UK FRC in the context of the overall auditor's report.
- 7 The IAASB met via teleconference in July 2021 to discuss the six remaining proposed recommended actions as outlined in feedback from stakeholders and provided to the AUASB meeting at June 2021.
- 8 As part of developing the project proposal on Fraud through the revision of ISA 240 and the related conforming and consequential amendments to other International Standards on Auditing (ISAs) the Fraud WG has done a comprehensive review and application of the principles of the Public Interest Framework (PIF) in addressing the public interest matters in its issues paper at [Agenda Item 3](#).

Previous Discussions on Topic

- 9 The AUASB has been tracking the progress of the IAASB Fraud Working Group in developing the project proposal against the key matters raised in the AUASB's submission to the IAASB. Refer to [Agenda Item 6.3 of the June 2021 AUASB meeting papers](#) for additional background.

10 Matters for Discussion

- A The IAASB's Fraud Project proposal sets out the project objectives, scope and key themes/issues to be addressed by the project on Fraud.

Project Proposal Objectives:

Considering the stakeholders whose interests are to be served through a project on fraud in an audit of financial statements, the proposed project objectives are to:

- (a) Clarify the role and responsibilities of the auditor for fraud in an audit of financial statements.
- (b) Enhance and clarify ISA 240 to establish more robust audit procedures that will promote consistent behaviours and facilitate effective responses to identified risks.
- (c) Enhance ISA 240 to reinforce the importance, throughout the audit, of the appropriate exercise of professional scepticism in fraud-related audit procedures.
- (d) Enhance transparency on fraud-related procedures, including strengthening communications with those charged with governance (TCWG) and the reporting requirements in ISA 240 and other relevant ISAs.

Key Themes/Issues addressed in the Fraud Project Proposal that are linked to the project objectives:

- Concerns about the clarity of the role of the auditor on fraud in an audit of financial statements;
- Questions around the robustness of identifying and assessing risks of material misstatement due to fraud (ISA 315 (revised) and ISA 330);
- Questions around the adequacy of responses to the assessed risks of material misstatement due to fraud;
- A need to more appropriately recognize the use of technology in ISA 240;
- Views that there is insufficient linkage of ISA 240 to the other ISAs to promote an integrated risk-based approach;
- Further enhancements or clarity is needed for certain fraud-related procedures;
- A need to reinforce the appropriate exercise of professional scepticism; and
- Views that transparency about the auditor's fraud-related procedures in communications between the auditor and TCWG and within the auditor's report should be enhanced.

Please refer to paragraph 18 and 23 of the [IAASB's Fraud project proposal](#) for a more comprehensive discussion on each of the themes/issues noted above and proposed actions by the Fraud WG to address these in either standard setting activities (revision to ISA 240) as a priority or non-authoritative support materials subject to time and resources.

Summary:

The ATG have mapped at **Agenda Item 11.2.1** the key actions outlined in the project proposal for revision of ISA 240 to the theme's identified by the AUASB in their submission and by the IAASB through all submissions. The key actions as outlined in the project proposal fall under three general categories:

- (a) Standard setting (S)
- (b) Development of non-authoritative support materials (G); and
- (c) Other actions (O)

An additional column (3) has been included in the table showing the link from the key themes back to the actions proposed in the IAASB's Fraud project proposal and column (4) has been included to give ATG views on the proposed project activity.

The ATG are satisfied that the key themes raised by the AUASB will be appropriately addressed as part of the standard setting (e.g. high priority revision to ISA 240 through requirements or application material) or through non-authoritative support materials (e.g. second level priority dependant on time and resources and may not be undertaken in parallel to standard setting activities). It is worth noting that the proposed standard setting activities is a long-tailed project with a two year outlook.

It is also worth noting that that there are several themes that were not raised by the AUASB or given lower weighting by the AUASB that have been prioritised in the IAASB project proposal as standard setting activities:

- non-material fraud (Item 7 in **Agenda Item 11.2.1**)
- audit documentation (Item 9)
- enhanced transparency in the Auditor's report (Item 14)
- introductory language in ISA 240 about inherent limitations of an audit (Item 15); and
- external confirmations with enhanced linkages to ISA 505 *External Confirmations* (Item 20).

These areas may warrant some further discussion at the AUASB meeting.

B Australian Insights – Actions if any the AUASB might consider in the short to medium term

The AUASB might consider the following areas on the topic of Fraud in the Financial Statement audit to supplement the work of the IAASB Fraud task force in the short to medium term:

- Bulletin/Staff paper in collaboration with the AICD on Directors / TCWG / Audit Committees responsibilities around fraud and the communication with the auditor around suspected fraud or detected and identified fraud that impacts the financial statement audit process (financial reporting, corporate risk management and internal controls) and the current or lack thereof on requirements in the Corporations Act or Accounting standards on this area. This could also consider in more depth the areas of corporate culture and links into executive remuneration where appropriate. This could then link into the work the IAASB Fraud Taskforce are undertaking on strengthening the requirements and application material on enhanced transparency in the Auditor's report. This would also include involvement and discussions with ASIC.
- Bulletin/Staff paper in collaboration with the AUASB Technology PAG focusing on use of technology in audit procedures undertaken as part of the financial statement audit around fraud and addressing the performance expectation gap and evolution gap (e.g. technological advancements on the audit approach and users expectations) around this area. This could include consideration of data analytics and other tools used by the auditor to undertake this work. This might also include some examples or case studies.
- Possibly some FAQs or a short publication around improvements to identifying fraud risk factors beyond revenue and journal entries which might include practical case studies. The area of practical case studies does not appear to have been taken up by the IAASB fraud working group as part of the project proposal.

AUASB Agenda Paper

The AUASB are asked in light of the IAASB's Fraud project proposal and the [submission to the IAASB](#) whether the AUASB might consider any further activities in relation to fraud in Australia in the short or medium term.

Other matters for noting

- 11 After the IAASB approve the project proposal for Fraud at its December 2021 meeting the Fraud WG will convert to Task Force status as they move forward in the implementation of the project proposal.
- 12 Based on the IAASB's Fraud project proposal the planned timing of project milestones is:

Key Project Milestone	Targeted timing
Develop an ISA 240 (Revised) ED	Qtr 1 2022 to Qtr 2 2023 (1.5 years)
Approval of ISA 240 (Revised) ED by IAASB	June 2023
Exposure Period, consultation and deliberations on submissions on ISA 240 (Revised) ED	Qtr 3 2023 to Qtr 3 2024
IAASB approval of ISA 240 (Revised)	Qtr 4 2024 (2 years)

Collaboration with NZAuASB and other standard setters

- 13 The AUASB will continue to work with the NZAuASB on this important IAASB project as they progress towards approval and adoption of the Fraud project proposal.

Next steps/Way Forward

- 14 The ATG will provide comments on the IAASB's proposed Fraud project proposal via the Australian member on the IAASB to assist in influencing the final proposals when it comes back to the IAASB on the 6th December and then for approval on 13 December 2021.
- 15 The ATG will also consider the feedback from the AUASB on the Australian specific insights or gaps that might be addressed by the AUASB in the shorter to medium term.



Australian Government

Auditing and Assurance Standards Board

Agenda Item 11.2.1

	Issue/Theme identified by IAASB through all stakeholder submissions	Link to issues identified in AUASB submission on Discussion paper	How addressed in IAASB Fraud Project Proposal (Refer IAASB Agenda Item 3-A paragraph 23)	ATG's View on Proposed Activity in Fraud Project Proposal	Standard -Setting - Introduction	Standard-Setting - Requirements	Standard-Setting – App. Material	Non-Authoritative Guidance	Further WG and Board Discussion Needed ¹ / No Further Action
1	Stronger Linkages to Risk Identification and Assessment (ISA 315 (Revised 2019))	Importance of corporate culture and in-depth knowledge of the entity. Consideration of links between exec incentives.	YES Para 23B(4)-S Para 23B(14)-S Para 23D(28)-S	<i>Appropriate</i> Due to revisions to ISA 315(revised) Not sure about linkages to CC and incentives		X	X		
2	Enhanced Transparency with TCWG and Enhanced Linkage to ISA 260	What is required when fraud is detected and consideration of links between ISA 250 and ISA 260	YES Para 23B(11)-S Para 23B(12)-G	<i>Appropriate</i> Enhances links to ISA 250	X		X	X	
3	Closer or Enhanced Linkage to ISA 550 ²	Not raised by AUASB	NO	<i>Appropriate</i> Not raised by AUASB					
4	Enhancements to Professional Skepticism; and Suspicious Mindset Concept	Closer links to ISA 540 and management bias. No support for suspicious mindset.	YES Para 23B(7)-S Para 23C(26)-S Para 23C(27)-G NO	<i>Appropriate</i> Strengthens links to ISA 540 Enhances PS in Req and AM		X	X	X	X ³
5	Journal Entry Testing	Consideration of use of emerging technologies and modernization of the standard.	YES Para 23B(9)-S Para 23B(14)-S	<i>Appropriate</i> to address journal entry testing		X	X		
6	Technology	Consideration of use of emerging technologies and modernization of the standard.	YES Para 23B(10)-G	<i>Appropriate</i> however issue around timing of G				X	
7	Non-Material Fraud and Linkage to ISA 320 ⁴	No additional procedures necessary	YES Para 23B(19)-S	Goes beyond AUASB submission	X		X		

¹ The working group considers that further investigation is needed to come back to the IAASB with more detail.

² This was not well supported by the IAASB members at the April 2021 teleconference on the basis that the related parties standard addresses fraud risk.

³ The working group recommends not pursuing the concept of a suspicious mindset but rather recommends possible actions to enhance and emphasize the existing concept of professional scepticism.

⁴ Working group not recommending scope expansion but rather enhancements to clarify auditor's responsibilities/further actions when a possible non-material fraud is identified.

8	Unpredictability Procedures	More guidance on how unpredictable audit procedures address fraud risk	YES Para 23B(18)-S	<i>Appropriate</i>			X		
9	Audit Documentation and Closer or Enhanced Linkage to ISA 230 ⁵	Not raised by AUASB	YES Para 23B(21)-S	Goes beyond AUASB submission		X	X		X ⁶
10	Analytical Procedures and Closer or Enhanced Linkage to ISA 520 ⁷	Consideration of use of emerging technologies and modernization of the standard.	YES Para 23B(16)-S Para 23B(24)-G	<i>Appropriate</i> Enhances linkages to ISA 570			X	X	
11	Linkage to Other ISAs (those not already referenced in other categories) ⁸	Somewhat touched upon by AUASB: involvement of more senior team members along with effective supervision and review (ISQM 1 and ISA 220 related)	YES Para 23B(8)-S Para 23B(13)-G	<i>Appropriate</i> Enhances links to ISA 240 Written Reps Issue around timing of guidance		X	X	X	
12	Forensic Specialists	Not strong support but support to use as part of team discussions and ultimately based on circumstances.	YES Para 23A(3)-S	<i>Appropriate</i> Focus on specialised skills not just forensic skills		X ⁹	X		
13	Definition of Fraud ¹⁰	Further consideration of what is needed to help clarify the auditor's responsibilities.	YES Para 23A(2)-S	<i>Appropriate</i> Looks at concepts of bribery and corruption on definition of fraud			X		
14	Enhanced Transparency in the Auditor's Report	Mixed views around more transparency however consideration of improved transparency by management and TCWG.	YES Para 23D(28)-S	Goes beyond AUASB submission Refer AUASB Agenda Item 5		X	X		
15	Revisit Introductory Language in ISA 240 About Inherent Limitations of an Audit	Not raised by AUASB	YES Para 23A(1)-S	<i>Appropriate</i> Goes beyond AUASB submission	X (ISA 240) ¹¹		X (ISA 200)		
16	Making the Fraud Brainstorming (Engagement Team Discussion) More Robust	Knowledge share by senior team members	YES Para 23B(5)-S	<i>Appropriate</i> Enhances the robustness of eng team discussion on fraud		X	X		X

⁵ Consideration of whether additional fraud related documentation is needed.

⁶ This category will remain open as the project progresses because the WG will further consider whether specific documentation requirements are needed for any enhancements proposed.

⁷ Consideration of appropriate level of disaggregation at planning/closing stages. Consideration of non-authoritative guidance with technology working group when using ATT when performing analytical procedures.

⁸ Including ISA 220, ISQM 1, ISA 330, ISA 610, ISA 265.

⁹ Consideration whether the IAASB should pursue standard setting to require the use of forensic specialists, and in what circumstances or whether there is another appropriate action to address the issues identified.

¹⁰ Further exploration and further consideration of what is needed to clarify the auditor's responsibilities.

¹¹ Consideration of re-ordering the introduction paragraphs so that auditor responsibilities are presented prior to addressing inherent limitations of an audit. Explore if possible, enhancements can be made to clarify auditor's responsibilities in relation to fraud.

17	Clarifying the Relationship Between ISA 240 and ISA 250 (Revised)	What is required when fraud is detected and consideration of links between ISA 250 and ISA 260	YES Para 23B(12)-G	<i>Appropriate</i> however issue around timing of G				X	
18	Rebuttable Presumption of Fraud Risk in Revenue Recognition and Related Issues ¹²	Improvements to identify fraud risk factors beyond revenue and journal entries – including practical case studies.	YES Para 23B(15)-S Para 23B(23)-G Para 23B(6)-G	<i>Acceptable</i> However focuses mainly on RR and journal entries not other areas		X	X	X	
19	Requirements for when Fraud is Detected or Identified	What is required when fraud is detected and consideration of links between ISA 250 and ISA 260	YES Para 23B(17)-S	<i>Appropriate</i>		X	X		
20	External Confirmations and Closer or Enhanced Linkage to ISA 505 ¹³	Not raised by AUASB	YES Para 23B(22)-S	Goes beyond AUASB submission			X		
21	Third-Party Fraud ¹⁴	AUASB supports activities which further consider issues such as cyber controls.	YES Para 23B(20)-S Para 23B(25)-G	<i>Appropriate</i> Considers collaboration with Technology Group to determine if need for guidance on 3 rd party fraud e.g. cybercrime			X	X	
22	Education	Role of Education and professional training requirements	YES Para 27 and 28*	High level and not very specific					
23	Importance of the Role of All Stakeholders in the Financial Reporting Ecosystem	Whole of financial reporting ecosystem issue – mgmt and TCWG role to implement and manage governance, culture and risk management	YES Para 27 and 29*	High level and not very specific					

Note:

S = Standard Setting Activity – Revision to ISA 240 through requirements or application material as denoted in the later columns.

G = Non-Authoritative Support Materials – likely take the form of Frequently Asked Questions (FAQs), diagrams, flowcharts or other similar succinct documents.

This activity is subject to time and resources of the IAASB and may not occur until the completion of the standard setting activities which has a two year time horizon.

* = The activities noted are continued discussions, communications, dialogue and engagement with other parties in the area of education/training and those in the financial reporting ecosystem. Also includes liaising and collaborating with IESBA and IFAC in encouraging action for others and engaging with IFAC's International panel on Accountancy Education (IPAE).

¹² Consideration on whether to highlight other areas susceptible to material misstatement due to fraud and clarify when it may be appropriate to rebut presumption of risks of fraud and how this can be done.

¹³ Consideration and implications where external confirmations are not reliable or not received, consideration with technology WG on the advent of open banking where the auditor can directly obtain audit evidence.

¹⁴ Working group will collaborate with technology working group.



AUASB Agenda Paper

Project:	IAASB Agenda	Meeting:	1 December 2021
Topic:	IAASB Workplan 2022-23	Agenda Item:	11.3.0
Strategic Objective:	Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards	Decision-Making:	For Discussion
ATG Staff:	Matthew Zappulla	Project Status:	In progress
AUASB Sponsor:	Bill Edge		

Action Required and Decisions to be Made

- 1 The AUASB is requested to review and provide comment on the final draft of the IAASB's 2022-23 Work Plan (provide for review at **Agenda Paper 11.3.1**).

Background and previous discussions on topic

- 2 The AUASB reviewed and discussed a draft of the IAASB 2022-23 Work Plan at the September 2021 AUASB Meeting. The analysis presented at the previous AUASB meeting was based on the AUASB's responses to the IAASB 2022-23 Workplan Survey.

Matters for Discussion and ATG Recommendations

- 3 The IAASB Planning Committee and Staff have now summarised feedback from IAASB members on the Draft Workplan at their September 2021 Meeting and compiled a final draft for approval at the upcoming December 2021 IAASB Meeting. A copy of the final draft has been included in the AUASB Board Papers Supplementary Pack for reference purposes at **Agenda Paper 11.3.1**. Should AUASB members also wish to review the detailed Issues paper being presented to the IAASB on this topic it is available [here](#).
- 4 Key changes made to the IAASB 2022-23 Work Plan since it was last reviewed by the AUASB are, inter alia:
 - (a) More details added about how the IAASB selects its next project(s) to clarify the prioritisation process;



- (b) Further information about how the IAASB intend to respond on global developments relating on Sustainability/ Environmental, Social and Governance reporting; and
 - (c) Highlighting a possible ‘omnibus’ project on technology, comprising narrow scope changes to a variety of standards (e.g. ISA 520 and ISA 530) to address immediate amendments driven by changes in technology rather than a full-scale revision of individual standards.
- 5 The AUASB Technical Group (ATG) has done a full review of the revised IAASB 2022-23 Work Plan and regard the changes made since September 2021 as sensible and in line with the overall IAASB strategy. In particular we support the IAASB’s intention to include specific actions in the Sustainability/ Environmental, Social and Governance reporting space considering recent global developments in this area, which align well to the AUASB joint work with the FRC and AASB in this area (as discussed under Agenda Item 7).
- 6 In the final draft of IAASB 2022-23 Work Plan presented the IAASB reinforces its intention to complete projects that have already commenced, specifically:
- Audit Evidence
 - Fraud
 - Going Concern
 - LCE
 - CUSP
 - IESBA Listed Entity and PIE Project
- Refer to Table A on pages 4 & 5 of **Agenda Paper 11.3.1** for greater detail.
- 7 The AUASB Technical Directors have worked with the AUASB Chair to review the timeline and scope of existing IAASB projects, and these have been incorporated into the AUASB’s 2021-22 Technical Work Program presented at **Agenda Item 9**.
- 8 The ATG considers it unfortunate that the IAASB is yet to finalise which additional projects will commence in the IAASB’s 2022-23 Work Plan period. After obtaining extensive feedback from stakeholders the Work Plan has still only included placeholders for one or two new projects, rather than committing to which projects are going to be prioritised. The list of possible projects is listed in an order informed by the stakeholder consultation in Table B on pages 8 & 9 of **Agenda Paper 11.3.1**.
- 9 From a National Standard Setters perspective, it would be preferable to have the possible new IAASB Standard-Setting Project(s) that may commence in 2022–2023 determined sooner rather than later so this can be built into the AUASB Technical Work Program.
- 10 Consistent with feedback to IAASB have received on their draft 2022-23 Work Plan, the ATG considers there are 3 new projects (one from each category of Audit, Review and Assurance Standards) which should be prioritised by the IAASB based on the current environment:
- Audit - Responding to Assessed Risks of Material Misstatement (Revision of ISA 330)
 - Review - Review of Interim Financial Information (Revision of ISRE 2410)
 - Assurance - Standard-setting or Non-Authoritative Guidance on Climate Change Disclosures (as a separate project or to be expanded to include Sustainability / ESG Reporting more broadly)



Action for the AUASB	Question for the AUASB
Refer to Table B on pages 8 & 9 of Agenda Paper 11.3.1 and consider the IAASB's list of Possible New Standard-Setting Project(s) that may commence in 2022–2023.	Do you have any views about which new projects the IAASB should prioritise over the 2022-23 Work Plan period?

- 11 Whilst the ATG would like to see the 'new' projects the IAASB intend to commence over the Work Plan period finalised, there are no immediate considerations in the Draft 2022-23 Work Plan which raise any significant concerns for the AUASB. The ATG will monitor future developments in due course as part of our [AUASB International Strategy](#).

Next steps/Way Forward

- 12 The IAASB will be asked for comments on the final IAASB 2022-23 Work Plan to be sent prior to its December 2021 meeting. Based on this feedback a final 2022-23 Work Plan will be presented for approval at the December 2021 IAASB meeting.
- 13 Once the Final IAASB 2022-23 Workplan is released the AUASB Technical Team will incorporate the details into the current Technical Work Program.

Materials Presented

Agenda Item	Description
11.3.1 (*SP)	The IAASB's [Draft] Work Plan for 2022–2023

*SP: AUASB Supplementary Papers Pack



Australian Accounting Standards Board
Auditing and Assurance Standards Board

CORPORATE PLAN
2021 - 2022

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Preface

This Corporate Plan has been prepared during a very challenging period in Australia's history as the community and business continue to deal with the disruptions caused by the COVID-19 pandemic. The toll on business, our community's mental health, student education and relationships is tremendous, yet in the face of such adversity the Australian fighting spirit continues to shine. The Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) have adapted to our new environment of working predominantly remotely, with the occasional brief return to our Melbourne Office. International meetings are now virtual meetings, with the hope that the benefits of meeting face to face with our global counterparts will return in 2022. Stakeholder engagements of roundtables have become webinars or other virtual formats, including our first Research Forum as a virtual format, that allowed us to cater for our largest audience yet of over 500 attendees from around the globe.

Together, we (AASB and AUASB) have worked to create and communicate standards and guidance related to the effects of COVID-19 on financial reporting covering rent concessions and updated our FAQ document released the prior year. Our plan for 2022 is to continue providing the public with support and guidance in response to the economic effects of COVID-19, while also continuing our work on economic drivers that impact the domestic and global economy.

Our ability to produce excellent outcomes in response to external forces allows us to influence key global stakeholders such as the International Accounting Standards Board, and the International Auditing and Assurance Standards Board, whose mission it is to create one set of globally-applicable standards that stakeholders world-wide can use with confidence, pursuant to the chief goals of transparency, accountability, reliability and comparability in financial statement reporting.

The following Corporate Plan outlines our strategy for continuing our work in the dynamic environment we find ourselves in; one that is fast-moving, susceptible to outside forces and requires an agile approach.



Introduction

As agreed with the Department of Finance, the 2021-22 Corporate Plans for the Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) have been prepared as a single document, with the specific purpose and significant activities of each Board separately presented where required by Subsection 35(1) of the *Public Governance, Performance and Accountability Act 2013*.

Accountable authority approval

Australian Accounting Standards Board

I, Dr Keith Kendall, as the accountable authority of the Australian Accounting Standards Board, present the 2021-22 AASB Corporate Plan, which is prepared for the 2021-22 period and covers the periods 2021-22 to 2024, as required under paragraph 35(1) (b) of the *Public Governance, Performance and Accountability Act 2013*.

27 August 2021

Auditing and Assurance Standards Board

I, William Edge, as the accountable authority of the Auditing and Assurance Standards Board, present the 2021-22 AUASB Corporate Plan, which is prepared for the 2021-22 period and covers the periods 2021-22 to 2024, as required under section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

27 August 2021



The AASB and AUASB Corporate Plan

The corporate plan of the AASB and AUASB sets out why we exist, what we need to do to achieve our purpose, the factors that influence how we achieve our purpose, the activities we intend to undertake and the ways in which we measure whether we have achieved our purpose, as set out in the diagrams below.

The elements of the AASB’s operations are:





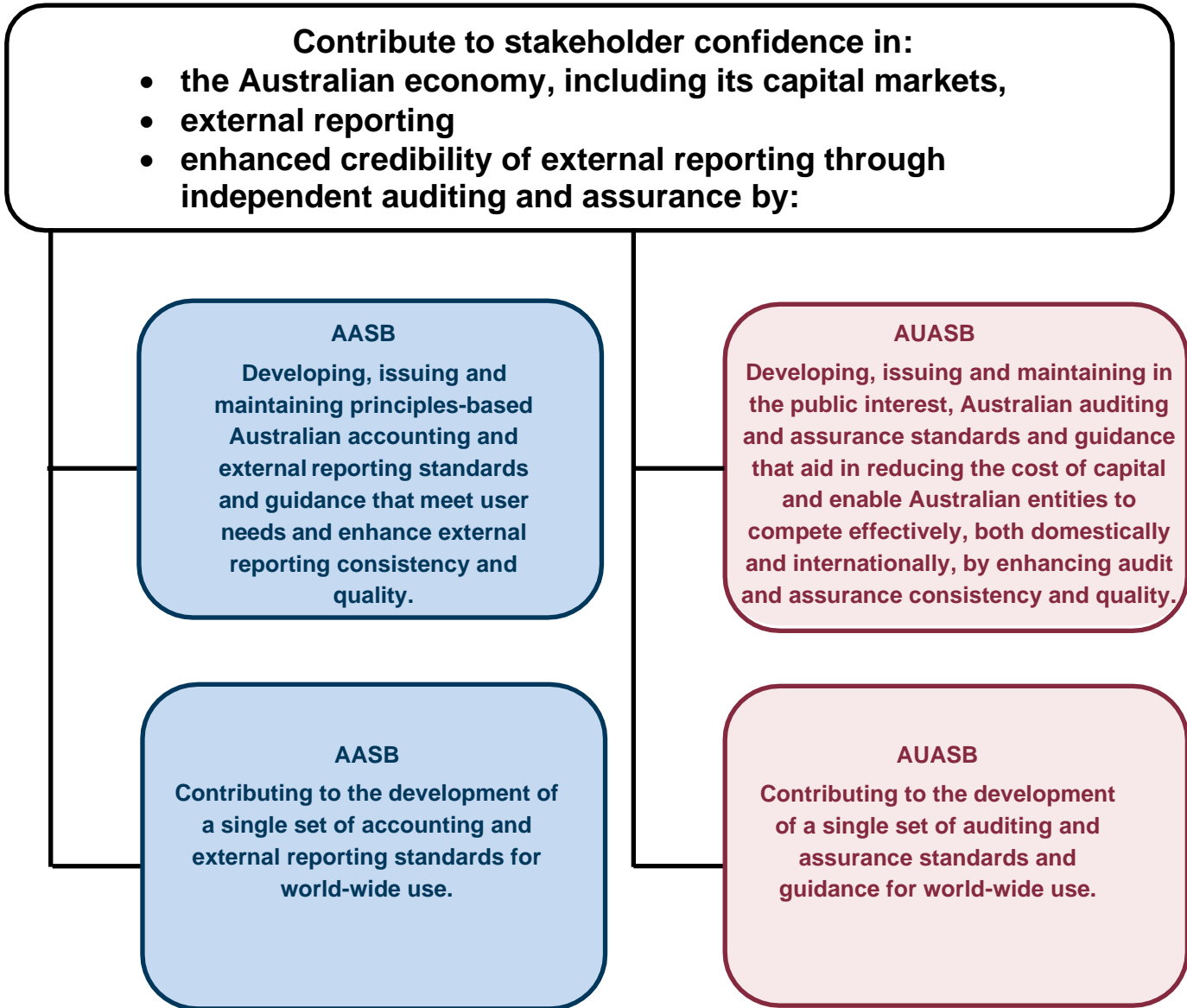
The elements of the AUASB's operations are:





The Purpose of the AASB and AUASB

The AASB and AUASB's (the entities) purpose, vision and mission are.





The strategic objectives of the Boards to achieve their purpose under the Australian Securities and Investment Commission (ASIC) Act and the Financial Reporting Council (FRC) directives are set out below:

AASB	AUASB
<p>1. Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For ‘publicly accountable’¹ entities maintain IFRS² compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.</p>	<p>1. Develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC).</p>
<p>2. With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with the regulators to develop objective criteria on:</p> <ul style="list-style-type: none"> • who prepares external reports (including financial reports) • the nature and extent of assurance required on these external reports. 	<p>2. Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.</p>
<p>3. Actively influence IASB,⁴ IPSASB⁵ standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.</p>	<p>3. Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards.</p>
<p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnerships and outreach.</p>	<p>4. In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.</p>
<p>5. Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.</p>	<p>5. Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.</p>
<p>6. Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards, including changing technologies.</p>	<p>6. Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.</p>
<p>7. Develop guidance and education initiatives, or promote development by others, to enhance the consistent application of accounting and external reporting standards and guidance.</p>	<p>7. Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB’s Standards.</p>

1. Publicly accountable entities include those: a) with debt or equity instruments traded in a public market b) holding assets in a fiduciary capacity. (AASB 1053 *Application of Tiers of Australian Accounting Standards*)

2. International Financial Reporting Standards

3. International Auditing and Assurance Standards Board

4. International Accounting Standards Board

5. International Public Sector Accounting Standards Board



Environment

What we do

Accounting standards set out how entities must report externally on key transactions and events, and on their performance and financial health, in a way that is consistent and comparable with other entities in Australia and internationally. This enables people outside the entity to make informed decisions about their dealings with that entity and making decisions such as whether to:

- invest in a listed company's shares
- trade with/extend credit to an entity
- donate to a particular charity
- hold the government accountable for the use of taxpayer funds.

The AASB has a Conceptual framework that sets out the purpose of preparing financial statements, the key elements of financial statements (assets, liabilities, revenue, expenses and equity) and provides guidance on how to set standards. Accounting standards generally set recognition, measurement, classification, presentation and disclosure requirements for the elements of financial statements.

The transparency, comparability and accountability required by accounting standards underpin public and investor confidence in the Australian economy. Accounting standards reduce information gaps and enable more efficient resource/capital allocations. To be effective, they must be capable of being audited and enforceable by other regulators.

Auditing and Assurance standards include requirements and application guidance that set out how auditors and assurance practitioners conduct an audit or assurance engagement. The AUASB is an independent standard-setting body that serves the public interest by setting high quality auditing and assurance standards which are based on International Standards issued by the International Auditing and Assurance Standards Board (IAASB) that are generally accepted worldwide. The use of a single set of robust auditing and assurance standards contributes to enhanced engagement quality and consistency of practice throughout the world and strengthens public confidence in the global auditing and assurance profession.

The AUASB has a well-established Assurance Framework that includes different types of assurance standards depending on the nature and extent of assurance required. They are sector and framework neutral and principles-based to encourage the auditor or assurance practitioner to apply their professional judgement and exercise professional skepticism at all times.

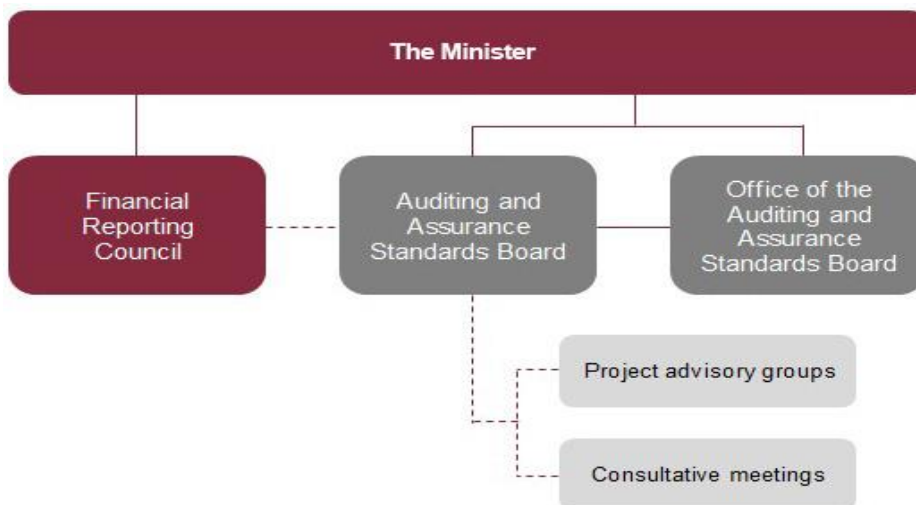
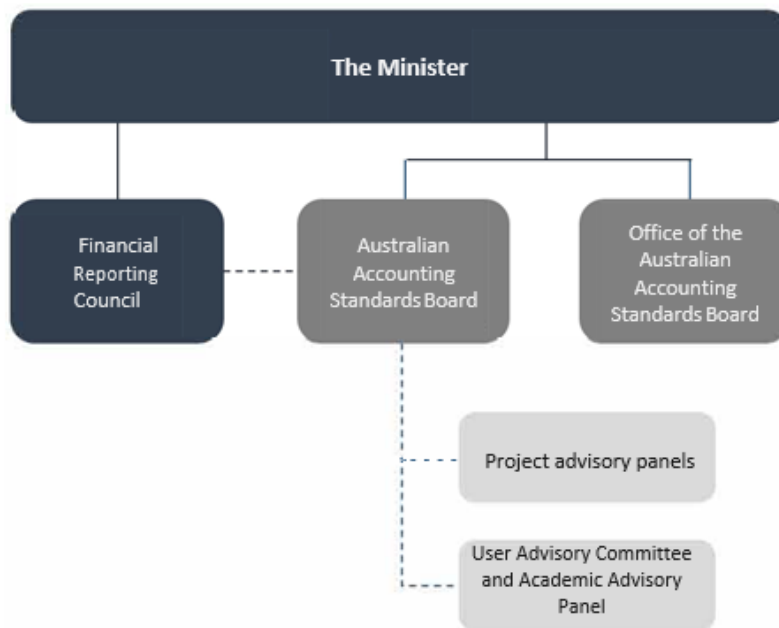
The AASB and AUASB are responsible for setting standards in three sectors, being for-profit companies, not-for-profit private sector entities (e.g. charities and incorporated associations) and the public sector. The



complexities of setting standards appropriate for all three sectors increases the challenges of achieving appropriate stakeholder understanding of the AASB's and AUASB's roles and engagement with their standard-setting activities.

How we operate

The AASB and AUASB operate within a framework set out in Part 12 of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) and are part of the Commonwealth Treasury portfolio (see Appendix 1). Our funding is provided by the Commonwealth and the States and Territories. Our accountability responsibilities are set out below.





The Boards and their Offices

Each entity has two arms:

- the Board itself
- the technical staff of each entity who are employed by the relevant Office of the AASB or Office of the AUASB (the non-corporate government entity). The office of the AASB employs the administrative staff who support both the AASB and the AUASB.

The Boards of the AASB and AUASB are technical boards contributing to the strategic direction of the entities. The Boards do not have supervisory powers in respect of the functions and administration of the Offices of the AASB and the AUASB, which are the responsibility of the respective Chairs. Our Board members have a diverse range of skills, experiences, professional affiliations, geographies and industry and sector experience to enhance the quality of our standards. Board members serve on Project Advisory Panels and Groups and participate in a range of public forums. In addition:

- the Australian-based representatives (if any) on the IPSASB and the IASB's IFRS Interpretations Committee, are observers at the AASB meetings.
- the Australian-based member of the IAASB is an observer at the AUASB meetings.
- the AASB Chair and the AUASB Chair are both members of the respective New Zealand Boards.

Each year, the FRC advertises for new Board members across both entities.

Financial Reporting Council and Minister Oversight

The FRC provides broad strategic direction and advice to the Boards and has oversight of the process for setting accounting and assurance standards in Australia. The FRC appoints Board members (other than the Chairs).

The FRC has directed the AASB to:

- adopt accounting standards that are the same as those issued by the International Accounting Standards Board (IASB) (Direction approved on 5 September 2002).
- pursue the harmonisation of Government Financial Statistics (GFS) and Generally Accepted Accounting Principles (GAAP) reporting for the public sector (Direction approved on 12 December 2002).

The FRC has directed the AUASB on 6 April 2005 to:

- Develop Australian Auditing Standards that have a clear public interest focus and are of the highest quality;
- Use, as appropriate, International Standards on Auditing (ISAs) of the International Auditing and



Assurance Standards Board (IAASB) as a base from which to develop Australian Auditing Standards;

- Make such amendments to ISAs as necessary to accommodate and ensure that Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements, including amendments as necessary for Australian Auditing Standards to be legally enforceable under the requirements of the Corporations Act 2001;
- Monitor and review auditing and assurance standards issued by other standard-setting bodies in other national jurisdictions; and
- Continue to develop auditing and assurance standards for other than historical financial information as well as develop and issue other guidance on auditing and assurance matters, and participate in audit research that is conducive to, and which significantly benefits, the standard-setting activities of the AUASB.

The relevant Minister appoints the Chairs of the AASB and AUASB. The Chairs are accountable to the Minister regarding the operations of the Board and the supporting Offices.

Although our funding is provided by government, we are independent as the ASIC Act expressly limits the FRC's and Minister's ability to direct the AASB or AUASB in relation to the development, or making, of a particular standard. The FRC and Minister do not have the power to veto a standard made, formulated or recommended by the AASB or the AUASB in that neither the FRC nor the Minister can direct a particular technical outcome.

The Standards as Legislative Instruments

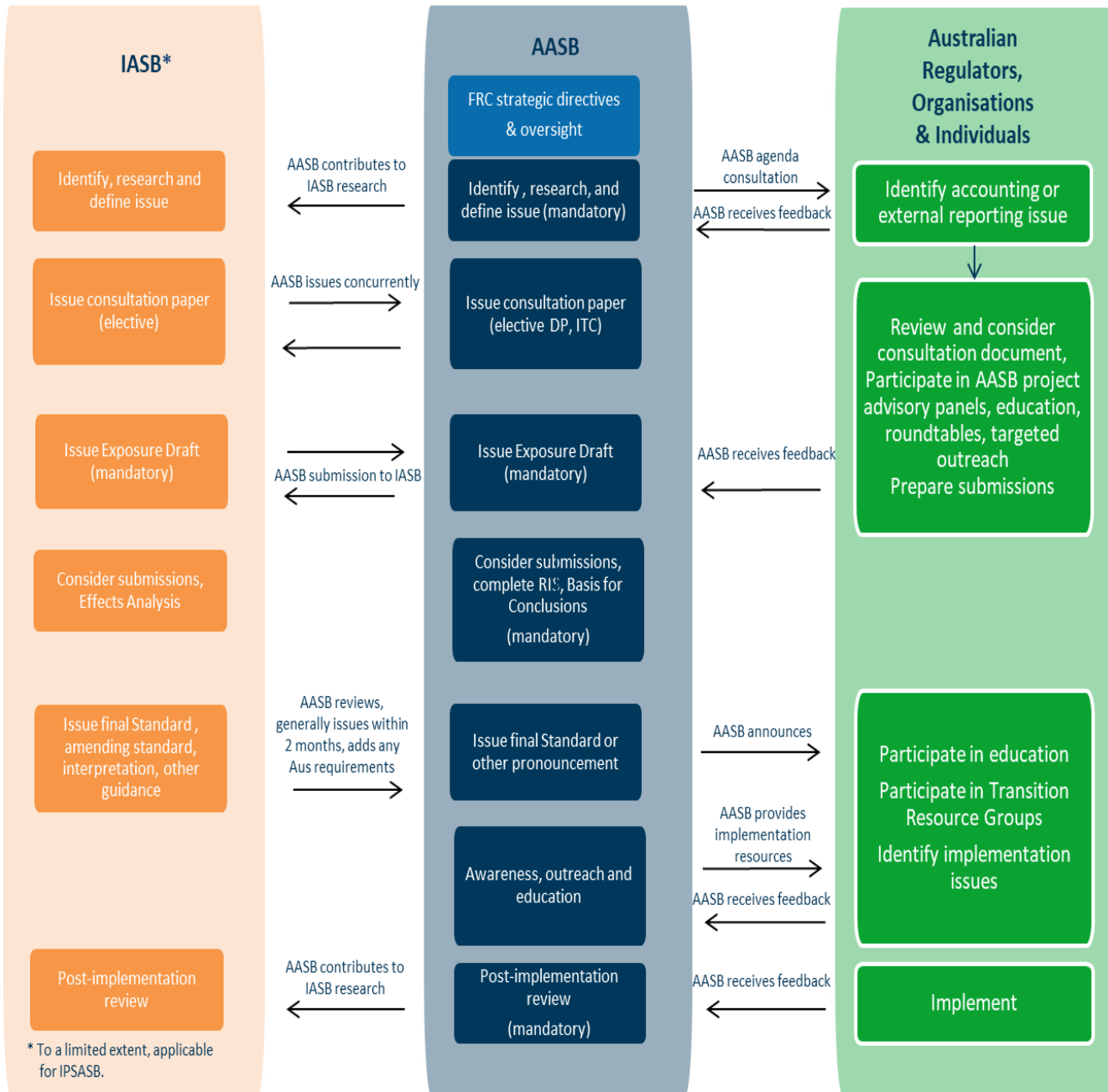
The standards issued by the AASB and the AUASB are legislative instruments and in accordance with regulatory best practice, are principle-based rather than rules-based. Accordingly, professional judgement is a critical element when implementing accounting and auditing standards.

The Boards comply with *The Australian Government Guide to Regulation* when assessing the regulatory effects of significant changes.

The AASB uses its Due Process Framework and Evidence Informed Frameworks to ensure the quality of its standards and that the benefits of its standards outweigh the costs to its constituents. This includes use of empirical research from Australian and international academics to support the identification of issues, analysis of possible solutions and evidence of effectiveness once a standard has been finalised, as well as a means of influencing internationally. The AASB's Due Process Framework is set out below:



AASB Due Process Framework for Setting Standards





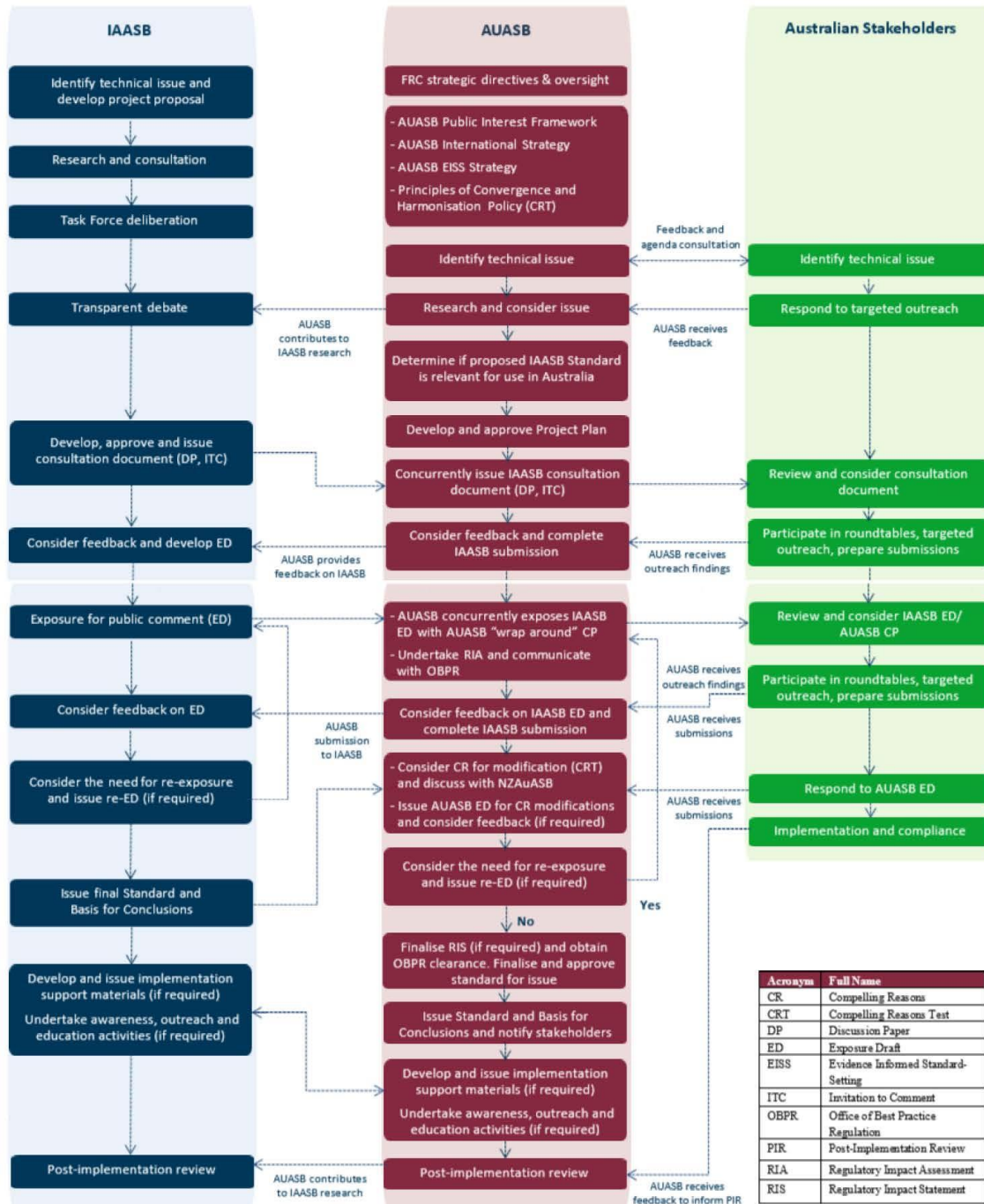
The AUASB uses its Due Process and Evidence-Informed Standards-Setting Strategy to ensure the quality of its standards and that the benefits of its standards outweigh the costs. This includes use of empirical research from Australian and international academics to support the identification of issues, analysis of possible solutions and evidence of effectiveness once a standard has been finalised, as well as a means of influencing internationally.

In order to increase our influence during the formative stages of standards development, in 2019-20 the AUASB implemented a revised process for issuing IAASB Exposure Drafts (EDs) in Australia, where the EDs are issued concurrently with their release internationally. This approach is consistent with the way the AASB and many other auditing and assurance standards setters seek to inform and influence international standards setting. Having now adopted this approach for all IAASB standards, the AUASB also in 2020-21 fully reviewed and updated its standard setting and due process documentation, and updated its policies relating to the conformity and harmonisation of AUASB standards with their global and NZAuASB equivalents.

The AUASB's Standard-Setting process is set out below.

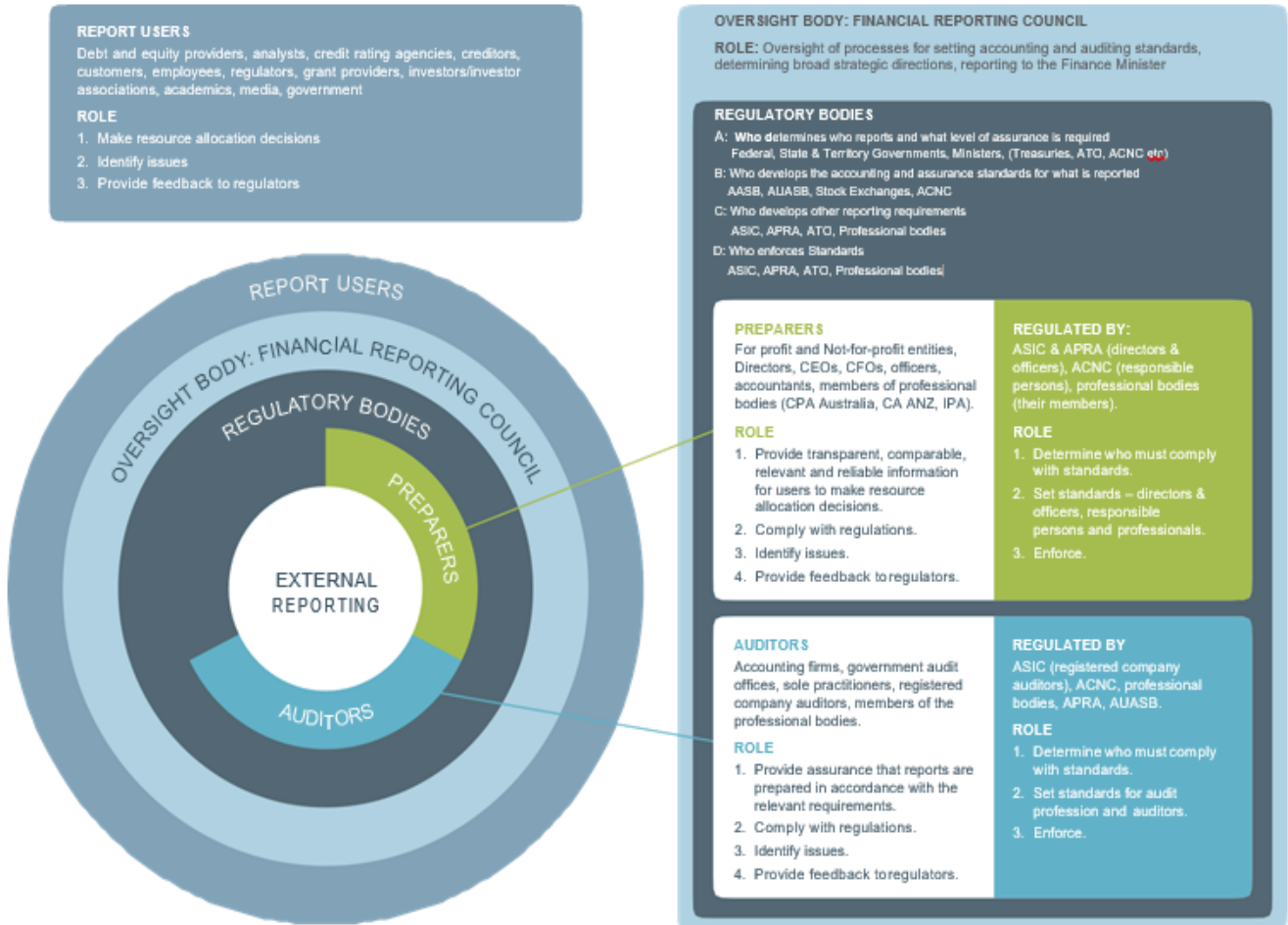


AUASB Due Process Framework for Setting Standards





Both Boards consult extensively with Australian entities and other key stakeholders, so that they can properly reflect the interests of the Australian community at both domestic and international levels. The AASB's and AUASB's key stakeholders and their roles and responsibilities are set out below:



The AASB and the AUASB have a wide network of contacts among Australian stakeholders who volunteer their time and expertise to help us fulfil our strategies by providing technical input, thoughts and ideas on our work. The AASB and AUASB also have a strong network of contacts throughout the international standard setting community, which is a valuable source of collaboration and alliances.

External and internal factors influencing delivery of our objectives

People

The AASB and the AUASB are committed to the development of a high-performing team culture. This commitment leverages off work that the AASB conducted in the 2020-2021 financial year. Both organisations are utilising internal and external expertise including training needs analysis, coaching and



mentoring, and team sessions to enhance individual and team culture and performance.

AASB

Over the past 12 months, the focus has continued to be on the staffing of the AASB technical group to ensure the AASB has staff from a broad range of professional backgrounds, including accounting and auditing practice, industry, the public sector and academia. Collectively, the AASB technical group possess technical and practical accounting experience, which they bring to standard setting, together with a paramount understanding of standard setting in public interest.

The AASB will continue our staff professional development program, which includes coaching and mentoring, secondment opportunities, graduate cadetship and intern program, as well as opportunities for staff to engage with the Boards, Regulators, other international standard setters, professional accounting firms and corporates. A key focus for 2021-2022 will be to successfully integrate new recruits to develop a strong core group of standard setters, supported by secondments for specialist skills needed for particular projects where we lack expertise in-house.

AUASB

The AUASB maintained the level and expertise of its Technical staff over the last 12 months and in 2021-22. This additional funding granted in 2019 for supporting the FRC in oversight of Audit Quality in Australia has continued to be a focus and the second audit quality survey has been completed.

Collectively, the AUASB staff possess technical and practical auditing experience, which they bring to standard-setting, together with a paramount understanding of standard-setting in the public interest.

Our technical staff are supported, from time-to-time, by AUASB Academic Scholars. The AUASB Academic Scholar Role provides an opportunity for highly respected auditing and assurance academics to work with the Chair and the Technical Group on research topics that are mutually agreed and relevant to the outcomes of the AUASB.

Technology

The AASB and the AUASB are increasingly using online platforms (i.e. websites, social media, event management tools, broadcasting, webinars) to engage with and educate their constituents. This will continue to evolve as technology and user preferences change.

Technology is also critical to improving knowledge management and reducing compliance risk. The entities have assessed the business needs with a view to achieving the following technology objectives:

- Mobility and flexibility of working arrangements;
- Collaboration on standards delivery internally and externally;
- Productivity efficiency of standards delivery;



- Effective internal and external communications; and
- Connectivity and engagement with external stakeholders.

This financial year, the entities will remain focused on implementing an Information and Communications Technology (ICT) strategy involving a transition to the cloud and full deployment of Office 365 to allow the teams to operate anywhere, any time and on any device. This will ensure that the entities' core operations can be completed efficiently and securely in a flexible and adaptable work environment. The ICT strategy is designed to address compliance risks such as access, security, document control and record retention.

Other Regulators

Although responsible only for setting accounting and auditing and assurance standards, the entities play a key role in assisting regulators at both the State and the Commonwealth levels to clarify criteria and thresholds for different types of Australian entities, in order to determine who should report and the appropriate associated level of assurance. The current Australian Reporting Framework is complex, with numerous duplicated requirements, which results in financial reporting that is often not objective, transparent and comparable. A more robust framework that balances the needs of users with the costs to preparers of reporting and independent assurance and results in 'fit for purpose' public information for different types of entities, is a key objective that involves obtaining the commitment of numerous relevant regulators and overcoming a history of reluctance to change.

Other key regulators who enforce the AASB and the AUASB standards include the Australian Securities and Investment Commission (ASIC), Australian Prudential Regulatory Authority (APRA) and other Australian regulatory agencies such as the Australian Charities and Not for Profit Commissions (ACNC), Australian Taxation Office (ATO) and the Clean Energy Regulator (CER). The perception of the AASB and the AUASB's performance is affected not only by the AASB and AUASB's actions, but also how well its standards and guidance are implemented and enforced.

Global Standards

In accordance with the ASIC Act, when setting standards, the entities are required to consider the interests of Australian corporations aiming to raise capital in major international financial centres and/or who operate internationally.

The International Accounting Standards Board (IASB), International Public Sector Accounting Standards Board (IPSASB) and the International Auditing and Assurance Standards Board (IAASB) are major international accounting, auditing and assurance standard setters, with International Financial Reporting Standards (IFRS Standards) and International Standards on Auditing (ISAs) being applied in more than 100 countries.



In accordance with its FRC directive,¹ the AASB uses IFRS Standards as the basis for Australian Accounting Standards, implemented as follows:

- for-profit private sector “publicly accountable” entities (e.g. listed entities or those with significant fiduciary responsibilities like banks and insurance companies) benefit most from global comparability. The AASB ensures they can claim IFRS and New Zealand compliance in their financial statements.
- Other for-profit private and public sector entities. The AASB applies its [For-Profit Standard Setting Framework](#) to tailor IFRS standards appropriately, and provide a second tier of reporting that has the same recognition and measurement requirements, but simplified disclosures.
- Other not-for-profit private and public sector entities. The AASB applies its [Not-for-profit Standard Setting Framework](#) to use transaction neutrality (like transactions should be accounted for in the same way), and modifies IFRS as needed to cater for the unique characteristics of the sector. This includes developing appropriate Australian standards and guidance and providing a second tier of reporting that has the same recognition and measurement requirements, but with simplified disclosures.

The AUASB is required, under its directive from the FRC,² to use the International Standards on Auditing of the International Auditing and Assurance Standards Board, as appropriate, as a base from which to develop Australian Auditing Standards (ASAs) and then make such amendments to the ISAs³ that are necessary to accommodate and ensure that the ASAs both exhibit and conform to the Australian regulatory environment and statutory requirements. Both the ASA’s and the ISA’s are principles based, rely on the application of professional judgment and professional skepticism and are sector and framework neutral.

The use of IFRS Standards and ISAs enables Australian entities to raise capital and operate efficiently internationally. This has beneficial flow-on effects in the domestic capital market for entities and individuals.

However, where IFRS Standards and ISAs do not cover a topic of importance or are not appropriate for the Australian community, the AASB and the AUASB set local standards or add to the international standards to fill that gap. The AASB uses its Approach to International Public Sector Accounting Standards to regularly assess whether IFRS remains the appropriate base for public sector accounting.

To help ensure international standards remain appropriate for use in Australia, the AASB aims to ensure

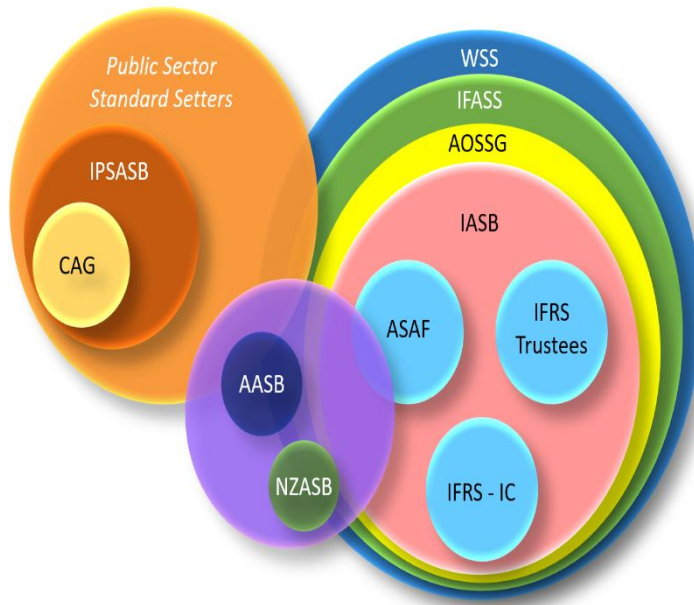
¹ www.aasb.gov.au/admin/file/content102/c3/FRC_Broad_Strategic_Direction.pdf

² www.auasb.gov.au/admin/file/content2/c7/AUASB_Strategic_Direction_1242266219416.pdf

³ As well as International Standards on Review Engagements (ISREs) and International Standards on Assurance Engagements (ISAEs)



Australia remains at the forefront of international accounting practices. The key international and domestic bodies the AASB seek to engage are set out below:



Glossary

Standard setters

[AASB](#) – Australian Accounting Standards Board

[IASB](#) – International Accounting Standards Board

[IPSASB](#) – International Public Sector Accounting Standards Board

[NZASB](#) – New Zealand Accounting Standards Board

Interpretive Committees

[IFRS - IC](#) – IFRS Interpretations Committee

Advisory/Consultative Groups

[ASAF](#) – Accounting Standards Advisory Forum

[CAG](#) – Consultative Advisory Group

Standard-setter Forums

[AOSSG](#) – Asian-Oceanian Standard-Setters Group

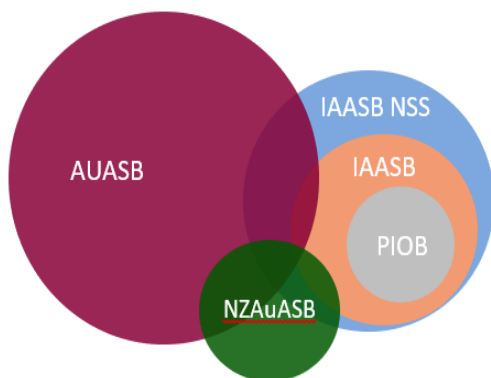
[IFASS](#) – International Forum of Accounting Standard Setters

[WSS](#) – World Standard Setters

Oversight

[IFRS Trustees](#)

To help ensure international auditing and assurance standards remain appropriate for use in Australia, the AUASB aims to ensure Australia remains at the forefront of international auditing practice. The key international bodies the AUASB seek to engage for this purpose are:



Glossary

Standard setters

[AUASB](#) – Australian Auditing and Assurance Standards Board

[IAASB](#) – International Auditing and Assurance Standards Board

[NZAuASB](#) – New Zealand Auditing and Assurance Standards Board

Standard-setter Forums

[IAASB NSS](#) – IAASB National Standard Setters Group

Oversight

[PIOB](#) – Public Interest Oversight Board

In 2021-22 the AUASB will continue to implement initiatives to drive increased sharing and collaboration across the global National Standards Setting (NSS) network, including attending and presenting relevant topics at regional and global IAASB NSS meetings.



The Australian and Global Economy

Although entities are expected to cease operations as a natural part of their life cycle, in difficult economic conditions, accounting and auditing standards come under extra scrutiny. As well as economic uncertainty, there are also documented changing expectations and declining trust in the services accountants and auditors traditionally provide, arising principally from continuing high levels of reported poor results of external inspections and recent high profile corporate failures in some overseas jurisdictions. Stakeholders' expectations are also changing about what the standards should require. This has resulted in there being numerous parliamentary or regulatory inquiries undertaken in Australia and around the globe, triggered by corporate collapses or poor audit inspection outcomes.

In Australia, the final report of the Parliamentary Joint Committee on Corporations and Financial Services (the PJC report) was released in November 2020. The AASB and AUASB, in connection with the FRC and other relevant standard setters and regulators, have already been working extensively with other regulators and standard setters to evaluate potential responses arising from the recommendations in advance of any formal reply by the Australian Government. In 2021-22, once the Australian Government has made its determination on the PJC report recommendations, the AASB and AUASB will undertake activities to determine the necessary changes to standards or other actions as part of their technical work programs.

Key strategic risks

The AASB's and AUASB's key strategic risks and how they are managed are set out in the table on the following page.



Risk	Impact	Mitigating Actions
<p>Quality of international standards on which AASB and AUASB rely is not adequate. International standard-setting bodies unduly influenced by national or regional stakeholders.</p>	<ul style="list-style-type: none"> • Australian user needs are not met • Inability to influence internationally • Brand and reputation issues • Loss of funding 	<ul style="list-style-type: none"> • Influence IASB, IPSASB, IAASB board members and staff by nominating/providing board/advisory committee/Task Force members, participating in working groups, by providing input into all significant exposure drafts and other consultation documents, being seen as thought leaders and problem solvers • Apply established standard-setting frameworks that outline when quality is not acceptable to be adopted in Australia • Establish close working relationships and alliances with other national standard setters, particularly New Zealand
<p>Quality of Australian standards not seen as appropriate or contributing to confidence in the Australian economy. Value of financial reporting and auditing perceived as diminishing.</p>	<ul style="list-style-type: none"> • Standards not capable of being consistently implemented • Australian user needs are not met, loss of confidence in capital markets • Costs of standards outweigh benefits • Brand and reputation issues • Loss of funding • Not-for-profit sector no longer supports IFRS as a base, tailoring not seen as sufficient • Perceived or actual loss of independence of the Board and ability to act in the public interest 	<ul style="list-style-type: none"> • For-profit, Not-for-profit Standard-Setting, Due process and Evidence-informed frameworks followed, including obtaining appropriate evidence, consulting extensively, assessing costs and benefits of change • Public and transparent process, basis for conclusions in all standards • Post-implementation reviews of standards • Diverse board membership, use of technical advisory panels and Project Advisory Groups to enhance quality of standards • Submissions and presentations to public enquiries when requested (e.g. Joint Parliamentary Inquiry into the Regulation of auditing in Australia.)
<p>Multiple other regulators requiring and/or enforcing accounting and auditing standards.</p>	<ul style="list-style-type: none"> • Accounting and auditing standards: <ul style="list-style-type: none"> ○ required inappropriately ○ not enforced appropriately • Stakeholders not understanding AASB and AUASB responsibilities • Brand and reputation issues as standards not seen as fit for purpose 	<ul style="list-style-type: none"> • Regular liaison with other key regulators • Collaboration with other regulators when developing standards • Working with regulators and practitioners to develop guidance in response to inspection review findings
<p>Economic conditions contribute to entities' financial collapse.</p>	<ul style="list-style-type: none"> • Difficult economic conditions result in more corporate collapse and more pressure on whether standards are fit for purpose • Changing expectations of standard setters to respond quickly 	<p>As above</p>



Risk	Impact	Mitigating Actions
<p>Not seen as a competitive employer in the marketplace.</p>	<ul style="list-style-type: none"> • Culture and environment not supporting productivity and effectiveness • Brand and reputation issues 	<ul style="list-style-type: none"> • Use of HR consultants to identify People and Culture gaps • Appropriate systems of reward and recognition established • Monitoring of employee engagement • Performance development process implemented to provide timely constructive feedback, career paths, development opportunities
<p>Increasing complexity of businesses, technological advances, the rise in the importance of non-financial reporting and assurance, stakeholder demands for clearer, better communication and more frequent information, new business practices.</p>	<ul style="list-style-type: none"> • Not responding on a timely basis • No response to key changing issues • Lack of credibility or subject matter experts for external reporting integral to financial statements • Exceeding mandated scope of accounting standards • Brand and reputation issues 	<ul style="list-style-type: none"> • Regular monitoring of domestic and international environments • Use of advisory panels and secondees to provide adequate skills and credibility • Engagement with stakeholders on major accounting and auditing issues impacting our standards • Influencing reporting and audit thresholds to reduce red tape for small and medium entities • Adapting standards for different sectors so fit for purpose
<p>Financial risk of inadequate funding to perform mandate.</p>	<ul style="list-style-type: none"> • Limited finances, headcount flexibility and IT spend impact on the quality of standards 	<ul style="list-style-type: none"> • Maximise use of existing resources, collaborate with other government agencies • MOU for shared services between AASB and AUASB regularly reviewed • Regular benchmarking of Australian standard-setting process against international counterparts • Identify joint projects and opportunities to leverage resources with other like-minded standard setters
<p>Operational legislative requirements and government policies are numerous, complex and subject to frequent change. Inadequate technology to deliver on objectives.</p>	<ul style="list-style-type: none"> • Non-compliance • Critical business systems failure (data security, business continuity) • Brand and reputation issues • Financial impact • Combined Chair and CEO role not recommended best practice corporate governance 	<ul style="list-style-type: none"> • Oversight by the Audit and Risk Committee with independent members, compliance with Commonwealth Risk Management Policy • Software to assist in meeting compliance requirements • Risk Register and Fraud Control Plan reviewed quarterly by the Chairs and the ARC • Regular training of AASB and AUASB staff on PGPA and APS Code of Conduct requirements • Regular review of IT strategy and capability
<p>Cyber Security Risk</p>	<ul style="list-style-type: none"> • Risk that the entity faces denial of service attack, loses access to key organisational files (finance/HR/standards), has personal information breach by an external party 	<p>Appropriate safeguards over critical business systems including:</p> <ul style="list-style-type: none"> • • System access controls • • System documentation • • Business continuity/disaster recovery plans



	<ul style="list-style-type: none">•	<ul style="list-style-type: none">• • Legal contracts• • Outsourced IT team• • Agreed DRP/BCP solution involves Productivity Commission support• • Incident management process• • Management and compliance with Government Information Security requirements
Individual Person Risk	Individual key person risk (legal, either private or professional) resulting in perceived issues relating to delivery of business requirements, reputation of business and/or confidence in organisation	<ul style="list-style-type: none">• • Oversight of risk by Audit and Risk Committee• • Separation and segregation of duties• • Disclosure by staff of any legal issues that may have brand/reputation issues within a centrally maintained register



Performance: Delivering Our Strategy

Activities mapped to strategy and KPIs for measuring success

The following tables set out the planned activities and Key Performance Indicators (KPIs) that are intended to achieve our purpose, vision and mission for each entity for the next four years. We report quarterly against these plans to the Boards, the FRC and the Minister and in our Annual Performance Statements in our Annual Reports.

The strategies, deliverables and performance criteria are aligned to the AASB's and the AUASB's Portfolio Budget Statements ('PBS') for 2021-2022.

Many of the entities' priorities and KPIs are affected by events not wholly within their control. For example, much of the AASB's work is based on the work of the IASB and IPSASB and the work of the AUASB is based on the work of the IAASB, so delays can affect the AASB and the AUASB's achieving key priorities.

Unlike projects influenced by international standards setters and their project timetables, domestic projects are generally within the AASB and the AUASB's control. However, key factors that can influence the success of projects are the actions or published policy documents of other regulatory agencies (for example, ACNC, ASIC, APRA and the ATO) and feedback from the constituents.

AASB activities mapped to strategies and KPIs for measuring success

Strategic Priority 1 - Performance Activity Focus: Brand/Reputation

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				(Measures of success outputs & outcomes)
		21	22	23	24	
Strategy 2 <i>PBS Outcome 1⁴</i> <i>Program 1</i> <i>Deliverables 3</i>	Define appropriate reporting frameworks for each of the three sectors - for-profit (e.g., listed and large proprietary companies), not-for-profit (e.g. charities) and public sector	X	X	X	X	<ul style="list-style-type: none"> Appropriate framework for not-for-profit private and public sector defined and other regulator (e.g. ACNC) sponsorship obtained by 30/6/2024
Strategy 1,5,6 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 1,2,4,7,8</i> <i>KPIs 1, 2,</i>	Agree on 3-year program of work and deliver <ul style="list-style-type: none"> Maintain IFRS and New Zealand compliance for for-profit Private sector “publicly accountable” entities Tailor IFRS appropriately for other sectors, including developing Australian specific guidance Develop guidance on external reporting integral to financial reporting Develop guidance on emerging issues related to financial reporting 	X	X	X	X	<ul style="list-style-type: none"> Annual program of standards issued, delivered to plan agreed with the Board IASB equivalent Standards issued within two months of the release of the IFRS for for-profit entities IFRS and NZ compliance maintained for the for-profit private sector “publicly accountable” entities Feedback from NFP sector positive regarding the appropriateness of the IFRS tailoring
Strategy 3 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 5,6</i> <i>KPIs</i>	<ul style="list-style-type: none"> Enhance profile domestically and internationally Maintain and enhance key international relationships with IASB, IPSASB, NZASB, AOSSG, International Financial Reporting for NPOs 	X	X	X	X	<ul style="list-style-type: none"> Be viewed as experts as measured by stakeholder, IASB and IPSASB feedback Two thought leadership pieces completed per annum and presented internationally
Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 1,2</i> <i>KPIs 5,6,7,13,14</i>	<ul style="list-style-type: none"> Due process followed to ensure the quality of standard-setting: Evidence-informed approach to standard setting activities supports need for regulation and proposed solution 	X	X	X	X	<ul style="list-style-type: none"> Due process followed for all significant projects Positive feedback from the FRC and the stakeholders

⁴ Link to AASB PBS https://treasury.gov.au/sites/default/files/2021-05/pbs_2021_AuASB.pdf



	<ul style="list-style-type: none"> appropriate consultation in accordance with the due process framework preparation of regulatory impact statement assessing costs and benefits 					
Strategy 1,3,4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 1,2</i>	Post-implementation reviews conducted (PIR) for all significant projects to assess quality of standard-setting	X	X	X	X	<ul style="list-style-type: none"> No significant changes needed PIR feedback is acted upon No evidence not contributing to the confidence in the economy. Feedback from ASIC, APRA, ACNC surveillance reviews does not indicate loss of confidence due to accounting standard issues No significant decline in relevance of financial statements in the capital market
Strategy 7 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 10,11</i>	Improve consistency of implementation: <ul style="list-style-type: none"> Educate stakeholders on the AASB standards, support materials available, including why standards introduced Support and encourage high quality teaching of the Australian financial reporting framework and standards at Australian educational institutions 	X	X	X	X	<ul style="list-style-type: none"> Education initiatives, such as webinars, providing appropriate educational materials to key stakeholders for all significant projects FAQs, illustrative examples, staff publications developed on significant interpretive issues Feedback from ASIC, APRA, ACNC surveillance reviews indicates no significant interpretive issues impacting the consistency of implementation Positive stakeholder feedback on education initiatives

Strategic Priority 2 - Performance Activity Focus: Stakeholder Engagement

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				(Measures of success outputs & outcomes)
		21	22	23	24	
Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 12,13</i> <i>KPIs 3,5</i>	Enhance stakeholder engagement	X	X	X	X	<ul style="list-style-type: none"> Key stakeholders identified by 30 June 2020 and planned program of engagement executed as planned Positive stakeholder feedback on the consultation process Increase in engagement results (newsletter, website, LinkedIn, Twitter, webinar, outreach numbers)
Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 15</i> <i>KPIs 5,</i>	Conduct Agenda consultations to determine projects and priorities	X			X	<ul style="list-style-type: none"> Agenda consultation conducted every 3-5 years

Strategic Priority 3 - Performance Activity Focus: People & Culture

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				(Measures of success outputs & outcomes)
		21	22	23	24	
Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i>	Develop and implement People and Culture strategy	X	X	X	X	<ul style="list-style-type: none"> Employee survey, employee engagement Building towards high-performance team as measured by Board and stakeholder feedback on delivery of program and all other measures of success
	New starter processes improved to support flexible subject matter expert involvement	X	X	X	X	<ul style="list-style-type: none"> New team members embedded successfully within six months of starting as measured by internal and external stakeholders' feedback (as appropriate)
	Understand current capability (talent mapping)	X	X	X	X	<ul style="list-style-type: none"> Continuous review of external talent pool to timely identify when/where to buy or borrow capability
	Resource planning to develop skills and allocate them appropriately	X	X	X	X	<ul style="list-style-type: none"> KPIs for all employees Leveraging diversity of skills and people as measured by employee and Board feedback and delivering an agreed program of work Retain core group of technical experts and leaders Fair allocation of workload measured by employee and Board feedback

Strategic Priority 4 - Performance Activity Focus: Technology

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				(Measures of success outputs & outcomes)
		21	22	23	24	
Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i>	Develop and implement an IT strategy that enables flexible, seamless working via cloud	X	X	X	X	<ul style="list-style-type: none"> Independent of on Premises hardware by 30 June 2023 IT supports flexible work including remote locations
Strategy 4 <i>PBS Outcome 1</i> <i>Program 1</i> <i>Deliverables 12,</i> <i>KPIs 5,</i>	Continuous digital communications improvements to enhance stakeholder experience and engagement	X	X	X	X	<ul style="list-style-type: none"> Corporate Communications plan to be implemented during current financial year. Plan to be monitored for additional improvement over coming financial years.

Strategic Priority 5 - Performance Activity Focus: Operational & Business Excellence

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	2	23	24	
Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i>	Refresh strategy supporting operational excellence and regulatory compliance	X	X	X	X	<ul style="list-style-type: none"> Regularly revisit current strategy to determine impact of implementation Comply with regulatory obligations
						<ul style="list-style-type: none">
	Knowledge and information sharing support flexible subject matter expert involvement	X	X	X	X	<ul style="list-style-type: none"> Key knowledge imparted across teams within six months of joining
	Continuous improvement of operational processes to achieve planned outcomes	X	X	X	X	<ul style="list-style-type: none"> Review of operational processes on an ongoing basis

Strategic Priority 6 - Performance Activity Focus: Program & Project Management

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
Strategies 1-7 <i>PBS Outcome 1</i> <i>Program 1</i>	Develop a strategy to improve program and project management	X	X			<ul style="list-style-type: none"> Continuous review and improvement of program and project management approach
	Identify and establish frameworks and processes to allocate resources appropriately, establish and monitor accountabilities	X	X			<ul style="list-style-type: none"> Communicated processes and frameworks so team members are clear and deliver on expectations Further enhancements implemented based on regular program and project management meetings
	Allocate resources efficiently and effectively	X	X	X	X	<ul style="list-style-type: none"> Deliver agreed program of work as planned

AUASB activities mapped to strategy and KPIs for measuring success.

Strategic Priority Area One: Standards and Guidance

Strategic Objective One - Develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC).

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
PBS Outcome 1 PBS Program 1 PBS Deliverable 1 PBS Performance Criteria 1, 3, 4, 6 & 7	Issue all IAASB-based AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders	X	X	X	X	<ul style="list-style-type: none"> Issue all Australian IAASB equivalent Standards and Exposure Drafts within 3 months of PIOB clearance or 1 month of AUASB approval, as appropriate Release Exposure Drafts/Discussion Papers via the AUASB Website within two weeks of approval by AUASB AUASB implementation support materials and activities for all new IAASB/AUASB standards in place before effective date
	Seek feedback on relevance, effectiveness and public interest of these standards through stakeholder feedback, outreach programs and post-implementation reviews	X	X	X	X	<ul style="list-style-type: none"> Stakeholder engagement and Communications plan developed and implemented for each IAASB pronouncement Responses to each IAASB Exposure Draft or Discussion Paper developed with appropriate AUASB input and sent to the IAASB by the closing date Obtain evidence appropriately evaluating implementation of IAASB equivalent issued AUASB Standards in Australia

Strategic Objective Two: Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
PBS Outcome 1 PBS Program 1 PBS Deliverable 1 PBS Performance Criteria 2, 3, 5 & 6	Issue Australian-specific AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders	X	X	X	X	<ul style="list-style-type: none"> Issue all Australian-specific AUASB Standards and Exposure Drafts within one month of AUASB approval Develop and implement Project Plans for the update or removal of all AUASB Guidance Statements (GS) identified as out of date Release updated GS within two weeks of approval by AUASB Finalise conforming amendments and compilation standards as a result of changes to AUASB standards within one month of the AUASB standard being issued



	Seek feedback on relevance, effectiveness and public interest of Australian-specific standards and guidance through stakeholder feedback, outreach programs and post-implementation reviews	X	X	X	X	<ul style="list-style-type: none"> Stakeholder engagement and Communications plan developed and implemented for each AUASB pronouncement Conduct post-implementation reviews of Australian specific AUASB Standards, within 2 years of their operative date.
	Identify gaps in the AUASB Framework where guidance is required and issue Guidance Statements or Bulletins to address these	X	X	X	X	<ul style="list-style-type: none"> Review and update other AUASB Framework Pronouncements, as required.

Strategic Priority Area Two: International Influence

Strategic Objective Three: Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards.

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
PBS Outcome 1 PBS Program 1 PBS Deliverable 3 PBS Performance Criteria 1, 3, 4 & 7	Build and maintain strong international relationships with the IAASB and like-minded Global and National Auditing Standard Setters, particularly New Zealand and Canada.	X	X	X	X	<ul style="list-style-type: none"> Increased dialogue with and recognition from IAASB for NSS initiatives Increased interaction and collaboration with likeminded National Auditing Standards Setters, particularly New Zealand and Canada, on Identified Projects on each Standard-Setters' Work Agenda. Increased influence of NSS on IAASB Agenda and Outcomes Identify and implement initiatives to collaborate on key international auditing and assurance focus areas with other key national standard-setters
	Demonstrate the AUASB's influence on major international auditing and assurance developments by implementing the AUASB's International Strategy	X	X	X	X	<ul style="list-style-type: none"> AUASB Chair and Technical Team member to attend all IAASB meetings and participate in various IAASB Task Forces/Working Groups IAASB papers reviewed and papers prepared by AUASB staff for each AUASB meeting Feedback on AUASB key issues prepared and sent to Australasian IAASB members and relevant Task Forces prior to each IAASB meeting Summary of outcomes of each IAASB meeting prepared and presented to the AUASB at next AUASB meeting



	Provide input to the international standard setting process through responding to international pronouncements using input from Australian stakeholders	X	X	X	X	<ul style="list-style-type: none"> Responses to each IAASB Exposure Draft or Discussion Paper developed with appropriate AUASB input and sent to the IAASB by the closing date Engagement with Australian Stakeholders on all IAASB Projects
	Maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols	X	X	X	X	<ul style="list-style-type: none"> Attend and contribute to NZAuASB meetings as required Identification and prioritisation of joint AUASB/NZAuASB projects, with AUASB and NZAuASB staff to ensure appropriate levels of collaboration AUASB/NZAuASB joint activities incorporated into each board's respective technical work programs

Strategic Priority Area Three: Audit Quality

Strategic Objective Four: In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
PBS Outcome 1 PBS Program 1 PBS Deliverable 7 PBS Performance Criteria 3, 5 & 6	With the FRC, devise and complete activities to implement the FRC's Audit Quality Action Plan and contribute to improved audit quality outcomes in the Australian auditing environment	X	X	X	X	<ul style="list-style-type: none"> AUASB contribute to the development of the FRC Audit Quality Plan All AUASB Audit Quality activities delivered as required by the FRC Audit Quality Plan AUASB staff to develop auditing and assurance related papers for FRC meetings Collaborate with FRC and other relevant stakeholders on responses to the Parliamentary Joint Committee Inquiry on the regulation of Auditing
	Work with ASIC, the AASB, practitioners and other stakeholders to identify and address significant inspection findings associated with accounting and auditing standards	X	X	X	X	<ul style="list-style-type: none"> Undertake consultation with ASIC and practitioners to identify areas which identify improvements needed to auditing standards Develop relevant guidance materials addressing common inspection findings in key audit areas Work with AASB to address accounting issues impacting audit quality Monitor and respond to any recommendations from the Joint Parliamentary Inquiry on the regulation of Auditing relevant to the AUASB

Strategic Priority Area Four: Thought Leadership

Strategic Objective Five: Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
PBS Outcome 1 PBS Program 1 PBS Deliverable 5 PBS Performance Criteria 3, 4, 5, 6 & 7	Develop thought leadership and implement strategic projects to improve auditing and assurance practice in priority areas such as Extended External Reporting (EER), Audits of Less Complex Entities (LCEs) and the use of Technology in the Audit	X	X	X	X	<ul style="list-style-type: none"> Project plans developed and 2021-22 outputs identified for each strategic priority area Develop and implement outreach and engagement plans with subject matter experts and key stakeholders for each strategic thought leadership project area Regular updates provided to AUASB members at AUASB meetings AUASB board members or staff to publish articles or publications on selected strategic thought leadership project areas
	Support the development and publishing of relevant and high-quality auditing and assurance evidence-based research in accordance with the AUASB Evidence Informed Standard Setting (EISS) Strategy	X	X	X	X	<ul style="list-style-type: none"> Promote research opportunities in strategic thought leadership projects through academic networks and conferences in accordance with the EISS strategy Work with AUASB Academic Scholars and other researchers to develop relevant and timely research reports on AUASB strategic thought leadership priority areas Communicate benefits of EISS Strategy to, and encourage broader participation from, academic community at conferences and technical forums

Strategic Priority Area Five: Frameworks

Strategic Objective Six: Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
PBS Outcome 1 PBS Programs 1 PBS Deliverable 2 PBS Performance Criteria 2, 3, 5 & 6	Seek feedback on proposed changes to assurance requirements to ensure they are fit for the intended purpose and support changes to the external reporting framework	X	X	X	X	<ul style="list-style-type: none"> Publish and address findings from AUASB Consultation Paper on the Audits of Less Complex Entities (LCEs), including feedback to IAASB on proposed LCE standard Engage with AASB and relevant stakeholders to determine assurance issues related to changes to the external reporting framework and support AASB project to define appropriate



						<ul style="list-style-type: none"> reporting frameworks across different sectors Work with the AASB to conduct outreach and develop appropriate guidance materials on any changes to assurance requirements relating to changes to the external reporting framework
	Support initiatives that promote consistency and understanding of the nature and extent of assurance required for external reporting requirements in Australia	X	X	X	X	<ul style="list-style-type: none"> Share and Collaborate with the AASB on common areas of focus for Reporting and Assurance Frameworks, including relevant research reports and discussion papers Issue AUASB publications and guidance that support and promote consistency and understanding of the AUASB's Assurance Framework

Strategic Priority Area Six: Stakeholder Engagement

Strategic Objective Seven: Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.

Link to strategy (Impact)	What do we need to do? (Objectives)	Year				Measures of success outputs & outcomes
		21	22	23	24	
PBS Outcome 1 PBS Program 1 PBS Deliverable 4 All PBS Performance Criteria	Increase engagement with stakeholders through new and existing AUASB communications activities and events	X	X	X	X	<ul style="list-style-type: none"> Maintain and update as required the AUASB Digital Standards Portal Develop various AUASB publications and guidance for stakeholders based on evidence and existing AUASB requirements, incl. quarterly AUASB Update Newsletters Promote availability of AUASB guidance through various communication channels, including greater use of online tools to communicate AUASB projects (e.g. Webinars) Finalise and implement combined AASB-AUASB Communications Strategy Enhance the design and functionality of the AUASB Website For all AUASB Meetings ensure board papers are available on the AUASB website a week in advance, Highlights are available within two working days after each AUASB meeting, and draft Board Minutes are sent to AUASB members within two weeks of each AUASB meeting.

Appendix 1

AASB's strategies to achieve its ASIC Act S227 statutory functions and relationship to priorities for each of the next four years.

Strategic Objective Function	Develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards	Make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions)	Formulate accounting standards for other purposes	Participate in and contribute to the development of a single set of accounting standards for world-wide use	To advance and promote the main objectives of Part 12 of the ASIC Act: 'facilitate the Australian economy by reducing the cost of capital; enable Australian entities to compete effectively; and maintain investor confidence in the Australian economy, including capital markets'.
1. Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For 'publicly accountable' entities maintain IFRS ² compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian-specific standards and guidance.	√	√	√	√	√
2. With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with regulators to develop objective criteria on: <ul style="list-style-type: none"> a. who prepares external reports (including financial reports) b. the nature and extent of assurance required on these external reports. 		√	√		√



<p>Function</p> <p>Strategic Objective</p>	<p>Develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards</p>	<p>Make accounting standards under section 334 of the Corporations Act for the purposes of the corporations legislation (other than the excluded provisions)</p>	<p>Formulate accounting standards for other purposes</p>	<p>Participate in and contribute to the development of a single set of accounting standards for world-wide use</p>	<p>To advance and promote the main objectives of Part 12 of the ASIC Act: 'facilitate the Australian economy by reducing the cost of capital; enable Australian entities to compete effectively; and maintain investor confidence in the Australian economy, including capital markets'.</p>
<p>3. Actively influence IASB, IPSASB standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.</p>	<p>√</p>	<p>√</p>	<p>√</p>	<p>√</p>	<p>√</p>
<p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p>	<p>√</p>	<p>√</p>	<p>√</p>	<p>√</p>	<p>√</p>
<p>5. Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.</p>			<p>√</p>	<p>√</p>	<p>√</p>
<p>6. Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards and guidance, including changing technologies.</p>	<p>√</p>	<p>√</p>	<p>√</p>	<p>√</p>	<p>√</p>
<p>7. Develop guidance and education initiatives, or promote development by others, to enhance consistent application of accounting and external reporting standards and guidance.</p>					<p>√</p>



AUASB activities mapped to strategy and KPIs for measuring success.

<p>Strategic Objective</p> <p>Function</p>	<p>Make auditing standards under section 336 of the <i>Corporations Act</i> for the purposes of the corporations legislation.</p>	<p>Formulate auditing and assurance standards for other purposes.</p>	<p>Formulate guidance on auditing and assurance matters.</p>	<p>Participate in and contribute to the development of a single set of auditing standards for world-wide use.</p>	<p>Advance and promote the core objectives of auditing and assurance standard-setting as required by Part 12 of the ASIC Act.</p>
<p>1. Develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC).</p>	<p>√</p>	<p>√</p>	<p></p>	<p>√</p>	<p>√</p>
<p>2. Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.</p>	<p></p>	<p>√</p>	<p>√</p>	<p></p>	<p>√</p>
<p>3. Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards</p>	<p>√</p>	<p>√</p>	<p></p>	<p>√</p>	<p>√</p>



Strategic Objective

Function

Make auditing standards under section 336 of the *Corporations Act* for the purposes of the corporations legislation.

Formulate auditing and assurance standards for other purposes.

Formulate guidance on auditing and assurance matters.

Participate in and contribute to the development of a single set of auditing standards for world-wide use.

Advance and promote the core objectives of auditing and assurance standard-setting as required by Part 12 of the ASIC Act.

4. In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.
5. Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance
6. Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.
7. Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.

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Table 7: S224 of the ASIC Act sets out core objectives for accounting and auditing and assurance standard-setting in Australia:

AASB	AUASB
<p>Accounting standards should require the provision of financial information that:</p> <ul style="list-style-type: none"> i. allows users to make and evaluate decisions about allocating scarce resources ii. assists directors to discharge their obligations in relation to financial reporting iii. is relevant to assessing performance, financial position, financing and investment iv. is relevant and reliable v. facilitates comparability is readily understandable 	<p>Auditing and assurance standards should require the provision of information that:</p> <ul style="list-style-type: none"> i. provides Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the Corporations Act 2001 (Corporations Act) ii. requires the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate
<p>The Australian financial reporting system should:</p> <ul style="list-style-type: none"> i. facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively domestically and internationally ii. facilitate the Australian economy by developing accounting and auditing and assurance standards that are clearly stated and easy to understand to maintain investor confidence in the Australian economy, including its capital markets 	



Australian Government
Australian Accounting Standards Board



Australian Government
Auditing and Assurance Standards Board

Australian Accounting Standards Board
Auditing and Assurance Standards Board

ANNUAL REPORTS
2020 - 2021

**Australian Accounting
Standards Board**

and

**Auditing and Assurance
Standards Board**

2020-2021 Annual Reports

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LETTER OF TRANSMITTAL

23 September 2021

The Hon Michael Sukkar MP
Minister for Housing and Assistant Treasurer
Parliament House
CANBERRA ACT 2600

Dear Minister,

We have pleasure in presenting the annual reports for the year ended 30 June 2021 of the:

- Australian Accounting Standards Board (AASB) and the Office of the Australian Accounting Standards Board, and
- Auditing and Assurance Standards Board (AUASB) and the Office of the Auditing and Assurance Standards Board.

The reports have been prepared in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and have been combined into one publication.

Section 46 of the PGPA Act requires the Chair of the AASB and the Chair of the AUASB to respectively prepare a report of the operations of the AASB and its Office, and the AUASB and its Office, during the year. The respective reports must be tabled in each House of the Parliament as soon as practicable.

Yours sincerely



Dr Keith Kendall
Chair
Australian Accounting Standards Board



William Edge
Chair
Auditing and Assurance Standards Board

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ABBREVIATIONS

The following abbreviations are used by the AASB and AUASB in this report:

AASB	Australian Accounting Standards Board
ACNC	Australian Charities and Not-for-profits Commission
ANAO	Australian National Audit Office
AOSSG	Asian-Oceanian Standard-Setters Group
APRA	Australian Prudential Regulation Authority
ASA	Australian Auditing Standard
ASAE	Australian Standard on Assurance Engagements
ASAF	Accounting Standards Advisory Forum
ASIC	Australian Securities and Investments Commission
ASIC Act	<i>Australian Securities and Investments Commission Act 2001</i>
ASRE	Australian Standard on Review Engagements
AUASB	Auditing and Assurance Standards Board
AuASB	Auditing and Assurance Standards Board (to 30 June 2004)
BRLF	Business Reporting Leaders Forum
CA ANZ	Chartered Accountants Australia and New Zealand
CER	Clean Energy Regulator
CPAA	CPA Australia
FRC	Financial Reporting Council
GPFS	General Purpose Financial Statements
GST	Goods and Services Tax
IAASB	International Auditing and Assurance Standards Board
IAS	International Accounting Standards
IASB	International Accounting Standards Board
IFASS	International Forum of Accounting Standard Setters (formerly NSS)
IFRS	International Financial Reporting Standards
IIA	Institute of Internal Auditors
IIRC	International Integrated Reporting Council
IPSASB	International Public Sector Accounting Standards Board
ISA	International Standard on Auditing
NFP	Not-for-Profit
NSS	National Standards Setters
NZASB	New Zealand Accounting Standards Board
NZAuASB	New Zealand Auditing and Assurance Standards Board
NZ XRB	New Zealand External Reporting Board
OHSC	Occupational Health and Safety Committee
PGPA Act	<i>Public Governance, Performance and Accountability Act 2013</i>
PSA	<i>Public Service Act 1999</i>
RDR	Reduced disclosure requirements
SME	Small and Medium Enterprises
SMSF	Self-Managed Superannuation Fund

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AASB AND AUASB PURPOSE, VISION AND MISSION

This is the third year of our revised strategy and corporate plan and we are pleased to be able to report that both boards and respective teams have been working hard to realise the vision and mission statements.

AASB Purpose & Vision	AUASB Purpose & Vision
Contribute to stakeholder confidence in the Australian economy, including its capital markets, and trust in external reporting.	Contribute to stakeholder confidence in the Australian economy, including its capital markets, and trust in auditing and assurance.
AASB Mission	AUASB Mission
<p>Develop, issue and maintain principles-based Australian accounting and external reporting standards that meet user needs and enhance external reporting consistency and quality.</p> <p>Contribute to the development of a single set of accounting and external reporting standards for world-wide use.</p>	<p>Develop, issue and maintain in the public interest, best practice Australian auditing and assurance standards and guidance that meet user needs and enhance audit and assurance consistency and quality.</p> <p>Contribute to the development of a single set of auditing and assurance standards for world-wide use.</p>

STRATEGY

AASB	AUASB
<p>1. Develop, issue and maintain principles-based, Australian accounting and reporting standards and guidance that meet the needs of external report users (including financial reports) and are capable of being assured and enforced. For publicly accountable¹ entities maintain IFRS² compliance; for others, use IFRS Standards (where they exist), and transaction neutrality (modified as necessary), or develop Australian- specific standards and guidance.</p>	<p>1. Develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC).</p>
<p>2. With the AUASB, play a leading role in reshaping the Australian external reporting framework by working with the regulators to develop objective criteria on:</p> <ul style="list-style-type: none"> • who prepares external reports (including financial reports) • the nature and extent of assurance required on these external reports. 	<p>2. Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required.</p>

AASB and AUASB Purpose, Vision and Mission

AASB	AUASB
<p>3. Actively influence IASB⁴, IPSASB⁵ standards and other international accounting and external reporting standards and guidance, by demonstrating thought leadership and enhancing key international relationships.</p>	<p>3. Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards.</p>
<p>4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.</p>	<p>4. In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.</p>
<p>5. Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.</p>	<p>5. Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.</p>
<p>6. Monitor and respond to, or lead on, emerging issues impacting the development of accounting and external reporting standards, including changing technologies.</p>	<p>6. Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.</p>
<p>7. Develop guidance and education initiatives, or promote development by others, to enhance the consistent application of accounting and external reporting standards and guidance.</p>	<p>7. Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.</p>

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2020-21

AASB	AUASB
<p>Accounting standards should facilitate the provision of financial information that:</p> <ul style="list-style-type: none"> i. allows users to make and evaluate decisions about allocating scarce resources ii. assists directors to discharge their obligations in relation to financial reporting iii. is relevant to assessing performance, financial position, financing and investment iv. is relevant and reliable v. facilitates comparability and is readily understandable 	<p>Auditing and assurance standards should facilitate the provision of information that:</p> <ul style="list-style-type: none"> i. provides Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the <i>Corporations Act 2001</i> (Corporations Act) ii. requires the preparation of auditors' reports that are reliable and readily understandable by the users of the financial reports to which they relate
<p>The Australian financial reporting system should:</p> <ul style="list-style-type: none"> i. facilitate the Australian economy by reducing the cost of capital and enabling Australian entities to compete effectively domestically and internationally ii. facilitate the Australian economy by developing accounting and auditing and assurance standards that are clearly stated and easy to understand to maintain investor confidence in the Australian economy, including its capital markets 	

AASB CHAIR'S REVIEW

OUR PERFORMANCE IN 2020-21

The Australian Accounting Standards Board (AASB) continued to deliver on its strategic vision while, like the rest of the nation, adapting to remote working conditions due to the COVID-19 pandemic that has changed the way we live, work and interact with one another. We continued to provide our stakeholders with support and guidance in response to the economic impact of COVID-19, while also continuing our work on timely and faithful representation of economic reality to support effective functioning of the markets and broader economy with the help of engaging with key industry stakeholders.

KEY MILESTONES

During the 2020-21 financial year, amongst a large variety of achievements mentioned throughout this annual report, the AASB issued 10 Amending Standards, as well as one Principal Standard and compiled 45 Standards. We also updated our Standard-Setting Frameworks, which set out the principles followed in setting the requirements of Standards. Both the *AASB For-Profit Entity Standard-Setting Framework* and the *AASB Not-for-Profit Entity Standard-Setting Framework* were updated to reflect that several policy documents, other documents and Australian Accounting Standards have been superseded, updated or issued since the documents were issued in 2018.

STAKEHOLDER ENGAGEMENT AND COMMUNICATIONS

The AASB continued to make use of technology in order to continue to maintain and grow its engagement with stakeholders across the country and globally via virtual meetings, webinars, roundtables and speaking engagements during the COVID-19 pandemic.

We published two Research Reports, one Staff Paper, six Staff Frequently Asked Questions, issued nine Exposure Drafts, four Invitations to Comment, held one roundtable session and hosted seven webinars. Our stakeholder outreach activities have made use of available communication channels to maximise the reach of our messages and audience. Our newsletter continues to be published on a weekly basis and our LinkedIn page is has more than 20,300 followers (and rising).

A highlight for 2020 was the first virtual AASB Research Forum. The Forum, held in conjunction with the University of New South Wales, brought together academics and financial reporting stakeholders from the public sector, for-profit and not-for-profit sectors to discuss three remarkable research projects: *The Use and Usefulness of Equity Accounting*, *Implementing AASB 16 Leases: The User and Preparer Perspectives* and *Are Accounting Standards Understandable?*. The Forum catered for our largest audience to date with over 500 attendees from around the globe, as well as a member of the International Accounting Standards Board.

AASB staff also held a three-part webinar series on the removal of Special Purpose Financial Statements and the introduction of simplified disclosures, which averaged 260 attendees per

session. The webinar series was well regarded by stakeholders on the efforts to educate and answer any questions on the amendments in AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*.

Our positive rapport with industry stakeholders has also allowed us to broaden our brand reach through timely and topical news placements in CA ANZ and CPA Australia's newsletter databases, as well as their social media channels and members-only platforms.

The AASB also maintained and enhanced its international engagement this year through various presentations and participating in international events. This included co-hosting three webinars with the IASB on various topics, as well as presenting at the International Forum of Accounting Standard Setters (IFASS), the Accounting Standards Advisory Forum (ASAF) and the annual Asian-Oceanian Standard-Setters Group (AOSSG) meeting, voicing the views of the AASB and Australian stakeholders.

NOT-FOR-PROFIT SECTOR

The AASB ensured that the not-for-profit (NFP) private and public sectors were a priority during the 2020-21 financial year, making significant progress on developing and improving the reporting and conceptual frameworks. This involved significant outreach to—and engagement with—the stakeholder community to ensure that the sector is well-served in this regard.

From the NFP private sector perspective, this year we proceeded to develop a further reporting Tier (Tier 3). Tier 3 is intended for application by certain NFP private sector entities that are currently preparing special purpose financial statements (SPFS) on the basis that the entity is not a reporting entity as defined in SAC 1 *Definition of the Reporting Entity*. It is designed to be a proportionate response to the cessation of such entities being able to prepare SPFS. We are expecting to issue a Discussion Paper on the NFP Financial Reporting Framework to obtain the views of the public, which will be a major step forward for the project.

From the NFP public sector perspective, we continued active involvement in the work of the IPSASB. We responded to consultation documents on key IPSASB projects: Revenue, Transfer Expenses and the Request for Information *Concessionary Leases and Other Arrangements Similar to Leases*. In May 2021, the AASB issued ITC 45¹ to elicit views on the IPSASB's proposed new Standard that would set out requirements for measuring assets and liabilities of NFP public sector entities. Feedback received on ITC 45 informs the AASB's ongoing project on providing guidance to assist NFP public sector entities apply the principles in AASB 13 *Fair Value Measurement*.

¹ AASB ITC 45 *Request for Comment on IPSASB Exposure Drafts ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements and ED 77 Measurement*

The AASB also assisted the FRC in engaging an independent party to perform a post-implementation review (PIR) of AASB 1049 *Whole of Government and General Government Sector Reporting*. The result of the PIR will inform the work on clarifying and simplifying the financial reporting framework for the Australian public sector – an ongoing project led by the FRC Public Sector Working Group, with which the AASB is actively involved.

Additionally, the AASB continues to engage actively with both the NFP private and public sectors on a number of other developments. These include providing guidance on emerging issues by updating numerous staff FAQs, holding discussions with stakeholders on how to account for research grants, and proceeding with the NFP Conceptual Framework project, which looks to enable application of the *Conceptual Framework for Financial Reporting* for NFP entities.

The AASB also published Research Report 16 *Financial Reporting by Non-corporate or Small Entities*, which presents an overview of the academic literature on financial reporting by non-corporate and small entities. The report answers key questions about the coverage of non-corporate and small entities' reports, their user and stakeholder needs, and their compliance and regulatory oversight. The Report identifies the mismatch between the needs of users and the information that is reported (often for compliance purposes) by non-corporate and small entities as well as difficulties applying a conceptual framework targeted at for-profit entities to the reporting of not-for-profit entities. Research Report 16 is particularly relevant to the NFP Private Sector Financial Reporting Framework project.

FOR-PROFIT SECTOR

The previous year saw the finalisation of AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities* and AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*. Having completed these two significant projects, we continued to ensure that the for-profit sector received appropriate attention. In addition to educating our stakeholders on the significant changes as a result of AASB 2020-2 and AASB 1060, we continued to revise Australian Accounting Standards to ensure consistency with the International Financial Reporting Standards, while reflecting any Australian-specific issues.

We also continued working on the proposal that will improve the clarity of the basis of preparing SPFS in the limited circumstances where for-profit private sector entities are able to do so. The proposal will require disclosure of the accounting policies applied in those SPFS, including the information about the extent of compliance with the recognition and measurement requirements in Australian Accounting Standards.

We continued to uphold our Evidence-Informed Standard-Setting approach by obtaining evidence for key projects that are currently underway. We published Research Report 15 *Review of Auditor Remuneration Disclosure Requirements*, which compares Australian and selected overseas jurisdictions' auditor remuneration disclosure requirements. This Report also identifies factors that could be considered in responding to the recommendations in the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into the Regulation of Auditing.

We also published the staff paper *Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities*, which examines several aspects of narrative reporting requirements for for-profit entities in Australia and selected overseas jurisdictions. The analysis was conducted by comparing these regulatory requirements with the draft disclosure objectives that were expected to be included in the recently issued IASB's Exposure Draft on revised IFRS Practice Statement 1 Management Commentary (MCPS). This comparison will help us to provide early input into the AASB's consultation on the IASB's proposals.

PEOPLE

We are pleased to announce that former senior AASB staff members Nikole Gyles and Dr Mark Shying have re-joined the AASB. Nikole has re-joined in the role of the AASB's Technical Director, while Mark has re-joined as the AASB's Research Director.

The core of the AASB are the people we have on the ground who make things happen. During this trying time, our staff continue to operate just as effectively working from home as they had in the office. I would like to thank them for their continued commitment to the AASB's work schedule and the trust and professionalism they have placed in one another.

LOOKING TOWARD 2021-22

Just like every year, we will look to enhance further our already prominent stakeholder engagement activities, both domestically and internationally. We will be undertaking our own domestic agenda consultation process for the period 2022–2026 in accordance with the AASB *Due Process Framework for Setting Standards*. It will allow us to seek views from Australian constituents on the primarily domestic projects that the AASB should be addressing. This can include external reporting issues relating to public sector entities, NFP entities or Australian-specific issues relating to for-profit entities.

Furthermore, we will look to begin the post-implementation review (PIR) process for several domestic standards including AASB 1058 *Income of Not-for-Profit Entities* and NFP amendments to AASB 10 *Consolidated Financial Statements* and AASB 12 *Disclosure of Interests in Other Entities*.

We will continue our involvement internationally through our strong relationship with the International Accounting Standards Board, the International Public Sector Accounting Standards Board (IPSASB) and other national standard setters and representative bodies. This will ensure that Australia's position continues to be incorporated into international standards. The AASB will participate with the IFRS Foundation on the proposal to establish an International Sustainability Standards Board.

We will also continue supporting the adoption of digital reporting as electronic data is gaining significance globally and the number of its users is steadily growing. Progress in this area is necessary to ensure improved accessibility and quality of data available in the future.

The AASB will continue to work closely with the Auditing and Assurance Standards Board (AUASB) for issues common to the two organisations, particularly when considering whether any auditing or assurance challenges may arise from Australian Accounting Standards. The AASB

intends to continue working with the AUASB in 2021 on our going concern project, as well as the audit engagement-related disclosures project.

In addition to the going concern and audit engagement-related disclosure projects, the AASB and the AUASB will respond to the recommendations of the Parliamentary Joint Committee on Corporations and Financial Services once these have been accepted by the Australian Government.

FINANCIAL RESULTS

The AASB has recognised a Total Comprehensive surplus of \$257,211 (2020: Surplus of 284,224) as a result of COVID-19 continuing to substantially reduce travel costs. Part of the savings in travel costs have allowed the AASB to focus on the delivery of strategic objectives by increasing the capacity of the team through the employment of casual staff members and also to continue professional development expenditure in alignment with the strategy of building a high performing team.

Management fees received from the AUASB were \$633,735 (2020: \$537,542) as set out in our Memorandum of Understanding (MoU) (refer to Note 2A and 2B to the Financial Statements), an increase on the prior year as the Managing Director was a shared resource in this financial year and not in 2020. An increase in corporate costs occurred as the home office costs and other support measures were incurred to facilitate successful working remotely.

Note 11 to the Financial Statements provides further details of variances from the reported budget numbers.

ACKNOWLEDGEMENTS

I would like to thank the staff for their support and commitment during these unique times. As a remote team, we have banded together and worked excellently given the circumstances, which has allowed the AASB to continue its work uninterrupted.

Sincerely



Dr Keith Kendall
Chair and CEO
23 September 2021

AASB ANNUAL PERFORMANCE STATEMENT 2020-21

I, Keith Kendall, as the accountable authority of the Australian Accounting Standards Board, present the 2020-21 annual performance statement of the Australian Accounting Standards Board, as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act Entity Purpose.



ENTITY PURPOSE

As set out in the Treasury Portfolio Budget Statements for 2020-21, the AASB's single outcome is to formulate and make accounting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions. The AASB's vision is to contribute to stakeholder confidence in the Australian economy, (including its capital markets) and in external reporting integral to financial reporting. Its mission and single program are:

- developing, issuing and maintaining accounting standards and guidance that meet user needs and enhance external reporting consistency and quality.
- contributing to the development of a single set of accounting and external reporting standards for world-wide use.

Our purpose is to:

- make accounting standards under the Corporations Act 2001 for the purposes of the corporations legislation and for other purposes.
- participate in and contribute to the development of a single set of accounting standards for world-wide use.
- in a financial reporting context, enabling Australian entities to compete effectively.
- maintain investor confidence in the Australian economy, including its capital markets.
- having regard to the interests of Australian corporations raising capital in major international financial centres.

The Chair's report sets out the contextual basis for progress made on achieving our strategies and purpose.

THE AASB'S STANDARD SETTING PROCESS

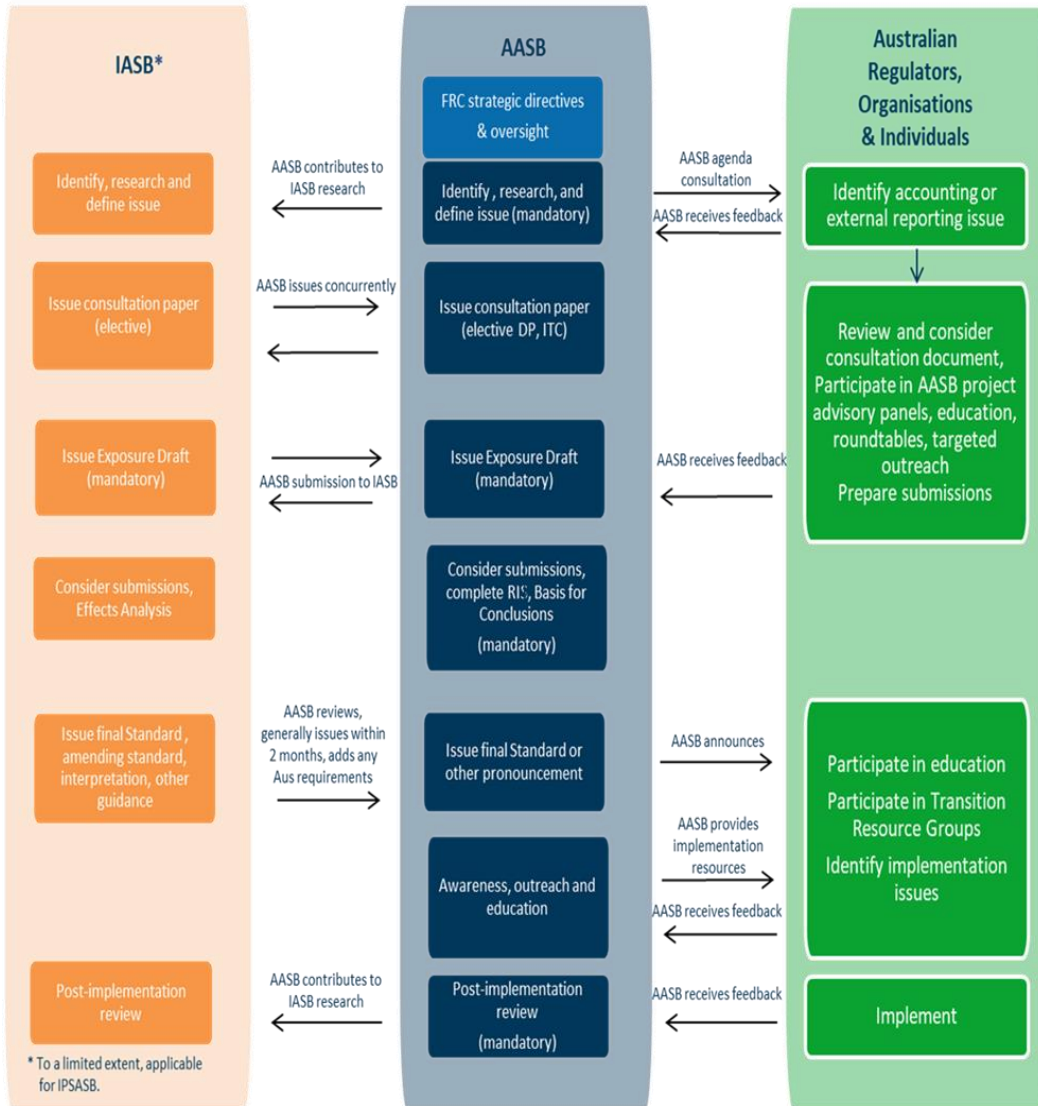
Developing issuing and maintaining principles-based accounting standards

The AASB, in accordance with the FRC direction in 2002, has adopted IFRS accounting and external reporting standards as part of our strategy to facilitate confidence in the Australian economy.

Maintaining IFRS compliance for publicly accountable for-profit entities and using IFRS as a baseline for other entities, means that overseas investors understand our financial reporting and consistency helps reduce the costs incurred by our companies seeking to raise funds. In addition, using IFRS as a basis for other entities promotes professional mobility across the three sectors and also meets our objectives for improving comparability and user confidence in financial reporting.

The following diagram identifies the high-level interaction undertaken by the AASB in developing, issuing and maintaining Australian Accounting Standards.

AASB Due Process Framework for Setting Standards



AASB's STRATEGIES FOR ACHIEVING ITS PURPOSE

Strategy 1: Standard setting	Strategy 2: Australian external reporting framework	Strategy 3: International thought leadership	Strategy 4: Stakeholder engagement	Strategy 5: Influencing beyond financial reporting	Strategy 6: Emerging Issues	Strategy 7: Enhancing Consistency
Set accounting standards to meet needs of users, capable of being assured and enforced. 'Publicly accountable' entities IFRS compliant; for others, use transaction neutrality, modify IFRS, or develop Australian-specific standards and guidance.	Play a leading role in reshaping the Australian external reporting framework by working with other regulators to set Tier requirements proportionate to user needs and costs to prepares.	Actively influence internationally IASB, IPSASB, NZASB, AOSSG.	Attain significant levels of key stakeholder engagement through collaboration, partnership and outreach.	Influence initiatives to develop standards and guidance that meet user needs for external reporting integral to financial reporting.	Monitor and respond to, or lead on, emerging issues, including changing technologies.	Enhance consistent implementation, through stakeholder education initiatives.

2020-21 AASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The tables below identify the activities the AASB identified in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to the seven strategies above, for the 2020-21 reporting period. These tables also indicate whether or not the activities were achieved and, if not, why not.

1 - PERFORMANCE ACTIVITY FOCUS: BRAND/REPUTATION

Current Priorities	Status	Key Activities / Highlights
Define appropriate reporting frameworks for each of the three sectors - for-profit (e.g., listed and large proprietary companies), not-for-profit (e.g. charities) and public sector	In progress / Partially Completed	<p>For-profit –</p> <ul style="list-style-type: none"> The Board agreed to proceed with ED 302 Minimum disclosures for certain for-profit entities' special purpose financial statements by issuing an Amending Standard (pending discussion with OBPR re costs). Staff paper Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities issued in May 2021 <p>NFP private sector –</p> <ul style="list-style-type: none"> Developing a paper for public consultation in 2022. AASB 2021-1 <i>Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities</i> issued in March 2021. <p>Public sector – participating in FRC working group</p>
Agree on 3-year program of work and deliver	In progress / Partially Completed	IASB-equivalent Standards issued within two months of release by the IASB:
Maintain IFRS and New Zealand compliance for for-profit Private sector “publicly accountable” entities		<ul style="list-style-type: none"> AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts (issued in 35 days

Current Priorities	Status	Key Activities / Highlights
<p>Tailor IFRS appropriately for other sectors, including developing Australian specific guidance</p> <p>Develop guidance on external reporting integral to financial reporting</p> <p>Develop guidance on emerging issues related to financial reporting</p>		<ul style="list-style-type: none"> • AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (issued in 29 days) • AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 (issued in 26 days) • AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and • Definition of Accounting Estimates (issued in 60 days) • AASB 2021-3 Amendments to Australian Accounting Standards – • Covid-19-Related Rent Concessions beyond 30 June 2021 (issued in 28 days) • AASB 2021-5 Amendments to Australian Accounting Standards • Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued in 55 days) • Guidance on emerging issues issued via staff FAQs (see below) • AASB did not harmonise on NZASB-specific going concern disclosures (non-harmonisation deemed appropriate as amendments did not meet AASB’s standard-setting framework – AASB to influence international project instead)
<p>Enhance profile domestically and internationally</p> <p>Maintain and enhance key international relationships with IASB, IPSASB,</p>		<p>Co-hosted with the IASB:</p> <ul style="list-style-type: none"> • Webinar on Discussion Paper Business

Current Priorities	Status	Key Activities / Highlights
NZASB, AOSSG, International Financial Reporting for NPOs		<ul style="list-style-type: none"> • Combinations – Disclosures, Goodwill and Impairment (August 2020) • Academic research seminar on the IASB’s Business Combinations—Disclosures, Goodwill and Impairment Discussion Paper(August 2020) • Webinar on Discussion Paper Business • Combinations Under Common Control (March 2021) <p>Staff actively participate in IFR4NPO TAG meetings and other outreach activities</p> <p>AASB Acting Technical Directors invited to present at the AFAANZ Financial Reporting Forum</p> <p>AASB Acting Technical Director and Acting Senior Manager invited to present at the CAANZ webinar on financial reporting impact of COVID- 19</p> <p>AASB & NZASB presented at 2 IFASS conferences recommending the IASB undertake a project on going concern.</p> <p>AASB Deputy Technical Director presented at ACNC Adviser and Sector Forums on NFP Financial Reporting Framework in November 2020 and March 2021</p> <p>IASB participated in AASB 2020 Virtual Research Forum</p> <p>AASB & NZASB presented at AOSSG Annual Meeting recommending the IASB undertake a project on going concern.</p> <p>AASB Deputy Technical Director presented AOSSG views on Financial Instruments-related topics at IASB Accounting Standards Advisory Forum December 2020 and March 2021 meetings.</p>

Current Priorities	Status	Key Activities / Highlights
<p>Due process followed to ensure the quality of standard-setting</p> <p>Evidence-informed approach to standard setting activities supports need for regulation and proposed solution</p> <p>Appropriate consultation in accordance with the due process framework</p> <p>Preparation of regulatory impact statement assessing costs and benefits</p>	<p>Completed / On track</p>	<p>AASB Research Director presented AOSSG views on Extractive Activities project at IASB Accounting Standards Advisory Forum March 2021 meeting.</p> <p>Submission made to the Australian Government Treasury consultation paper <i>Increasing financial reporting thresholds for ACNC-registered charities</i>.</p> <p>No negative feedback in response to due process from FRC.</p> <p>AASB approved standards in accordance with its due process since July 2020:</p> <ul style="list-style-type: none"> • AASB 2020-5 • AASB 2020-6 • AASB 2020-7 • AASB 2020-8 • AASB 2020-9 • New principal version of AASB 1048 • AASB 2021-1 • AASB 2021-2 • AASB 2021-3 • AASB 2021-4 • AASB 2021-5 <p>Events to educate and consult stakeholders:</p> <ul style="list-style-type: none"> • Webinar: Discussion Paper Business Combinations – Disclosures, Goodwill and Impairment (August 2020) - 111 attendees

Current Priorities	Status	Key Activities / Highlights
<p>Post-implementation reviews conducted (PIR) for all significant projects to assess quality of standard-setting.</p>	<p>Completed / On track</p>	<ul style="list-style-type: none"> • Academic research seminar: Business Combinations— Disclosures, Goodwill and Impairment Discussion Paper (August 2020) – 65 attendees • Webinar: ED 302 <i>Disclosures in SPFS of certain for-profit private sector entities</i> (September 2020) – 34 attendees • AASB 2020 Virtual Research Forum (November 2020) – 500+ attendees • Webinar: Discussion Paper Business Combinations Under Common Control (March 2021) – 147 attendees • Roundtable: Business Combinations Under Common Control (May 2021) – 34 attendees • Webinar: Removal of SPFS and introduction of AASB 1060 (May 2021) Parts 1, 2 & 3 – 227, 324 & 231 attendee <p>AASB Research reports issued:</p> <ul style="list-style-type: none"> • RR15 Review of Auditor Remuneration Disclosure Requirements • RR 16 Financial Reporting by Non-corporate or Small Entities • Staff Paper: Comparison of Narrative Reporting Requirements Applicable to For-Profit Entities <p>On-going: staff completing compilations of standards</p> <p>No indication of non-contribution to confidence in the economy Positive feedback on staff FAQs – indicating contributing to confidence in the economy</p>

Current Priorities	Status	Key Activities / Highlights
<p>Improve consistency of implementation:</p> <p>Educate stakeholders on the AASB standards, support materials available, including why standards introduced</p> <p>Support and encourage high quality teaching of the Australian financial reporting framework and standards at Australian educational institution</p>	<p>Completed / On track</p>	<p>Positive feedback on standards – have held up well under pressures caused by COVID-1</p> <p>Held discussion with various public sector/NFP stakeholders on their recent implementation experience (e.g., commenced narrow-scope project on AASB 1058)</p> <p>Independent PIR of AASB 1049 engaged by the FRC</p> <p>Submission made to IASB on the PIR of IFRS 10, 11 & 12</p> <p>FAQs for stakeholders on significant interpretive issues:</p> <ul style="list-style-type: none"> • Accounting for Government Support • Impairment of Non-Financial Assets • Remuneration Underpayments • Accounting for Concessionary Loans by NFP entities • Events after the reporting period • Initial recognition of an asset acquired by an NFP entity in transactions in the scope of AASB 1058

2 - PERFORMANCE ACTIVITY FOCUS: STAKEHOLDER ENGAGEMENT

Current Priorities	Status	Key Activities / Highlights
Enhance stakeholder engagement	Completed / Ontrack	<p>AASB newsletter subscribers increased by 12.14% over the twelve months to June 2021</p> <p>LinkedIn main page followers increased by 11.01% over the twelve months to June 2021</p> <p>Twitter followers increased by 5.57% over the twelve months to June 2021.</p> <p>Over 700 combined attendees at Removal of SPFS and introduction of AASB 1060 webinars.</p>
Conduct Agenda consultations to determine projects and priorities	Completed / Ontrack	<p>Invitation to comment for domestic agenda consultation expected in Q3 2021</p> <p>ITC 44 <i>Request for Comment on the IASB Request for information on Third Agenda Consultation</i> issued in April 2021</p>

3 - PERFORMANCE ACTIVITY FOCUS: PEOPLE & CULTURE

Current Priorities	Status	Key Activities / Highlights
Develop and implement People and Culture strategy	Completed / Ontrack	<p>Ongoing process</p> <p>High morale of the team supported by virtual team meetings and events, such as virtual drinks and team lunches</p> <p>Staff encouraged to register for online work-related training of their choice as part of employee growth</p> <p>Flexible working hours and pandemic leave introduced during multiple closure periods due to COVID-19 to assist staff in managing workload and family commitments.</p>
New starter processes improved to support flexible subject matter expert involvement	Completed / Ontrack	<p>Onboarding manual is continuously being updated. The onboarding manual is a working document which has insights and information regarding processes that take place at the AASB</p>
Understand current capability (talent mapping)	Completed / Ontrack	<p>Ongoing process – promotions during the year based on performance</p> <p>External experts used for specific projects</p>
Resource planning to develop skills and allocate them appropriately	Completed / Ontrack	<p>Additional resources engaged as contractors to assist with workplan delivery</p> <p>Utilisation of employees regularly monitored</p> <p>Regular resource planning meetings in place to identify the need for project prioritisation or for external resources</p> <p>AASB Technical Director appointed in September and formally commenced role in October 2020</p> <p>Research Director appointed and formally commenced role in November 2020. Research Assistant appointed in April 2021.</p>

4 - PERFORMANCE ACTIVITY FOCUS: TECHNOLOGY

Current Priorities	Status	Key Activities / Highlights
Develop and implement an IT strategy that enables flexible, seamless working via cloud	Completed / Ontrack	All AASB staff working from home since 17 March 2020 via One Drive due to Covid-19. No significant issues. External webinars hosted via ZOOM Database cleansed New database tool developed leveraging MS Access and SQL Janusseal app deployed to staff email accounts for automatic classification of emails (in line with Commonwealth Government policy)
Website refreshed to improve stakeholder experience and engagement	Completed / Ontrack	Refreshed corporate website live from 1 June 2021

5 - PERFORMANCE ACTIVITY FOCUS: OPERATIONAL & BUSINESS EXCELLENCE

Current Priorities	Status	Key Activities / Highlights for the FRC
Develop strategy supporting operational excellence and regulatory compliance	Completed / On track	Continuous Compliance tasks completed by appropriate deadline date No breaches regulatory obligations identified
Key processes and standards documented	Completed / On track	FP and NFP standard setting frameworks, Due process document, Annual Report and Corporate Plan published on AASB website (and Transparency Portal as appropriate) All Finance procedures and policies are documented and updated at least annually

Current Priorities	Status	Key Activities / Highlights for the FRC
		FP and NFP standard-setting frameworks updated in October 2020
Knowledge and information sharing support flexible subject matter expert involvement	Completed / On track	Staff participate in monthly lunch and learn sessions to share knowledge from subject matter expert
Continuous improvement of operational processes to achieve planned outcomes	Completed / On track	Working from home has focused AASB on ensuring critical operational tasks and processes can be sustained remotely. Core operational tasks being monitored and continuously improved to minimise slippage in internal and external service delivery

6 - PERFORMANCE ACTIVITY FOCUS: PROGRAM & PROJECT MANAGEMENT

Current Priorities	Status	Key Activities / Highlights
Develop a strategy to improve program and project management	Completed / On track	Utilisation of employees regularly monitored Regular resource planning meetings in place to identify the need for project prioritisation for external resources
Identify and establish frameworks and processes to allocate resources appropriately, establish and monitor accountabilities	Completed / On track	Continuous review process implemented to assess completion of projects (on target, off-target) as well as reviewing effort required to complete. Timesheet process being used to refine new project plans (work effort required) as well as ensuring work-life balance is maintained
Allocate resources efficiently and effectively	Completed / On track	

OUTPUTS

The AASB's standards, exposure drafts and other research reports are listed in the tables below.

Standards	
AASB 2020-5	<i>Amendments to Australian Accounting Standards - Insurance Contracts (July 2020)</i>
AASB 2020-6	<i>Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date (August 2020)</i>
AASB 2020-7	<i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions: Tier 2 Disclosures (August 2020)</i>
AASB 2020-8	<i>Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2 (September 2020)</i>
AASB 2020-9	<i>Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments (December 2020)</i>
AASB 2021-1	<i>Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities (March 2021)</i>
AASB 2021-2	<i>Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates (March 2021)</i>
AASB 2021-3	<i>Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021 (April 2021)</i>
AASB 2021-4	<i>Amendments to Australian Accounting Standards – Modified Retrospective Transition Approach for Service Concession Grantors (June 2021)</i>
AASB 2021-5	<i>Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction (June 2021)</i>
Exposure Drafts	
ED 303	<i>Covid-19-Related Rent Concessions: Tier 2 Disclosures (July 2020)</i>
ED 304	<i>Interest Rate Benchmark Reform – Phase 2: Tier 2 Disclosures (October 2020)</i>
ED 305	<i>Lease Liability in a Sale and Leaseback Proposed Amendments to AASB 16 (December 2020)</i>
ED 306	<i>Transition Between Tier 2 Frameworks for Not-for-Profit Entities (December 2020)</i>
ED 307	<i>Regulatory Assets and Regulatory Liabilities (February 2021)</i>

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ED 308	<i>COVID-19-Related Rent Concessions beyond 30 June 2021</i> (February 2021)
ED 309	<i>Disclosure Requirements in Australian Accounting Standards—A Pilot Approach</i> (April 2021)
ED 310	<i>Lack of Exchangeability</i> (May 2021)
ED 311	<i>Management Commentary</i> (June 2021)

Invitations to Comment

ITC 42	<i>Business Combinations under Common Control</i> (December 2020)
ITC 43	<i>Request for Comment on IASB Request for Information on Post-implementation Review—IFRS 10, 11 and 12</i> (December 2020)
ITC 44	<i>Request for Comment on the IASB Request for Information on Third Agenda Consultation</i> (April 2021)
ITC 45	<i>Request for Comment on IPSASB Exposure Drafts ED 76 Conceptual Framework Update: Chapter 7, Measurement of Assets and Liabilities in Financial Statements and ED 77 Measurement</i> (May 2021)

Research Reports

No. 15	<i>Review of Auditor Remuneration Disclosure Requirements</i> (December 2020)
No. 16	<i>Financial Reporting by Non-corporate or small entities</i> (March 2021)

AASB Authoritative Pronouncements can be accessed via www.aasb.gov.au/Pronouncements.aspx.

The Standard-setting and Research Centre Work Programs can be accessed via www.aasb.gov.au/current-projects/work-program

AUASB CHAIR'S REVIEW

OUR PERFORMANCE IN 2021

The Auditing and Assurance Standards Board (AUASB) delivered on its strategic vision, while like the rest of the nation, continuing remote working conditions due to the COVID-19 pandemic. We continued to engage with - and extract - valuable insights from key industry stakeholders, while achieving several important milestones.

KEY MILESTONES

Over the course of the last financial year, the AUASB achieved several key milestones in both standard-setting activities and thought leadership.

During the year we focused on the following key strategic priority areas:

- Driving initiatives which support Audit Quality;
- Developing guidance to support auditors in considering the use of technology;
- Supporting Assurance Practitioners dealing with the rapid development of Extended External Reporting (EER); and
- Influencing the development of International Auditing Standards and guidance.

Further detail on the key milestones we have achieved in these areas is provided below.

AUASB DIGITAL STANDARDS PORTAL

The AUASB is extremely proud to be one of the first standard-setters to make our standards available on a fully interactive website which transforms more than 1500 pages of standards into fully accessible and interactive content. The Digital Standards Portal represents a significant investment by the AUASB, with the new site taking 18 months to develop. The portal is designed to create an accessible digital experience that transforms the way our technical standards are accessed, navigated, and understood by audit professionals. Rather than having to look through separate PDF Documents, audit professionals can now navigate our standards more easily and quickly. We have received very positive feedback from industry professionals and we believe the benefits will be immense and have a positive impact on audit quality.

AUDIT QUALITY

The AUASB has a strategic objective to work with the Financial Reporting Council to identify and implement initiatives designed to enhance Audit Quality in Australia. The following are specific actions undertaken in implementing this objective:

Supporting the profession during the COVID-19 pandemic

As the COVID-19 pandemic continued to evolve we provided extensive and timely guidance on how to apply auditing standards in this challenging environment, particularly the June 2020

reporting period. As part of this we issued *The Impact of Coronavirus on Financial Reporting and the Auditor's Considerations* and *The Impact of COVID-19 on Going Concern and Related Assessments* jointly with the AASB, as well as a series of frequently asked questions.

We also monitored reporting by auditors of listed entities over this period, in order to identify any emerging issues, particularly whether there was an increase in modified auditor's reports and going concern reporting. The results of this research are included in Research Report 5 *COVID-19 Snapshot of Auditor Reporting in Australia*.

Parliamentary Joint Committee on Corporations and Financial Services (PJC) Inquiry into Regulation of Auditing in Australia

On 11 November 2020 the PJC issued its Final Report on its Inquiry into Regulation of Auditing in Australia. The Government has not yet responded to this report, however the AUASB has commenced initial preparations for implementation of the recommendations which are relevant to our Auditing Standards.

The AUASB is a member of the FRC's PJC Inquiry Working Group which includes representatives from the FRC, ASIC, AASB, AUASB, and the Accounting Professional and Ethical Standards Board (APESB) so that preparations for the implementation of all the recommendations are coordinated.

Quality Management Standards issued

Based on work by the IAASB, we issued a significant update to the Quality Management Standards that require audit firms to enhance their systems of quality management across all audits carried out by the firm. The challenge now is to work with audit firms and the accounting bodies to provide implementation support to enable the intended objectives of these enhanced standards to be achieved.

Other activities to enhance audit quality

The FRC and the AUASB conducted its second survey of Audit Committee Chairs (ACCs) which pleasingly showed that ACCs continue to be very satisfied with the quality of their auditor.

Extensive implementation guidance has also been issued to assist with the newly revised ASA 540 *Auditing Accounting Estimates* which is designed to support auditors when dealing with more complex accounting requirements, as well as address regulator concerns about areas where significant judgement about estimation uncertainty is required by preparers and auditors.

TECHNOLOGY

The AUASB has prioritised the importance of providing guidance to auditors on technology matters in advance of the IAASB work in this area. As part of this we have set up a Project Advisory Group consisting of representatives from the largest accounting firms, the public sector and the professional accounting bodies. The first output is an AUASB Bulletin *The Consideration of Cybersecurity Risks in an Audit of a Financial Report*. Further Bulletins on relevant topics will be issued regularly going forward.

EXTENDED EXTERNAL REPORTING

The importance and focus on a globally consistent reporting framework for Extended External Reporting (EER) is gaining momentum both locally and internationally. Internationally the proposed establishment of an International Sustainability Standards Board by the IFRS Foundation is expected to accelerate reporting of non-financial information. Accordingly, the AUASB has identified supporting assurance practitioners in providing assurance over EER as a strategically important project. As part of this we have finalised a detailed strategic plan which includes a communication and stakeholder engagement plan which incorporates cooperative initiatives between the AASB and the AUASB.

The IAASB has recently issued Non-Authoritative guidance that promotes a more consistent and appropriate application on applying assurance standards (particularly ISAE 3000) on EER assurance engagements.

AUSTRALIAN SPECIFIC STANDARDS AND GUIDANCE

The AUASB have issued the following new or updated Australian specific standards and guidance to meet the needs of Australian stakeholders:

- GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups* which addresses updated guidance for the appointed auditors of ADI's arising from revisions to APRA's prudential requirements.
- ASRS 4400 *Agreed Upon Procedures Engagements* which incorporates changes made to the global equivalent of this standard by the IAASB, as well as clarification of the independence requirements, application of professional judgement and rules around restrictions of use for AUP engagements.

In addition, the AUASB has developed a number of important guidance publications and revised its policies and processes over the last year, including:

- AUASB Bulletin *Audit Considerations on the removal of special purpose financial statements for certain for-profit private sector entities;*
- AUASB Staff Guide *Prescribing Assurance and Related Services;*
- Conducting an extensive review and update of the AUASB's *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications;* and
- Updating the AUASB's policy and procedures relating to conformity with IAASB standards and harmonisation of our standards with their NZAuASB equivalents.

INTERNATIONAL INFLUENCE

The AUASB monitors and contributes to the work of the IAASB through Professor Roger Simnett (AUASB Chair until December 2020) who is a member of the IAASB, and Ms Rene Herman (Deputy Technical Director) who acts as Technical Advisor to Professor Simnett.

During the year Professor Simnett was Chair of the IAASB's Complexity, Understandability, Scalability and Proportionality (CUSP) Working Group and a member of the IAASB's Extended External Reporting and Audits of Less Complex Entities Working Groups. Ms Herman is also a member of the IAASB's Going Concern Working Group.

We continued to build our international influence by working with other National Auditing and Assurance Standards Setters (NAASS), especially New Zealand and Canada, to work cooperatively and collaboratively on issues addressing our respective constituencies.

The AUASB also provides ongoing feedback to Professor Simnett and Ms Herman on ongoing projects of the IAASB, and responded to the IAASB on the following request for comments:

- Exposure Draft (ED) for *ISA 600 Special Considerations – Audits of a Group Financial Report*;
- Discussion paper on *Fraud and Going Concern in an Audit of Financial Statements*; and
- Auditor Reporting Post Implementation Review Survey.

STAKEHOLDER ENGAGEMENT AND COMMUNICATION

We recognise the importance of stakeholder outreach not only to produce high quality auditing standards and guidance, but also to support the dissemination of this material. In the last year, the AUASB has engaged with stakeholders across the country via virtual roundtables, at speaking engagements, national, regional, and international meetings. During the COVID-19 pandemic, we have championed the use of technology to maintain this engagement through the use of virtual meetings and webinars, and our reach across the AUASB network has continued to grow at a rapid rate.

As part of our stakeholder engagement, in collaboration with the University of New South Wales, we ran a thought leadership roundtable exploring questions and issues raised in the IAASB's discussion paper on *Fraud and Going Concern in an Audit of Financial Statements*. In addition, we ran events to explore views on assurance of Extended External Reporting and the IAASB's Exposure Draft (ED) for *ISA 600 Special Considerations – Audits of a Group Financial Report*. The AUASB also participated in educational webinars on the impact for auditors on the AASB's changes to the preparation of Special Purpose Financial Statements.

LOOKING TOWARD 2021

The last year has been one of extreme turbulence in the business environment, and I am extremely proud of the way that the Board and Technical staff have stepped up to the challenges that this environment has presented.

We also have a number of challenges which we will address during 2022, including responding to the final recommendations of the PJC inquiry into audit quality.

During 2022 we will be engaging with all members of the financial reporting eco-system as we consider the applicability of the IAASB's standard for Less Complex Entities in the Australian market.

We will continue to actively contribute to the International Standard-Setting process, and we will further develop our collaborations with other NAASS and our research initiatives.

As the demand for a globally consistent reporting framework on EER gains further momentum, we will continue examining appropriate evidence-informing practices to support assurance to enhance the credibility of this information.

We will also continue to work on audit quality initiatives across our portfolio and collaborate with ASIC and auditors across all sectors to identify areas where we may assist with interpretation and compliance with our Auditing Standards.

FINANCIAL RESULTS

The AUASB has recognised a total Comprehensive surplus of \$85,745 (2020: Surplus of \$215,886) as a result of the continued impact of COVID-19 on travel expenditure. Part of the travel savings has been used to recruit casual employees to assist in meeting the strategic objectives of the AUASB.

The management fee paid to the AASB was \$633,735 (2020: \$537,542) (refer to Notes 2A and 2B to the Financial Statements). The Management fee relates to common costs incurred by AASB which have been apportioned between the two entities as agreed in the MOU. This year the cost included a shared Managing Director which was not included in the fee in the prior year.

During the year the AUASB finalised its Digital Standards Platform, for which the majority of expenditure has been recognised as an asset in the accounts. The supplier expenses have increased due to the monthly maintenance fee that is incurred for the platform.

Note 11 to the Financial Statements provides further details of variances from the reported budget numbers.

ACKNOWLEDGEMENTS

I pay tribute to my predecessor Professor Roger Simnett for his outstanding leadership since 2017, in particular his commitment to evidence informed standard setting and the development of the Digital Standards Portal.

I thank the Chair at the AASB, Keith Kendall as we continue to build a close collaborative and co-operative relationship between the AASB and the AUASB.

I also thank the staff for all of their support and commitment during these unique times. As we continue to work remotely, we have banded together successfully given the circumstances, which has allowed the AUASB to continue its work uninterrupted.

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Sincerely,

A handwritten signature in blue ink that reads "W. Edge". The signature is written in a cursive style with a large initial 'W' and a clear 'Edge'.

William Edge
Chair and CEO
23 September 2021

AUASB ANNUAL PERFORMANCE STATEMENT 2020-21

I, William Edge, as the accountable authority of the Auditing and Assurance Standards Board, present the 2020-21 annual performance statement of the Auditing and Assurance Standards Board, (AUASB) as required under paragraph 39(1)(a) of the *Public Governance Performance and Accountability Act 2013* (PGPA Act). In my opinion, this annual performance statement is based on properly maintained records, accurately reflects the performance of the entity, and complies with subsection 39(2) of the PGPA Act.



ENTITY PURPOSE

The functions of the AUASB are to:

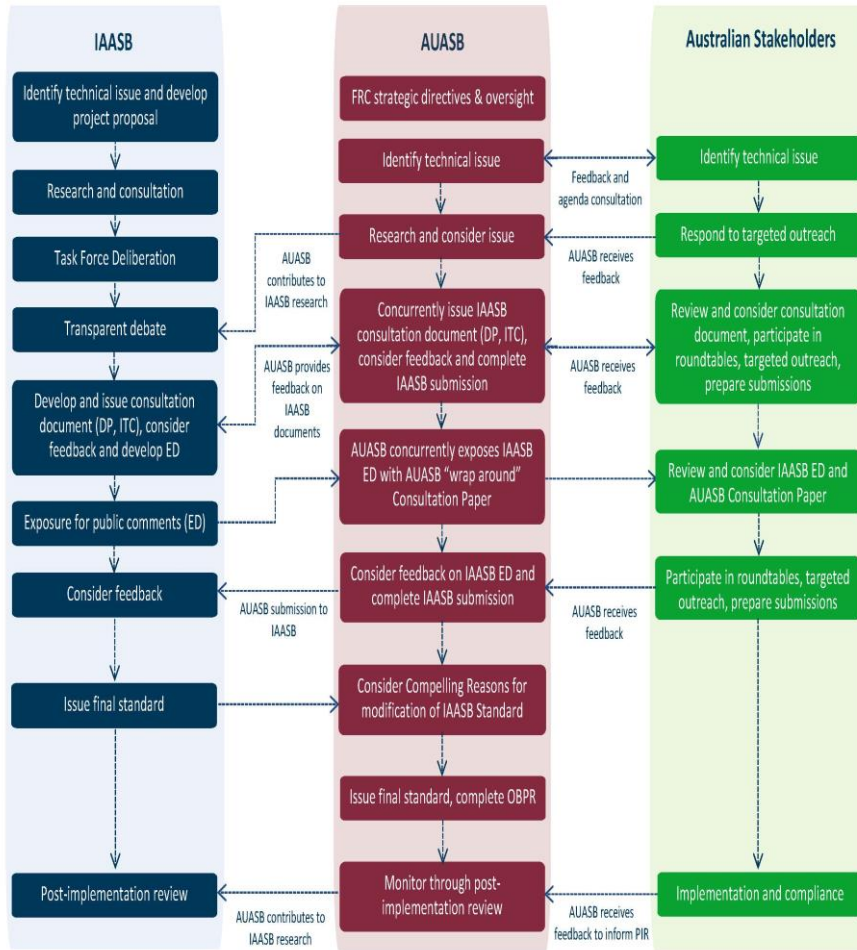
- make auditing standards under section 336 of the Corporations Act 2001 for the purposes of the Corporations' Legislation,
- formulate auditing and assurance standards for other purposes,
- formulate guidance on auditing and assurance matters,
- participate in and contribute to the development of a single set of auditing standards for world-wide use,
- advance and promote the main objectives of part 12 of the Australian Securities and Investments Commission Act 2001.

THE AUASB STANDARD SETTING PROCESS

In order to increase our influence during the formative stages of standards development, in 2020-21 the AUASB implemented a revised process for issuing IAASB Exposure Drafts (EDs) in Australia, where the EDs are issued concurrently with their release internationally. This approach is consistent with the way the AASB and many other auditing and assurance standards setters seek to inform and influence international standards setting. Having now adopted this approach for all IAASB standards, the AUASB also in 2020-21 fully reviewed and updated its standard-setting and due process documentation and updated its policies relating to the conformity and harmonisation of AUASB standards with their global and NZAuASB equivalents.

The AUASB's Standard-Setting process is set out below.

AUASB Standard-Setting Process



DP Discussion Paper | ITC Invitation to Comment | ED Exposure Draft | OBPR Office of Best Practice | PIR Post-Implementation Reviews



AUASB'S STRATEGIES FOR ACHIEVING ITS PURPOSE

Strategy 1: Standard setting	Strategy 2: Australian external reporting framework	Strategy 3: International thought leadership	Strategy 4: Stakeholder engagement	Strategy 5: Influencing beyond financial reporting	Strategy 6: Emerging Issues	Strategy 7: Enhancing Consistency
Develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC).	Develop and maintain Australian-specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards where required on external reports.	Influence international standards and guidance to achieve public interest outcomes and serve as the most effective base possible for Australian auditing and assurance standards.	In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.	Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.	Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.	Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.

2020-21 AUASB ACTIVITIES AND RELATED KEY PERFORMANCE INDICATORS

The tables below identify the activities the AUASB outlined in its Corporate Plan and Parliamentary Budget Statement (PBS) as contributing to its strategies above, for the 2020-21 reporting period. The tables also indicate, for each priority, whether or not the activities were achieved and if not, why not.

Priority One: *Issue Australian Auditing and Assurance Standards based on IAASB equivalent standards in accordance with AUASB functions and mandate from the Financial Reporting Council (FRC).*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Issue all IAASB-based AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders	Achieved	<p>All International standards issued in the 2020-21 year have been adopted and tailored where necessary for local implementation by the AUASB, including ASRS 4400 on Agreed-Upon Procedures Engagements and the new suite of Quality Management Standards (ASQM 1, ASQM 2 and ASA 220. In addition, the AUASB has updated the full suite of Auditing Standards arising from changes to new or revised standards and the updated Code of Ethics and rolled out the IAASB new Non-Authoritative guidance that promotes consistency when applying assurance standards on EER assurance engagements.</p> <p>The AUASB has developed and rolled out implementation support materials to assist auditors apply all new or recently released Auditing Standards (including ASA 540, ASA 315 and the new Quality Management Standards), via dedicated resources being made available on the AUASB website and conducting numerous outreach and awareness sessions with key stakeholder groups to promote the education and application of these new or revised standards.</p> <p>The accessibility and functionality of all AUASB standards has been enhanced with the release of the AUASB new Digital Standards Portal in June 2021.</p>
Seek feedback on relevance, effectiveness and public interest of these standards through stakeholder feedback, outreach programs and post-implementation reviews	Achieved	As part of our mandate to support the adoption of a single set of global standards the AUASB has hosted engagement activities to capture local stakeholder feedback into all IAASB exposure drafts and other proposals issued in the 2020-21 year. Key IAASB

Current Priorities & KPIs	Achieved/Not Achieved	Comments
		initiatives the AUASB has conducted outreach on are ISA 600 for Group Audits; Fraud and Going Concern; and determining the AUASB's response to the IAASB's surveys on its Auditor Reporting Post Implementation Review and proposed 2022-23 Workplan.

Priority Two: *Develop, update and maintain Australian specific Standards and/or Guidance Statements for topics not specifically addressed by IAASB Standards as required.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Issue Australian-specific AUASB standards and guidance in a timely manner with accompanying implementation materials and communications that are tailored for Australian stakeholders	Achieved	<p>The AUASB issued a range of new and updated pronouncements this year targeted specifically at the Australian auditing and assurance environment. These covered a broad range of topics, including:</p> <ul style="list-style-type: none"> • A revised version of GS 012 to address updated APRA reporting requirements for ADIs • An updated Foreword to AUASB Pronouncements and a new exposure draft revising the AUASB Preamble to align to changes made to the AUASB’s standard setting due process. • Based on similar changes made in New Zealand, an exposure draft for an updated version of ASA 560 <i>Subsequent events</i>. <p>New versions of the AUASB Auditor Responsibility Statements were issued in August 2020 and updated on the AUASB Website to reflect changes made to the APESB Code of Ethics.</p> <p>Following detailed analysis by the AUASB and engagement with key stakeholders the AUASB fully revised its Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications in December 2020, resulting in a clearer and more comprehensive process for the development of AUASB standards and other pronouncements in future.</p> <p>As previously noted, the release of the new AUASB Standards Portal in June 2021 has made all Australian specific AUASB standards available in a new digitised format that is easier for practitioners to access and navigate.</p>

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Seek feedback on relevance, effectiveness and public interest of Australian-specific standards and guidance through stakeholder feedback, outreach programs and post-implementation reviews	Partly Achieved	<p>All AUASB local pronouncements developed and issued across the year were subject to a transparent and rigorous due process, supported by extensive engagement with key stakeholders in accordance with our revised due process framework. In particular all required exposure drafts and consultation papers relating to the revised Foreword, Preamble, and other conforming amendments to local AUASB standards were complied with.</p> <p>Due to the COVID pandemic and prioritisation of other AUASB priorities, the post implementation reviews for ASAE 3100 and ASAE 3500 has been deferred until the 2021-22 year. In addition, due to delays in the IAASB's timeline activities associated with the local post implementation review of the Auditor Reporting standards are yet to commence.</p>
Identify gaps in the AUASB Framework where guidance is required and issue Guidance Statements or Bulletins to address these	Achieved	<p>The AUASB has produced a number of new publications to provide assurance practitioners with guidance on topical and challenging auditing and assurance issues in 2020-21, including:</p> <ul style="list-style-type: none"> • A new AUASB guide for Prescribing Assurance and Related Services; • An AUASB Bulletin on the Audit considerations on the removal of special purpose financial statements for certain for-profit private sector entities' and • AUASB Bulletin on The Consideration of Cyber Security Risks in an Audit of a Financial Report.

Priority Three: *Monitor the Assurance Environment (including the impact of regulatory inspection findings) and address any implications for Australian auditing and assurance standards and guidance.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Build and maintain strong international relationships with the IAASB and like-minded Global and National Auditing Standard Setters, particularly New Zealand and Canada.	Achieved	<p>The AUASB Chair and Technical Director are active members of the IAASB's National Standards Setters group, which meets twice annually and participates in other IAASB forums to review IAASB activities and share knowledge between standard setters in each major global territory.</p> <p>The AUASB works closely with other like-minded National Auditing and Assurance Standards Setters (NAASS) on projects with common interests. In particular there is a regular dialogue maintained with NAASS representatives in Canada and New Zealand, and over 2020-21 we have shared and collaborated with colleagues in these territories on a range of local and global auditing issues, such as the use of technology on audits, local implementation of new AASB standards and EER Assurance challenges.</p>
Demonstrate the AUASB's influence on major international auditing and assurance developments by implementing the AUASB's International Strategy	Achieved	<p>The immediate past AUASB Chair, Prof. Roger Simnett AO has been a member of the IAASB throughout the 2020-21 year. He is supported in this role by an AUASB staff member, and they ensure AUASB feedback is captured and considered for each IAASB meeting, as well as addressing AUASB considerations as part of the IAASB working group and task forces they belong to.</p> <p>At each AUASB meeting the Board review and provide input on the current IAASB work plan. Over the course of 2020-21 there has been comprehensive feedback provided to our local IAASB representative on the IAASB's activities relating to Audit Evidence, Audits of Less Complex Entities, Fraud, Going Concern and a specific project to improve of the</p>

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Provide input to the international standard setting process through responding to international pronouncements using input from Australian stakeholders	Achieved	<p>complexity, understandability, scalability and proportionality of international standards.</p> <p>To support the development of the IAASB's global standards the AUASB has developed formal responses to capture local stakeholder feedback into all IAASB exposure drafts and other proposals issued in the 2020-21 year. Key IAASB initiatives the AUASB has provided submissions on include the exposure draft on ISA 600 for Audits of a Group Financial Report; the discussion paper on Fraud and Going Concern in an Audit of Financial Statements; and responding to the Auditor Reporting Post Implementation Review Survey.</p>
Maintain harmonisation of auditing and assurance standards in Australia and New Zealand in accordance with relevant agreements and protocols	Achieved	<p>The AUASB is also a member of the New Zealand Auditing and Assurance Standards Board (NZAuASB), and monitors developments in New Zealand to ensure collaboration where required.</p> <p>The standard setting activities of both the AUASB and NZAuASB are coordinated through regular technical staff meetings that ensure harmonisation of standards in accordance with relevant policies and protocols. In particular over 2020-21 there has been close collaboration in the revisions to ASRE 2410 and ASA 560, combined outreach relating to the IAASB's EER guidance as well sharing of responses to IAASB projects from both territories.</p> <p>In addition to the revision that the AUASB made to its Due Process Framework, in conjunction with the NZAuASB there was a full review and update of the common policy and process for International Conformance and Harmonisation of Standards applied by both boards.</p>

Priority Four: *In conjunction with the Financial Reporting Council, identify and implement initiatives designed to enhance Audit Quality in Australia.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
With the FRC, devise and complete activities to implement the FRC's Audit Quality Action Plan and contribute to improved audit quality outcomes in the Australian auditing environment	Achieved	<p>The AUASB Chair and dedicated staff continue to provide resources to develop and drive initiatives identified in the FRC's Audit Quality Action Plan, such as the release of the 2nd edition of the 'Audit Quality in Australia: The Perspective of Audit Committee Chairs' survey report in February 2021.</p> <p>In conjunction with the FRC and other relevant standard setting bodies and regulators (such as the AASB, APESB and ASIC) the AUASB Chair and staff have developed initial responses relating to the recommendations from the Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Regulation of Auditing in Australia covering areas such as auditors' responsibilities relating to Fraud, Going Concern and Audit Engagement Disclosures.</p>
Work with ASIC, the AASB, practitioners and other stakeholders to identify and address significant inspection findings associated with accounting and auditing standards	Achieved	The AUASB continues to work closely with representatives from ASIC, the accounting professional bodies and a range of auditing practitioners to both address findings from the ASIC Audit Inspection process and assist with the improvement of this process. Over 2020-21 there has been deliberations about specific audit inspection findings and the future of audit quality indicators published in connection with ASIC's regular inspection reports.

Priority Five: *Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Develop thought leadership and implement strategic projects to improve auditing and assurance practice in priority areas such as Extended External Reporting (EER), Audits of Less Complex Entities (LCEs) and the use of Technology in the Audit	Achieved	<p>The AUASB has established Project Advisory Groups (PAGs) relating to Audit Technology and Public Sector Audit Issues, with both comprising industry experts, to assist the AUASB develop specific guidance to assist auditors in these areas. The Technology PAG has issued a specific publication on Cyber Security, as well as overseen other guidance materials associated with the implementation of ASA 315. The Public Sector PAG meets regularly and is progressing in its development of a specific AUASB Guidance Statement to address how the Auditing Standards are effectively applied on public sector audit engagements.</p> <p>During 2020-21 the AUASB (through its then Chair and a specialist board member) provided extensive feedback to the IAASB on its Non-Authoritative guidance that promotes a more consistent and appropriate application on applying assurance standards (particularly ISAE 3000) on EER assurance engagements. This guidance was released in April 2021 and followed with a targeted outreach session co-hosted with the NZAuASB. An AUASB Bulletin aimed at assisting assurance practitioners to navigate through and apply the IAASB's guidance is currently near completion.</p> <p>Following on from the publications co-developed with the AASB in the first half of 2020 that assisted accounting and auditing practitioners to address common issues arising from the COVID-19 Pandemic, the AUASB has continued to update its website with FAQs and other relevant materials as practical and technical considerations for auditors in response to pandemic related issues were identified.</p>

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Support the development and publishing of relevant and high-quality auditing and assurance evidence-based research in accordance with the AUASB Evidence Informed Standard Setting (EISS) Strategy	Achieved	<p>The AUASB has continued to engage with Academics, the accounting professional bodies and other stakeholders over the course of the year to obtain evidence that supports its standard setting activities, through regular forums with AFAANZ and the AUASB's other outreach activities.</p> <p>In particular in November 2020 the AUASB co-hosted with UNSW a forum on Going Concern, bringing together Academics and Practitioners to determine reporting and auditing issues on this topic, which fed into the AUASB's response to the IAASB Discussion Paper on this topic.</p> <p>Additionally, in December 2020 the AUASB released 'Research Report 5: COVID-19 Snapshot of Auditor Reporting in Australia', which analysed how the COVID-19 Pandemic impacted the audit reports of ASX Listed entities.</p>

Priority Six: *Partner with the AASB and others to reform the Australian external reporting and assurance frameworks.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Seek feedback on proposed changes to assurance requirements to ensure they are fit for the intended purpose and support changes to the external reporting framework	Achieved	<p>The AUASB have worked closely with other standard setters and regulators responsible for the Australian external reporting framework to ensure AUASB Standards and auditing requirements remain fit for purpose and align to other legislative or regulatory changes. In particular, through the FRC the AUASB has continued to work on how the potential impact of recommendations arising Parliamentary Joint Committee on Corporations and Financial Services Inquiry into Regulation of Auditing in Australia should be managed.</p> <p>The AUASB has also updated numerous Auditing Standards and Framework Pronouncements to reflect recent changes made by the APESB to the Code of Ethics for Accountants.</p> <p>Across 2020-21 AUASB staff work have collaborated on a number of proposals the AASB has considered to streamline the Australian Financial Reporting Framework to ensure any audit or assurance related matters are appropriately addressed.</p>
Support initiatives that promote consistency and understanding of the nature and extent of assurance required for external reporting requirements in Australia	Achieved	<p>As a result of updates to AASB Standards streamlining which entities could prepare special purpose financial reports a new AUASB Bulletin on the Audit considerations on the removal of special purpose financial statements for certain for-profit private sector entities was published in April 2021. This publication was accompanied by dedicated outreach sessions that were co-hosted and presented by AASB and AUASB staff.</p> <p>Following extensive research and collaboration with academics and the accounting professional bodies the AUASB has released a new guide for Prescribing Assurance and Related Services, which is intended to assist legislators, grantors, regulators and other organisations or individuals that</p>

Current Priorities & KPIs	Achieved/Not Achieved	Comments
		<p>mandate assurance engagements as part of their regulatory frameworks, to draft assurance requirements which are clear and effective.</p> <p>The development and release of AUASB Digital Standards Portal in June 2021 specifically makes the auditing standards more accessible and easier to navigate. The Portal's design incorporates feedback from a range of different users of AUASB standards and will continue to be enhanced based on user feedback.</p>

Priority Seven: *Monitor the Australian Assurance Environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB's Standards.*

Current Priorities & KPIs	Achieved/Not Achieved	Comments
Increase engagement with stakeholders through new and existing AUASB communications activities and events	Achieved	<p>In addition to the AUASB Digital Standards Portal being released a new AUASB Website with improved design and functionality was also rolled out in June 2021.</p> <p>Along with regular News Alerts being published on the AUASB Website the AUASB continues to produce a quarterly Newsletter which wraps up all AUASB activity and provides details of recent AUASB pronouncements and publications.</p> <p>AUASB regularly present and engage in a range of industry forums, including different webinars, conferences, and other presentations in conjunction with the accounting professional bodies and academic groups.</p> <p>With ongoing COVID-19 Pandemic restrictions limiting the ability of staff to travel or meet with stakeholder in person over 2020-21 this has been held mainly online, and the AUASB has sought to improve its capability and capacity to hold online based outreach sessions over the course of the year.</p>

OUTPUT STRUCTURE

The AUASB's pronouncements, exposure drafts, consultation papers and other publications issued in 2020-21 are listed in the table below.

Standards and Guidance Statements	
ASRS 4400	<i>Agreed-Upon Procedures Engagements</i> (September 2020)
GS 012	<i>Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups</i> (September 2020)
ASQM 1	<i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> (March 2021)
ASQM 2	<i>Engagement Quality Reviews</i> (March 2021)
ASA 220	<i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> (March 2021)
ASA 2021-1	<i>Amendments to Australian Auditing Standards</i> (March 2021) [NB: Conforming Amendments to reflect the new and revised Quality Management Standards]
	<i>Foreword to AUASB Pronouncements</i> (March 2021)
Exposure Drafts and Consultation Papers	
ED 01/21	<i>Proposed Conforming and Consequential Amendments to the other AUASB Standards as a result of the New and Revised Quality Management Standards</i> (April 2021)
ED 02/21	<i>Proposed Auditing Standard ASA 101 Preamble to AUASB Standards</i> (June 2021)
ED 03/21	<i>Proposed Auditing Standard ASA 2021-2 Amendments to Australian Auditing Standard ASA 560 Subsequent Events</i> (June 2021)
AUASB Publications	
	Updated <i>AUASB Auditor Responsibility Statements</i> (August 2020)
	AUASB Research Report 5: <i>COVID-19 Snapshot of Auditor Reporting in Australia</i> (December 2020)
	<i>AUASB Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications</i> (December 2020)
	<i>Audit Quality in Australia: The Perspective of Audit Committee Chairs (2nd Report)</i> (February 2021)
	AUASB Framework Publication: <i>A guide for Prescribing Assurance and Related Services</i> (March 2021)

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2020-21

AUASB Bulletin on *Audit considerations on the removal of special purpose financial statements for certain for-profit private sector entities* (April 2021)

AUASB Bulletin on *The Consideration of Cyber Security Risks in an Audit of a Financial Report* (May 2021)

AUASB Authoritative Pronouncements can be accessed via

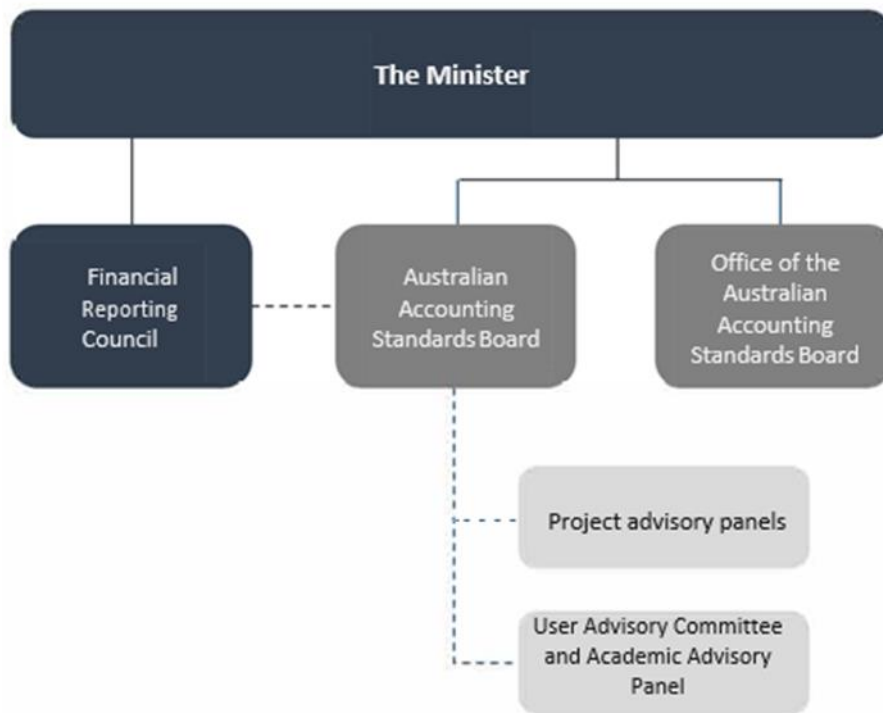
www.auasb.gov.au/standards-guidance/auasb-standards/australian-auditing-standards

The AUASB's Technical Work Programs can be accessed via

www.auasb.gov.au/about-auasb/corporate-plan-strategy

MANAGEMENT AND ACCOUNTABILITY

How the AASB works



The Minister

The Minister appoints the Chair of the AASB. The Chair of the AASB is accountable to the Minister regarding the operations of the AASB and the Office of the AASB.

Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AASB and has oversight of the process for setting accounting standards in Australia. The FRC appoints Board members to the AASB.

AASB

The AASB is an Australian non-corporate Government Entity responsible for developing, issuing and maintaining accounting standards under section 334 of the *Corporations Act 2001* for the purposes of the corporations legislation. The AASB also formulates accounting standards and or guidance for other purposes and participates in, and contributes to, the development of a single

set of international accounting standards for worldwide use. The AASB's vision and strategies are set out on page 8. Further detail on the AASB's functions are set out in Appendix A.

To be eligible for appointment as a member of the AASB, a person must have knowledge of, or experience in, business, accounting, law or government. Initial appointment is for a maximum of 3 years with possible extensions for a further 2 terms.

The members of the AASB during 2020-21 are listed below. The AASB met six times via video conference during 2020-21 for a total of eleven meeting days. Attendance of members at these meetings is set out in Appendix B.

Office of the AASB

The Office of the AASB provides technical and administrative services, information and advice to the AASB. The Chair of the AASB is also the Chief Executive Officer of the Office of the AASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the Managing Director.

Membership

Chair

Keith Kendall was appointed as Chair of the AASB and CEO of the Office of the AASB for a five-year term from 3 May 2020 to 2 May 2025. The duties of the Chair and CEO of the AASB are outlined in sections 235D to 235J of the *Australian Securities and Investments Commission Act 2001*.

As Chair of the AASB, Keith Kendall is also a member of the FRC and a member of the NZASB.

The members of the AASB holding office during the year ended 30 June 2021 were:

Board Member	Qualification	Appointment end date
Carolyn Cordery	NZASB Chair	Reciprocal member from February 2021
Peter Gibson	Commonwealth Department of Finance	December 2021 (3 rd term)
James Grant	Westpac	December 2021
Dean Hanlon	Monash University	December 2023
David Holland	Moore Stephens Pty Ltd	December 2022
Toby Langley	Xero	December 2023
Paul Rogers	KPMG	December 2021
Caroline Spencer	Auditor General of Western Australian Office of Auditor General	December 2023
Stephen Taylor	University of Technology Sydney	December 2022 (2 nd term)
Alison White	Deloitte	December 2020

Board Member	Qualification	Appointment end date
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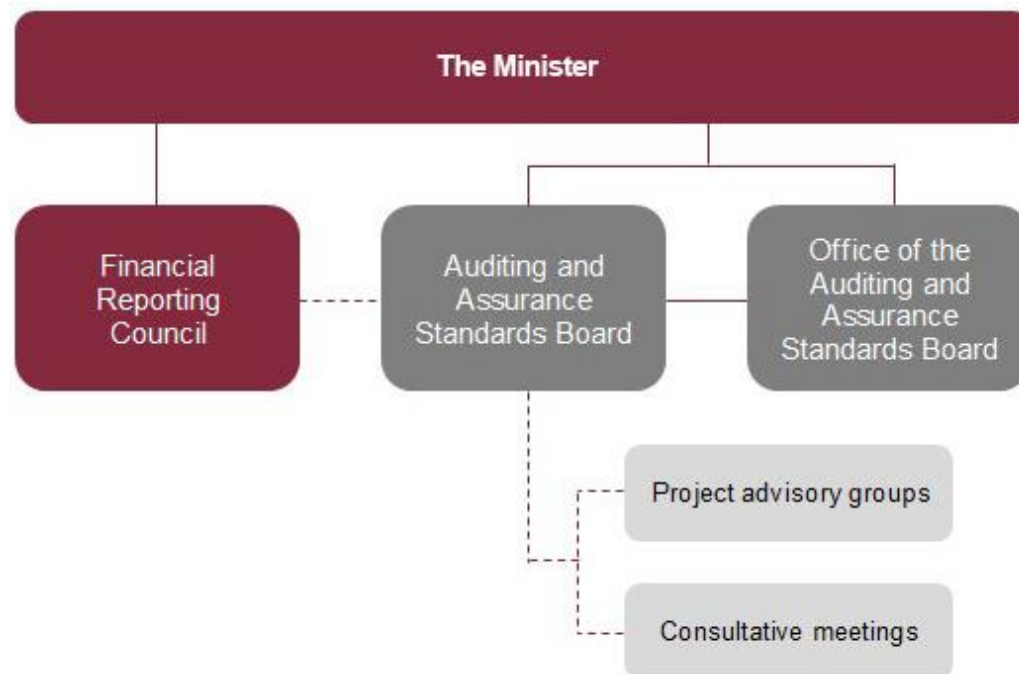
Retirements

Mike Blake	Non-Executive Director	
Ken Liow	Principal, Obsidian Capital	
Carmen Ridley	Australian Financial Reporting Solutions	

Observers

Mike Blake is now a Board Observer due to his IPSASB Representation.

How the AUASB works



The Minister

The Minister appoints the Chair of the AUASB. The Chair of the AUASB is accountable to the Minister regarding the operations of the AUASB and the Office of the AUASB.

Financial Reporting Council

Responsible to the Minister, the FRC provides broad strategic direction and advice to the AUASB and has oversight of the process for setting auditing and assurance standards in Australia. The FRC appoints Board members to the AUASB for various terms.

AUASB

The AUASB an Australian non-corporate Government Entity responsible for making auditing standards under section 336 of the *Corporations Act 2001* for the purposes of the corporations legislation. The AUASB also formulates auditing and assurance standards for other purposes and participates in and contributes to the development of a single set of international auditing standards for worldwide use. The AUASB's vision and strategies are set out on page 8. Further detail on the AUASB's functions are set out in Appendix A.

Board appointments may be made for a period of up to three years and retiring members are eligible for reappointment for a maximum of three terms.

The Board met ten times during the year. Attendance of members at these meetings is set out in Appendix B.

Office of the AUASB

The Office of the AUASB provides technical support and information and advice to the AUASB. The Chair of the AUASB is also the Chief Executive Officer of the Office of the AUASB, however the CEO responsibilities have been delegated (to the maximum extent permitted) to the Managing Director.

Membership

Chair

William Edge was appointed as Chair of the AUASB and CEO of the Office of the AUASB for a three-month term from 1 January 2021 to 31 March 2021, which was extended for a further three months until 30 June 2021. Effective from 1 July 2021 William has been appointed as the Chair of the AUASB for a 12 month term. This appointment was made after the resignation of Roger Simnett effective from 31 December 2020.

The duties of the Chair and CEO of the AUASB are outlined in sections 235D to 235J of the *Australian Securities and Investments Commission Act 2001*.

As Chair of the AUASB, he is also a member of the FRC and a member of NZAuASB.

The AUASB comprised an independent part-time Chair (appointed by the Minister) and 10 part-time members (appointed by the FRC).

The members during 2020-2021 were:

Board Member	Qualification	Appointment end date
Gareth Bird	Deloitte	December 2022 (2 nd term)
Robert Buchanan	Chair, NZAuASB	Reciprocal member from 1 July 2016
Jo Cain	Non-Executive Director	December 2021 (3 rd term)
Julie Crisp	Northern Territory Auditor- General's Office	December 2023 (2 nd term)
Klynton Hankin	PwC	December 2021
Noel Harding	UNSW Sydney	December 2023 (2 nd term)
Rodney Piltz	EY	December 2021
Carolyn Ralph	KPMG	December 2020 (2 nd term)
Andrew Porter	AFI	December 2022
Retirements		
Justin Reid	J R Consulting	Retired April 2021

Observers

There was no one with observer status during the year.

AASB AND AUASB'S CORPORATE GOVERNANCE

The corporate governance practices of the AASB, AUASB and the Offices of the AASB and the AUASB comply with statutory and other external requirements and aim to achieve sound administrative and financial management practice. They are designed to ensure the efficient, effective and ethical use of resources.

As part of its ongoing focus on effective governance arrangements, the Offices of the AASB and AUASB periodically consider a range of issues, including:

- clear accountability mechanisms;
- leadership, culture and communication;
- appropriate governance and committee structures;
- effectiveness of work with stakeholders;
- comprehensive risk management, compliance and assurance systems and
- strategic planning, performance monitoring and evaluation.

AUDIT COMMITTEE

The AASB and AUASB Audit and Risk Committee's (ARC) role is to provide independent assurance and assistance to the Chairs on their financial and performance reporting responsibilities, risk oversight and management, and system of internal control. The Committee is not responsible for the executive management of these functions. The Committee engages with management in discharging its advisory responsibilities and formulating its advice to the Chairs.

The Audit and Risk Committee follows the recommended practice guidelines issued by the Department of Finance for non-corporate Commonwealth entities. The Audit and Risk Committee comprises an independent external Chair, and two external members. The Australian National Audit Office (ANAO) also attends Audit and Risk Committee meetings as an observer, as do other AASB and AUASB management representatives.

Audit and Risk Committee members are:

Member	Qualifications, knowledge, skills or experience	Number of meetings attended/total number of meetings	Total annual remuneration
Stuart Alford	BEcon (Hons), FCA, MAICD. is the Independent Chair of our Audit and Risk Committee. Stuart is a Non-Executive Director with considerable board and audit committee experience. He is a retired EY partner and a former member and Chair of the Auditing and Assurance Standards Board.	4/4	\$12,000

Member	Qualifications, knowledge, skills or experience	Number of meetings attended/total number of meetings	Total annual remuneration
Michael Alexander	Honours Economics, Research Doctorate, Labor and Industrial Relations, Deputy Director, Corporate Services at Australian Institute of Family Studies	4/4	\$0
Kylie Maher	Graduate, Australian Institute of Company Directors, Certified Practising Accountant (CPA), Bachelor of Business (Accounting) and Member, Institute of Internal Auditors. Kylie has 25 years experience in providing Finance, Risk and Governance advisory services as a Partner/Director at Moore Australia and KPMG.	4/4	\$8,000

The Audit and Risk Committee charter can be sourced at: www.aasb.gov.au/about-the-aasb/government-reports/audit-and-risk-committee/

RISK MANAGEMENT

The Office of the AASB and AUASB risk management framework aligns with the Commonwealth Risk Management Policy and enables risk to be managed in line with our low-risk appetite. We monitor and report on risks via a series of risk registers. The Executive and the Audit and Risk Committee regularly review the risk-management framework, including the strategic risk register and other risk registers as appropriate

FRAUD PREVENTION AND CONTROLS

Fraud control is regarded by the AASB and AUASB as a continuous process, and AASB and AUASB officers and employees maintain an awareness of fraud risk generally, and their responsibility to take any reasonable action to reduce the possibility and impact of losses through fraud.

The AASB and AUASB has in place a fraud risk assessment and fraud control plan. It has adequate fraud prevention, detection, investigation and reporting mechanisms that meet its specific needs.

I, Keith Kendall as the AASB accountable authority, certify that the AASB meets the obligations arising from section 10 of the *Public Governance, Performance and Accountability Rule 2014*. This legislation requires appropriate fraud risk, fraud assessment, fraud detection and subsequent reporting mechanisms to be in place.

I, William Edge, as the AUASB accountable authority, certify that the AUASB meets the obligations arising from section 10 of the *Public Governance, Performance and Accountability Rule 2014*. This legislation requires appropriate fraud risk, fraud assessment, fraud detection and subsequent reporting mechanisms to be in place.

ETHICS

The Offices of the AASB and AUASB employees are required to adhere to the Australian Public Service values and code of conduct under the *Public Service Act 1999*.

Australian Public Service values include performing functions impartially and professionally, the highest ethical standards, open accountability, providing frank, honest, comprehensive, accurate and timely advice to government and promoting communication, consultation, cooperation and input from employees.

The requirements of the code of conduct include honesty, care and diligence, courtesy, compliance with the law, avoiding conflicts of interest and proper use of Commonwealth resources and information.

PUBLIC INTEREST DISCLOSURE

The *Public Interest Disclosure Act 2013* (PID Act) promotes integrity and accountability in the Commonwealth public sector by encouraging the disclosure of information about suspected wrongdoing. It also protects people who make disclosures and requires agencies to investigate or take other appropriate actions.

In accordance with the PID Act, the Office of the AASB and AUASB has a PID policy/procedure which is made available on their websites. During the reporting period, no public interest disclosures were received.

INFORMATION PUBLICATION SCHEME STATEMENT

In accordance with the Freedom of Information (FOI) Act and the Information Publication Scheme (IPS), AASB and AUASB publish a range of information on its websites, such as its organisational structure, appointments, annual reports, gift register, Audit and Risk Committee & Board Charters, Code of Conduct, legal expenditure, and details of the freedom of information officer. The Statements of Expectations and Intent are also available on the websites

AASB PERSONNEL MANAGEMENT

Table 1a: AASB Employees at 30 June 2021

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents			Total
						Female	Male	Indeterminate	
Senior executive	8	5	3	3	5	1.1	4.5	0	5.6
Technical	11	6	5	5	6	3.8	3	0	6.8
Non-Technical	5	5	0	3	2	3.2	1	0	4.2
Total employees	24	16	8	11	13	8.1	8.5	0	16.6

Table 1b: AASB Employees at 30 June 2020

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents			Total
						Female	Male	Indeterminate	
Senior executive	4	4	0	2	2	0.8	2.6	0	3.4
Technical	10	9	1	6	4	4	4.1	0	8.1
Non-Technical	5	4	1	4	1	2.6	2.0	0	4.6
Total employees	19	17	2	12	7	7.4	8.7	0	16.1

As at 30 June 2021 no employees identified as Indigenous.

AASB employees are located in Melbourne, Sydney and Tasmania.

Table 2: AASB Salary ranges as at 30 June 2021

Salary Bands	Senior executive full time	Senior executive part time	Technical & non-technical full time	Technical & non-technical part time
\$ 15,000 to \$104,999	0	0	3	3
\$105,000 to \$194,999	1	0	4	3
\$195,000 to \$284,999	1	5	1	1
\$285,000 to \$374,999	0	1	0	0
\$375,000 to \$464,999	1	0	0	0

AUASB PERSONNEL MANAGEMENT

Table 3a: AUASB Employees at 30 June 2021

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents			Total
						Female	Male	Indeterminate	
Senior executive	4	4	0	1	3	1.6	1.6	0	3.2
Technical and support employees	6	5	1	4	1.1	2.7	2	0	4.7
Total employees	10	9	1	5	4.1	4.3	3.6	0	7.9

Table 3b: AUASB Employees at 30 June 2020

Classification	Persons	Ongoing	Non-ongoing	F/T	P/T	F/T Equivalents			Total
						Female	Male	Indeterminate	
Senior executive	2	2	0	1	1	0	1.6	0	1.6
Technical and support employees	7	7	0	4	3	4.2	2	0	6.2
Total employees	9	9	0	5	4	4.2	3.6	0	7.8

As at 30 June 2021, no employees identified as Indigenous.

AUASB employees are located in Melbourne and Canberra.

Table 4: AUASB Salary ranges as at 30 June 2021

Salary Bands	Senior executive full time	Senior executive part time	Technical & non-technical full time	Technical & non-technical part time
\$ 15,000 to \$104,999	0	0	2	1
\$105,000 to \$194,999	0	0	2	1
\$195,000 to \$284,999	1	2	0	0
\$285,000 to \$374,999	0	0	0	0
\$375,000 to \$464,999	0	1	0	0

NON-SALARY BENEFITS

The AASB and AUASB offers employees a number of non-salary benefits which include:

- annual influenza immunisation;
- mentoring and coaching programs;
- in-house capability development programs;
- confidential employee assistance program for employees and their immediate families;
- study assistance to eligible employees;
- access to flexible working arrangements;
- access to equipment to work from home during COVID-19 lockdown restrictions;
- various well-being packages to support staff during lockdown restrictions; and
- contributions to relevant professional memberships.

The AASB and AUASB provides the Senior Executive Service (SES) employees and where there is a business need some employees with a mobile phone, tablet, laptop and/or airline lounge membership. Employees can also make use of a range of salary sacrifice benefits, including additional superannuation and leased motor vehicles.

BRINGING IT ALL TOGETHER

The AASB and AUASB are each supported by an Office providing technical and administrative services to the Boards. Each Office is a non-corporate Australian Government entity under the ASIC Act. The Offices are the financial entities governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The AASB and AUASB are effectively operating to the extent permitted by legislation, as a single Office supporting both Boards. The Chairs are Chief Executive Officers and the Accountable Authority under the PGPA Act and are responsible for the preparation of the financial reports for each entity, however, have delegated to the maximum extent permitted the CEO responsibilities to the Managing Director.

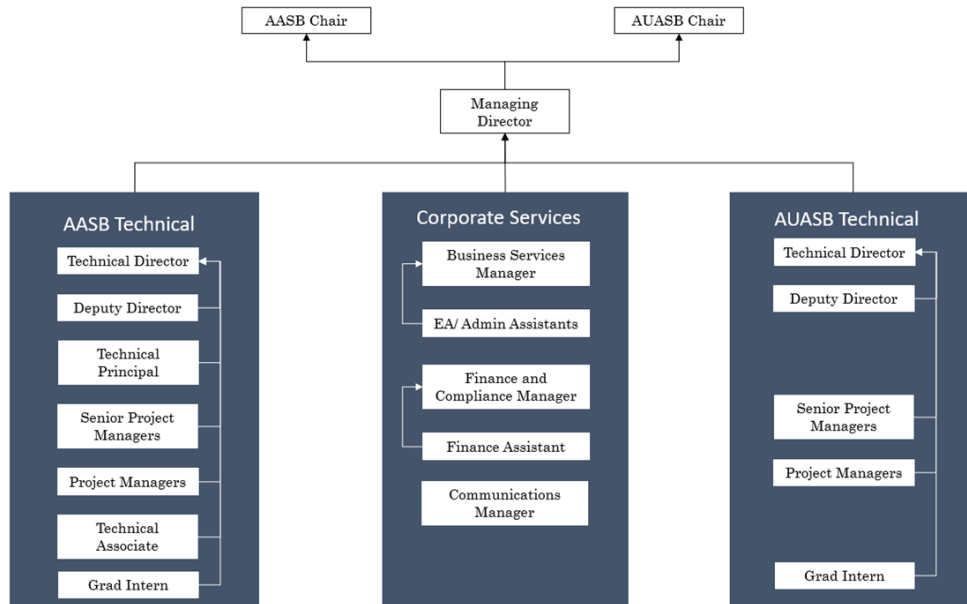
The Managing Director is responsible for the operation of the Office of AASB. The Offices of the AASB and AUASB have implemented a shared service model, in that the AASB provides all administrative services for the AUASB and their respective Boards.

(The diagram on the following page outlines the operational structure of the AASB, AUASB and the Office of both AASB and AUASB.)

In order to ensure appropriate governance and accountability, the operating model is governed by a memorandum of understanding (MOU) which is signed by the Chairs.

To transparently reflect this operating model and organisation structure, the AASB and AUASB have provided additional disclosures (refer to Note 2A and Note 2B) that aims to provide some further understanding of the financial arrangements in relation to the costs of the services delivered in accordance with the MOU.

ORGANISATION CHART



OUR PEOPLE

Both Chairs are appointed by the Minister, pursuant to a contract for services with the respective Office of the Board. Salary and other entitlements of the Chairs are determined by the Commonwealth Remuneration Tribunal.

Members of the respective Boards are appointed for three-year terms. The FRC, via the Nominations Committee, is responsible for the selection process of AASB and AUASB Board members. Recommendations are tabled with the FRC for confirmation of appointment. Entitlements are determined by the Commonwealth Remuneration Tribunal.

The AASB and AUASB have the capacity to employ under the ASIC Act, as well as the *Public Service Act 1999* (PSA). As at 30 June 2021, all employees were employed under the *ASIC Act*.

Salaries and other entitlements of the technical and non-technical employees are linked to comparable industry and market levels of remuneration.

The performance management process is based on informal frequent performance discussions that build to formal meetings for review and forward planning of goals and objectives for the year.

Our employees undertake a range of training and professional development experiences which include attendance at seminars, conferences and training programs as appropriate on topics related to technical and personal development, policy and the administrative work of the AASB and AUASB.

It is a policy of the AASB and AUASB that employees do not receive performance bonuses. The AASB and the AUASB comply with the Workplace Bargaining Policy 2018 of the Australian Public Service Commission, as it applies to non-government entities, including the new approach to annual wage adjustments which are linked to the private sector Wage Price Index annual percentage change for the immediately preceding June quarter. The AASB and AUASB also implemented the 9 April 2020, Government directed six-month wage increase deferral for non-SES employees and the Government's decision to implement a stay on increases in remuneration, entitlements and allowances for all Senior Executive Service.

Recruitment and retention of employees will always prove to be challenging – particularly in the specialist fields associated with standards setting. These challenges are being overcome by working to establish a core group of experienced technical people and complementing their skills through secondments from other government departments, the accounting and auditing firms, our graduate intern program and short-term appointments from academia and corporates for specialist skills.

Using these strategies, the Chairs are confident that they have well-qualified employees and are continuously developing appropriate policies and procedures to enable them to achieve the AASB's and AUASB's strategies.

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INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Opinion

In my opinion, the financial statements of the Office of the Australian Accounting Standards Board (the Entity) for the year ended 30 June 2021:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statements by the Chairs;
- Statements of Comprehensive Income;
- Statements of Financial Position;
- Statements of Changes in Equity;
- Cash Flow Statements; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair is responsible under the *Public Governance, Performance and Accountability Act 2013* (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Mark Vial
Acting Executive Director
Delegate of the Auditor-General
Canberra
23 September 2021



INDEPENDENT AUDITOR'S REPORT

To the Assistant Treasurer

Opinion

In my opinion, the financial statements of the Office of the Auditing and Assurance Standards Board (the Entity) for the year ended 30 June 2021:

- (a) comply with Australian Accounting Standards and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Entity as at 30 June 2021 and its financial performance and cash flows for the year then ended.

The financial statements of the Entity, which I have audited, comprise the following as at 30 June 2021 and for the year then ended:

- Statements by the Chairs;
- Statements of Comprehensive Income;
- Statements of Financial Position;
- Statements of Changes in Equity;
- Cash Flow Statements; and
- Notes to and forming part of the financial statements, comprising a summary of significant accounting policies and other explanatory information.

Basis for opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Entity in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Other information

The Accountable Authority is responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2021 but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and accordingly I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Accountable Authority's responsibility for the financial statements

As the Accountable Authority of the Entity, the Chair is responsible under the Public Governance, Performance and Accountability Act 2013 (the Act) for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under the Act. The Chair is also responsible for such internal control as the Chair determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair is responsible for assessing the ability of the Entity to continue as a going concern, taking into account whether the Entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

Auditor's responsibilities for the audit of the financial statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian National Audit Office Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Accountable Authority;
- conclude on the appropriateness of the Accountable Authority's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Accountable Authority regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Australian National Audit Office



Mark Vial
Acting Executive Director
Delegate of the Auditor-General
Canberra
23 September 2021

STATEMENTS BY THE CHAIRS

AASB

In my opinion, the attached Financial Statements for the Office of the Australian Accounting Standards Board for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In my opinion, at the date of this statement, there are reasonable grounds to believe that the Office of the Australian Accounting Standards Board will be able to pay its debts as and when they fall due.



Dr Keith Kendall
Chair, CEO and CFO – AASB

23 September 2021

AUASB

In my opinion, the attached Financial Statements for the Office of the Auditing and Assurance Standards Board for the year ended 30 June 2021 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In my opinion, at the date of this statement, there are reasonable grounds to believe that the Office of the Auditing and Assurance Standards Board will be able to pay its debts as and when they fall due.



William Edge
Chair, CEO and CFO – AUASB

23 September 2021

Statements of Comprehensive Income

for the period ended 30 June 2021

	Notes	AASB		AUASB	
		2021 \$	2020 \$	2021 \$	2020 \$
EXPENSES					
Employee and contractor costs	2, 3A	3,234,745	2,920,102	1,524,799	1,451,894
Supplier expenses	3B	893,348	1,146,053	234,960	295,941
Occupancy expenses	2	111,786	119,974	0	0
Depreciation and amortisation	2, 3C	293,234	250,633	3,934	0
Finance costs		2,409	4,452	0	0
Management fee paid to AASB	2	0	0	633,735	537,542
Write-down and impairment of assets & losses on sale		12,406	226	0	0
Total expenses		4,547,928	4,441,440	2,397,428	2,285,377
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services		558	5,596	0	0
Management fee received from AUASB	2	633,735	537,542	0	0
Resources received free of charge		59,696	38,376	64,173	70,263
Audit fees received free of charge		46,150	46,150	33,000	33,000
Contributions from states and territories		500,000	500,000	0	0
Total own-source revenue		1,240,139	1,127,664	97,173	103,263
Net cost of services & cost of outcome delivery		(3,307,789)	(3,313,776)	(2,300,255)	(2,182,114)
Revenue from Government	4	3,565,000	3,598,000	2,386,000	2,398,000
Surplus/(Deficit) attributable to the Australian Government		257,211	284,224	85,745	215,886
Total comprehensive surplus/(deficit) attributable to the Australian Government		257,211	284,224	85,745	215,886

The above statements should be read in conjunction with the accompanying notes.

Statements of Financial Position
as at 30 June 2021

	Notes	AASB		AUASB	
		2021	2020	2021	2020
		\$	\$	\$	\$
ASSETS					
Financial Assets					
Cash and cash equivalents		57,018	2,183,117	41,203	1,072,740
Trade and other receivables		404,135	259,248	0	0
Appropriation receivable	4	2,405,000	0	1,092,000	0
Total financial assets		2,866,153	2,442,365	1,133,203	1,072,740
Non-Financial Assets					
Buildings right of use -at cost		140,062	350,155	0	0
Plant & equipment - fair value		80,521	149,232	0	0
Computer software – at cost		1,884	3,437	141,116	0
Prepaid expenses		159,889	63,669	59,248	38,960
Total non-financial assets		382,356	566,493	200,364	38,960
Total assets		3,248,509	3,008,858	1,333,567	1,111,700
LIABILITIES					
Payables					
Suppliers		169,833	46,130	7,285	9,712
Management fee payable to AASB	8C	0	0	321,132	179,685
Other payables	5	98,131	149,944	0	30,782
Total payables		267,964	196,074	328,417	220,179
Interest-bearing liabilities					
Leases		146,850	358,184	0	0
Total Interest-bearing liabilities		146,850	358,184	0	0
Provisions					
Employee provisions	6	374,723	303,839	271,297	264,413
Total provisions		374,723	303,839	271,297	264,413
Total liabilities		789,537	858,097	599,714	484,592
Net assets		2,458,972	2,150,761	733,853	627,108
EQUITY					
Contributed equity		702,000	651,000	301,300	280,300
Retained earnings		1,756,972	1,499,761	432,553	346,808
Total equity		2,458,972	2,150,761	733,853	627,108

The above statements should be read in conjunction with the accompanying notes.

Statements of Changes in Equity

for the period ended 30 June 2021

Australian Accounting Standards Board

	Retained earnings		Contributed equity/capital		Total equity	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Opening balance as at 1 July	1,499,761	1,215,537	651,000	681,000	2,150,761	1,896,537
Comprehensive income						
Surplus/(Deficit) for the period	257,211	284,224	0	0	257,211	284,224
Comprehensive income attributable to the Australian Government	257,211	284,224	0	0	257,211	284,224
Transactions with owners						
Departmental capital budget	0	0	51,000	79,000	51,000	79,000
Distribution to Australian Government	0	0	0	(109,000)	0	(109,000)
Closing balance as at 30 June	1,756,972	1,499,761	702,000	651,000	2,458,972	2,150,761

The above statements should be read in conjunction with the accompanying notes.

Auditing and Assurance Standards Board

	Retained earnings		Contributed equity/capital		Total equity	
	2021	2020	2021	2020	2021	2020
	\$	\$	\$	\$	\$	\$
Opening balance as at 1 July	346,808	130,922	280,300	312,000	627,108	442,922
Comprehensive income						
Surplus/(Deficit) for the period	85,745	215,886	0	0	85,745	215,886
Comprehensive income attributable to the Australian Government	85,745	215,886	0	0	85,745	215,886
Transactions with owners						
Departmental capital budget	0	0	21,000	38,000	21,000	38,000
Distribution to Australian Government	0	0	0	(69,700)	0	(69,700)
Closing balance as at 30 June	432,553	346,808	301,300	280,300	733,853	627,108

The above statement should be read in conjunction with the accompanying notes.

Cash Flow Statements

for the period ended 30 June 2021

	Notes	AASB		AUASB	
		2021 \$	2020 \$	2021 \$	2020 \$
OPERATING ACTIVITIES					
Cash received					
Appropriations		1,160,000	5,145,000	1,294,000	3,015,000
Goods and services		492,611	604,224	0	0
Net GST received		93,931	125,706	0	0
Contributions received		500,000	509,925	0	0
Total cash received		2,246,542	6,384,855	1,294,000	3,015,000
Cash used					
Employees and contractors		3,155,978	2,974,517	1,664,209	1,297,940
Suppliers		1,028,637	1,501,365	537,278	871,205
Interest payments on lease liabilities		2,409	4,452	0	0
Total cash used		4,187,024	4,480,334	2,201,487	2,169,145
Net cash from / (used by) operating activities	7	(1,940,482)	1,904,521	(907,487)	845,855
INVESTING ACTIVITIES					
Cash received / (used)					
Purchase of infrastructure, plant and equipment		(25,283)	(62,976)	(145,050)	0
Cash received from disposal of infrastructure, plant and equipment		0	75	0	0
Net cash used by investing activities		(25,283)	(62,901)	(145,050)	0
FINANCING ACTIVITIES					
Cash received					
Contributed equity		51,000	79,000	21,000	38,000
Principal payments of lease liabilities		(211,334)	(202,064)	0	0
Net cash from financing activities		(160,334)	(123,064)	21,000	38,000
Net increase / (decrease) in cash held		(2,126,099)	1,718,556	(1,031,537)	883,855
Cash and cash equivalents at the beginning of the reporting period		2,183,117	464,561	1,072,740	188,885
Cash and cash equivalents at the end of the reporting period		57,018	2,183,117	41,203	1,072,740

NOTES TO AND FORMING PART OF THE FINANCIAL REPORTS

Objectives of AASB and AUASB

The Australian Accounting Standards Board (AASB) and Auditing and Assurance Standards Board (AUASB) are each supported by an Office providing technical and administrative services to the Boards. Each Office is formed under the *Australian Securities and Investments Commission Act 2001* (ASIC Act). The Offices are the financial entities governed by the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) and are non-corporate Commonwealth Government Entities.

The Office of the AASB is structured to meet one outcome: the formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of the reports to make informed decisions.

The Office of the AUASB is structured to meet one outcome: the formulation and making of auditing and assurance standards and guidance that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements.

Financial Reporting and Organisation Structure

The AASB and AUASB are effectively operating to the extent permitted by legislation, as a single Office supporting both Boards. The Chairs are Chief Executive Officers and the Accountable Authority under the PGPA and are responsible for the preparation of the financial reports for each entity. The Chair's have delegated to the maximum extent possible the CEO responsibilities to the Managing Director. The Managing Director supports the Chairs and manages the technical and administrative support staff of the AASB and AUASB. The AASB and AUASB have implemented a shared service model, in that the AASB provides specified administrative services for the AUASB. The AUASB does not employ any administrative support staff.

Given the common objectives of the AASB and AUASB and the interlinked financial relationships, their individual financial reports are presented jointly with a column for each entity, supplemented with a detailed note outlining the appropriations received, and the direct costs incurred by each of the AASB and AUASB, together with the common expenses.

The accounting policies applied by each Office are the same.

Events After the Statement of Financial Position Date

There are no major events post 30 June 2021 to report for the AASB or AUASB.

Note 1: Summary of Significant Accounting Policies

1.1 Basis of Preparation of the Financial Statements

The financial statements of the Offices of the AASB and the AUASB are required by Section 42 of the PGPA Act and are general purpose financial reports.

The financial reports have been prepared in accordance with:

- *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015.*
- Australian Accounting Standards and Interpretations issued by the AASB that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position.

The financial statements are presented in Australian dollars.

1.2 Significant Accounting Judgements and Estimates

There are no accounting assumptions or estimates at reporting date that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next reporting period.

1.3 Changes in Australian Accounting Standards

- (a) Adoption of Revised Australian Accounting Standard Requirements applicable for 30 June 2021

No accounting standard has been adopted earlier than the application date as stated in the standard. The following [new/revised/amending standards and/or interpretations] were issued prior to the signing of the statement by the accountable authority and chief financial officer were applicable to the current reporting period and had a material effect on the entity's financial statements:

Additional guidance on the disclosure requirements of lease maturity analysis and lease liabilities under AASB 16 Leases has been adopted in Note 10 of separating finance lease from other liabilities.

- (b) Revised Standards effective for years commencing after 30 June 2021

Revised standards, amendments to standards and interpretations that are applicable to future periods have been issued by the AASB. None of these are expected to have a material impact on future reporting periods, either because the AASB and AUASB do not conduct the types of transactions addressed by the pronouncements or because of the extent to which they may impact the AASB and AUASB is not expected to be material.

1.4 Taxation

The Offices of the AASB and AUASB are exempt from all forms of taxation, except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

1.5 Financial Instruments

AASB and AUASB have the following financial assets: cash and cash equivalents, management fee receivable and trade receivables. Management fee receivable and trade receivables are measured at amortised cost. The contractual terms of the financial assets give rise on specified

dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment.

The net fair values of cash and cash equivalents, management fee receivable and trade receivables of the AASB and AUASB approximates their carrying amounts.

Financial assets are assessed for impairment at the end of each reporting period based on the simplified Expected Credit Losses (ECL) approach. The ECL are calculated using the provision matrix that is based on historical credit loss experience adjusted for forward looking factors specific to the debtors and the economic environment. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

The Offices of the AASB and AUASB are exposed to minimal credit risk due to the nature of the trade receivables, as they represent funding from State and Territories or Commonwealth Government. As there is no history of credit losses in the past and no forward-looking factors indicated differently, no allowance for ECL has been recognised.

The majority of trade receivables relates to a funding agreement between the Office of the AASB and the States and Territories. The current agreement runs from 1 July 2020 to 30 June 2023. Income is received in equal quarterly instalments and is recognised when controlled. All receivables are due in the next 12 months.

Financial instrument liabilities

The net fair value of trade creditors and management fee payable of the AASB and AUASB approximate their carrying amount.

1.6 Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

Revaluation

Following initial recognition at cost, property, plant and equipment are carried at fair value (or an amount not materially different from fair value) less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2021	2020
Computers and software assets:	3 years	3 years
Office equipment:	5 years	5 years

Impairment

All assets were assessed for impairment at 30 June 2021.

Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment, made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Lease Right of Use (ROU) Assets

Leased ROU assets are capitalised at the commencement date of the lease and comprise of the initial lease liability amount, initial direct costs incurred when entering into the lease less any lease incentives received. These assets are accounted for by Commonwealth lessees as separate asset classes to corresponding assets owned outright but included in the same column as where the corresponding underlying assets would be presented if they were owned.

Note 2: Analysis of Shared Operational Activities

Note 2A: Operational activities for AASB and AUASB

To transparently reflect the shared support model and organisation structure, the AASB and AUASB provide additional disclosure on a combined basis for their operational activities.

The AASB and AUASB shared support model effectively enables, to the extent permitted by legislation, the Offices of the AASB and AUASB to operate as a single Office supporting both

Boards. Under the Memorandum of Understanding (MoU) between the AASB and the AUASB, the AASB incurs all costs of the AUASB.

The AASB recoups AUASB direct costs with no mark-up and accordingly does not recognise the reimbursement of these direct costs paid for by the AASB. The AASB recognises a receivable from the AUASB at the time the AASB pays for these expenses on behalf of the AUASB. AUASB direct costs are recognised as expenses of the AUASB. The AUASB recognises a payable to the AASB when charged by the AASB.

In addition, the AASB charges the AUASB a management fee to recover an appropriate portion of the total professional services expenses ('common expenses'). As the AASB solely bears legal obligations arising from the contracts for common employees, leases and other expenses, the AASB recognises the full amount of common expenses as incurred and recognises the management fee charged to the AUASB as revenue. The AUASB recognises the management fee as an expense. The common expense management fee for 2021 amounted to \$633,735 (2020: \$537,542).

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	AASB 2021 \$	AUASB 2021 \$	Shared 2021 \$	Total 2021 \$	Total 2020 \$
Note 2B: Operational activities					
Appropriations	3,565,000	2,386,000	0	5,951,000	5,996,000
Other income	606,404	97,173	0	703,577	693,385
Total income before common expense recharge	4,171,404	2,483,173	0	6,654,577	6,689,385
Common expense recharge ¹	633,735	0	0	633,735	537,542
Total income	4,805,139	2,483,173	0	7,288,312	7,226,927
Employee and contractor costs (excluding redundancies)	2,737,128	1,524,799	497,617	4,759,544	4,371,995
Direct supplier expenses (refer to Note 3B)	348,557	234,960	0	583,517	999,214
Common occupancy expenses	0	0	111,786	111,786	119,974
Common depreciation and amortisation expense	0	3,934	293,234	297,168	250,633
Common finance costs	0	0	14,815	14,815	226
Common supplier expenses (refer to Note 3B)	0	0	544,791	544,791	447,233
	3,085,685	1,763,693	1,462,243	6,311,621	6,189,275
Common expense recharge ¹	0	633,735	0	633,735	537,542
	3,085,685	2,397,428	1,462,243	6,945,356	6,726,817
				342,956	500,110
				257,211	284,224
				85,745	215,886

¹ The common expense recharge includes recharges for common employee costs (refer to Note 3A), operating lease expenses, depreciation and amortisation expenses, finance costs and common supplier expenses (refer to Note 3B).

Note 3: Expenses

	AASB		AUASB	
	2021 \$	2020 \$	2021 \$	2020 \$
Note 3A: Employee and contractor costs				
Employee wages and salaries	2,622,356	2,255,932	1,274,859	1,186,097
Defined contribution superannuation plans	243,434	203,258	120,578	112,336
Leave and other entitlements	202,653	212,420	127,472	145,761
Total employee benefits	3,068,443	2,671,610	1,522,909	1,444,194
Contractor costs	166,302	248,492	1,890	7,700
Total employee and contractor costs	3,234,745	2,920,102	1,524,799	1,451,894

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Note 3B: Suppliers	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Direct expenses				
Board members' services	1,527	28,946	4,456	30,770
Travel	19,586	133,206	140	65,019
Publications/subscriptions	118,435	113,107	39,745	46,831
Conference & professional development	70,065	74,088	47,875	2,286
Audit fees (received free of charge)	46,150	46,150	33,000	33,000
Compensation and related FBT expenses	4,690	38,627	9,398	0
Legal expenses	22,955	22,012	13,539	8,000
HR – Employee recruitment, training and support	6,511	168,400	152	1,015
Other	58,638	78,737	86,655	109,020
Total direct expenses	348,557	703,273	234,960	295,941
Common expenses				
Consultant costs – Other	38,207	12,637	0	0
Consultant costs – IT	13,555	19,590	0	0
Consultant costs – HR	60,144	1,128	0	0
HR – Employee recruitment, training and support	4,847	15,527	0	0
Administration costs	362,546	313,249	0	0
Legal expenses	2,876	0	0	0
Other	62,616	80,649	0	0
Total common expenses	544,791	442,780	0	0
Total supplier expenses	893,348	1,146,053	234,960	295,941

Refer to Note 2 for further details on all Direct and Common expenses.

Note 3C: Depreciation	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Buildings right of use asset	210,093	210,093	0	0
Plant & equipment	82,750	39,318	0	0
Computer software	391	1,222	3,934	0
Total Depreciation	293,234	250,633	3,934	0

Refer to Note 2 for further details on all Direct and Common expenses

Note 3D: Volunteer Services

Volunteer services received by the AASB and AUASB of board member sitting fees, secondee arrangements and audit fees can all be reliably measured at fair value and would have been obtained under a commercial arrangement therefore have been recognised as revenue and an expense in the statements. The use of free of charge meeting rooms has been determined as not meeting the recognition requirements. Whilst the use of volunteer Panel members have been assessed as extensive. For the year ended 30th June 2021 AASB engaged sixteen (2020: fourteen) panellists for one meeting (2020: one) and zero (2020: five) occasions using meeting rooms free of charge, whilst the AUASB also had zero (2020: three) occasions of using a meeting room free of charge.

Note 4: Appropriations**(i) Revenue from Government**

Amounts appropriated for departmental output for the year (adjusted for any formal additions and reductions) are recognised as revenue when the Offices of the AASB and AUASB gain control of the appropriation, except for certain amounts that relate to activities that are reciprocal in nature, in which case revenue is recognised only when it has been earned.

Appropriations receivable are recognised at their nominal amounts.

(ii) Equity Injections and distributions to Government

Equity Injections and distributions to Government Appropriation amounts that are designated as 'equity injections,' including Departmental Capital Budget amounts, are recognised directly in contributed equity/capital for the year. Amounts transferred to the Australian Government as redemptions of the Government's ownership interest in the Office of the AASB or the AUASB are recognised as distributions to owners that reduce the contributed equity/capital. Contributions and distributions are also made in accordance with Public Governance, Performance Accountability (Financial Reporting) Rule 2015 (FRR), clauses 40 - Formal additions and reductions and 43 - Annual Appropriations.

	AASB		AUASB	
	2021 \$	2020 \$	2021 \$	2020 \$
Table A: Annual appropriations ('Recoverable GST exclusive')				
Unspent annual appropriations ('Recoverable GST exclusive') - Opening balance (Table B)				
Cash	2,183,117	464,561	1,072,740	188,885
Appropriation receivables	0	1,656,000	0	686,700
	2,183,117	2,120,561	1,072,740	875,585

Note 4: Appropriations continued

Ordinary annual services

Annual appropriation - Revenue from Government

Departmental appropriations <i>Appropriation Act (No. 1)</i>	3,565,000	3,519,000	2,386,000	2,360,000
Departmental appropriations - <i>Appropriation Act (No. 3)</i>	0	79,000	0	38,000
Total <i>Appropriation Act (No.1 & 3)</i>	3,565,000	3,598,000	2,386,000	2,398,000
Departmental capital budget ¹	51,000	79,000	21,000	38,000
Total appropriations	3,616,000	3,677,000	2,407,000	2,436,000

PGPA Act – Section 74

Own source income - not transferred to the Official Public Account	992,611	1,222,541	0	0
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Total appropriation	4,608,611	4,899,541	2,407,000	2,436,000
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Appropriation applied (current and prior years)³

Employees and contractors	3,155,978	2,974,517	1,664,209	1,297,940
Suppliers	1,028,637	1,501,365	537,278	871,205
Lease payments	211,334	202,064	0	0
Interest payments on lease liabilities	2,409	4,452	0	0
Purchase of plant and equipment	25,283	62,976	145,050	0
Cash received from disposal of plant and equipment	0	(75)	0	0
Less net GST received	(93,931)	(125,706)	0	0
Distribution to Australian Government	0	79,000	0	38,000
Total appropriation applied (current and prior years)	4,329,710	4,698,593	2,346,537	2,207,145

Appropriation allocated to:

Prior year capital 2017/18	0	79,000	0	38,000
Prior year ordinary 2018/19	0	1,547,000	0	617,000
Total Prior years	0	1,626,000	0	655,000
Current year – Ordinary	4,329,710	2,963,593	2,346,537	1,482,445
Current year – Distributions	0	109,000	0	69,700
Total appropriation applied (current and prior years)	4,329,710	4,698,593	2,346,537	2,207,145
Excess of appropriations received over applied	278,901	200,948	60,463	228,855

Unspent annual appropriations ('Recoverable GST exclusive') - Closing balance (Table B)

Cash	57,018	2,183,117	41,203	1,072,740
Appropriation receivables	2,405,000	0	1,092,000	0
	2,462,018	2,183,117	1,133,203	1,072,740

1 Departmental Capital Budgets are appropriated through Appropriation Acts (No.1, 3, 5). They form part of ordinary annual services and are not separately identified in the Appropriation Acts.

Table B: Unspent Annual Appropriations ('Recoverable GST exclusive')¹

Authority	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Appropriation Act 1 – 2020/21 - capital budget	0	0	0	0
Appropriation Act 1 – 2020/21	2,405,000	0	1,092,000	0
Cash	57,018	2,183,117	41,203	1,072,740
Total	2,462,018	2,183,117	1,133,203	1,072,740

Note 5: Payables

Other payables	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
PAYG salary withholding tax	77,550	57,102	0	30,782
Compensation & related FBT costs	0	72,261	0	0
Other	20,581	20,581	0	0
Total other payables	98,131	149,944	0	30,782

Other payables are expected to be settled within:

No more than 12 months	98,131	149,944	0	30,782
More than 12 months	0	0	0	0
Total other payables	98,131	149,944	0	30,782

All invoices are paid within 30 days.

Note 6: Employee Provisions

Employee provisions are expected to be settled in:	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
No more than 12 months	188,209	255,754	145,192	179,594
More than 12 months	186,514	48,085	126,105	84,819
Total employee provisions	374,723	303,839	271,297	264,413

Note 7: Cash Flow Reconciliation

	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Reconciliation of net cost of services to net cash from operating activities:				
Net cost of services	(3,307,789)	(3,313,776)	(2,300,255)	(2,182,114)
Add revenue from Government	3,565,000	3,598,000	2,386,000	2,398,000
Adjust for proceeds of disposal of assets (Investing Activity)	0	(75)	0	0
Adjustments for non-cash items				
Depreciation / amortisation	293,234	250,633	3,934	0
Net write down of non-financial assets	12,406	226	0	0
Movements in assets / liabilities				
Assets				
(Increase) / decrease in net receivables	(2,549,887)	1,701,677	(1,092,000)	617,168
(Increase) / decrease in prepayments	(96,220)	33,110	(20,288)	(38,960)
Liabilities				
Increase / (decrease) in employee provisions	70,884	10,478	6,884	83,525
Increase / (decrease) in supplier payables	123,703	(193,481)	139,020	(51,374)
Increase / (decrease) in other payables	(51,813)	(182,271)	(30,782)	19,611
Net cash from / (used by) operating activities	(1,940,482)	1,904,521	(907,487)	845,856

Note 8: Related parties

The AASB and AUASB are Australian Government controlled non-corporate entities. Related parties are:

- Key Management Personnel of the AASB and AUASB, their close family members, and entities controlled or jointed controlled by either: (8A)
- all other Australian government entities (8C).

Key management personnel are determined as persons having authority and responsibility for planning, directing and controlling the activities of the entity. Based on a review of employee titles, analysis of the roles and job descriptions, the PGPA requirements for accountable authorities, the delegations made under the PGPA, the composition of the leadership meetings and communications to employees regarding the leadership team, the following positions have been included within key management personnel: the Chair and CEOs of each Board, the Managing Director and the Technical Directors of each Board.

Note 8A: Transactions with key management personnel

	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Short-term employee benefits:				
Salary	685,414	770,212	424,694	424,546
Post-employment benefits:				
Superannuation	52,216	58,228	39,664	39,663
Other short-term benefits:				
Termination benefits - Separation and redundancies	0	0	0	0
Other long-term benefits:				
Long Service Leave	8,730	5,455	10,459	12,348
Total other long-term benefits	8,730	5,455	10,459	12,348
Total	746,360	833,895	474,817	476,557

During the reporting period ended 30 June 2021, AASB had five executives (2020: six) who meet the definition of key management personnel.

Name	Position	Term as KMP
Keith Kendall	Chair	Full year
Justin Williams	Managing Director	Full year (4 days a week)
Nikole Gyles	Technical Director	From 21 st September (2-3 days a week)
Fridrich Housa	Acting Technical Director	From 1 st July to 31 st August 2020
Helena Simkova	Acting Technical Director	From 1 st July to 31 st August 2020 (3 days a week)

During the reporting period ended 30 June 2021, AUASB had three (2020: two) executives who met the definition of key management personnel.

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Name	Position	Term as KMP
William Edge	Chair	From 1 st January 2021 (3 days a week)
Roger Simnett	Chair	Until 31 st December 2020 (3 days a week)
Matthew Zappulla	Technical Director	Full year

Governance Arrangements

The remuneration of the AASB and AUASB Chair is set by the Commonwealth Remuneration Tribunal Determination (Remuneration and Allowances for Holders of Full-time Public Office) Determination 2020. The remuneration of other KMP is set by the Chair's benchmarking against relevant published external remuneration portions. The individual's performance during the year in assisting to achieve the AASB or AUASB strategy is taken into account in determining the level of increase in base salary each year. The AASB and AUASB do not have bonus or financial incentive schemes in place.

Other non-salary benefits provided to KMP include annual influenza immunisation, mentoring and coaching programs, confidential employee assistance program, provision of mobile phone, tablet, laptop and airline lounge membership, internet allowance to facilitate remote working due to COVID-19.

AASB		Short-term benefits	Post-employment benefits	Other long-term benefits	Termination Benefits	Total remuneration
Name	Position	Base Salary	Superannuation contributions	Long service leave		
Keith Kendall	Chair	404,559	21,694	4,925	0	431,178
Justin Williams (0.8 FTE)	Managing Director	205,746	19,434	3,196	0	228,376
Nikole Gyles (0.6 FTE)	Technical Director	60,139	8,529	0	0	68,668
Fridrich Housa	Acting Technical Director	8,594	1,426	381	0	10,401
Helena Simkova (0.8 FTE)	Acting Technical Director	6,376	1,133	228	0	7,737
Total		685,414	52,216	8,730	0	746,360

AUASB		Short-term benefits	Post-employment benefits	Other long-term benefits	Termination Benefits	Total remuneration
Name	Position	Base Salary	Superannuation contributions	Long service leave		
William Edge (0.60 FTE)	Chair	114,467	10,098	2,657	0	127,222
Roger Simnett (0.60 FTE)	Chair	104,928	10,098	2,679	0	117,705
Matthew Zappulla	Technical Director	205,299	19,468	5,123	0	229,890
Total		424,694	39,664	10,459	0	474,817

Other Related Parties

For both AASB and AUASB all outstanding balances with related parties other than the AASB and AUASB are priced on an arm's length basis. None of the balances are secured. No expense has been recognised in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties. For details of the arrangements between the AASB and AUASB refer Note 2.

The parent entity of both the AASB and the AUASB is the Department of Treasury and ultimate parent is the Australian Government.

The AASB and AUASB pay for the following services from other Commonwealth controlled entities: Employee Assistance Program from Treasury, Core Desktop Licenses from Department of Finance, insurance premiums from Comcover, legal advice from Australian Government Solicitors (AGS), and registration fees from Treasury for the Federal Register of Legislative instruments cost recovery.

None of these services are individually or collectively significant to the AASB or AUASB, therefore only the nature of these transactions are disclosed.

Note 8B: Other related party transactions - Transaction values

	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Sales of goods and services to other Commonwealth entities:				
Management fee recharge received from AUASB	633,735	537,542	0	0
Total Goods and services	633,735	537,542	0	0
Purchase of goods from other Commonwealth controlled entities:				
Management fee recharge paid to AASB	0	0	633,735	537,542
Productivity Commission - IT expenses	151,880	149,000	0	0
TEQSA – lessor	313,893	327,470	0	0
Total purchase of goods	465,773	476,470	633,735	537,542
Others				
Other Government Agencies	0	0	0	0
Total others	0	0	0	0

	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Note 8C: Other related party transactions - Balance outstanding				
Sales of goods and services to other Commonwealth controlled entities:				
Management fee recharge from AUASB	321,132	179,685	0	0
Total sales of goods and services receivable	321,132	179,685	0	0
Purchase of goods from other Commonwealth controlled entities:				
Management fee recharge from AASB	0	0	321,132	179,685
Productivity Commission - IT expenses	0	0	0	0
TEQSA - lessor	0	0	0	0
Total purchase of goods payable	0	0	321,132	179,685

Note 9: Plant and Equipment

Note 9A: Reconciliation of the opening and closing balance of material PPE for 2020-2021

	AASB				AUASB
	Buildings	Furniture & Fittings	Computers	Software & Licences	Software & Licences
	\$	\$	\$	\$	\$
As at 1 July 2020					
Gross book value	560,248	63,245	144,437	10,180	3,299
Accumulated depreciation, amortisation and impairment	(210,093)	(14,207)	(44,243)	(6,743)	(3,299)
Total as at 1 July 2020	350,155	49,038	100,194	3,437	0
Additions:					
Purchase	0	19,008	6,274	0	145,050
Depreciation and amortisation	0	(25,418)	(56,170)	(1,553)	(3,934)
Depreciation on right-of-use assets	(210,093)	0	0	0	0
Disposals:					
Other	0	(8,619)	(3,786)	0	0
Total as at 30 June 2021	140,062	34,009	46,512	1,884	141,116
Total as at 30 June 2021 represented by					
Gross book value	560,248	66,978	146,925	10,180	148,349
Accumulated depreciation, amortisation and impairment	(420,186)	(32,969)	(100,413)	(8,296)	(7,233)
Total as at 30 June 2021	140,062	34,009	46,512	1,884	141,116

Note 10: Other Information

Aggregate Assets and Liabilities

	AASB		AUASB	
	2021	2020	2021	2020
	\$	\$	\$	\$
Assets expected to be recovered in:				
No more than 12 months				
Cash and cash equivalents	57,018	2,183,117	41,203	1,072,740
Trade and other receivables	2,809,135	259,248	1,092,000	38,960
Buildings right of use - at cost	140,062	0	0	0
Prepayments	159,889	63,669	59,248	0
Total no more than 12 months	3,166,104	2,506,034	1,192,451	1,111,700
More than 12 months				
Buildings Right of Use - at cost	0	350,155	0	0
Plant and equipment	80,521	149,232	0	0
Computer software	1,884	3,437	141,116	0
Total more than 12 months	82,405	502,824	141,116	0
Total assets	3,248,509	3,008,858	1,333,567	1,111,700
Liabilities expected to be recovered in:				
No more than 12 months				
Suppliers	169,833	46,130	7,285	9,712
Other payables	98,131	149,944	321,132	210,467
Leases	146,850	211,345	0	0
Employee provisions	188,209	255,754	145,192	179,594
Other provisions	0	0	0	0
Total no more than 12 months	603,023	663,173	473,609	399,773
More than 12 months				
Leases ¹	0	146,839	0	0
Employee provisions	186,514	48,085	126,105	84,819
Other provisions	0	0	0	0
Total more than 12 months	186,514	194,924	126,105	84,819
Total liabilities	789,537	858,097	599,714	484,592

1 As at 30th June 2021 a lease for a new office premises that has been sourced is not signed.

Note 11: Budgetary Reports and Explanations of Major Variances

The following tables provide a comparison of the original budget as presented in the 2020-21 Portfolio Budget Statements (PBS) to the 2020-2021 final outcome as presented in accordance with Australian Accounting Standards. The Budget is not audited and where applicable, the original budget numbers have been reclassified to align with the financial statement.

Explanations are provided for major variances between actual results and the original budget. Variances are considered to be 'major' based on the following criteria:

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- the variance between budget and actual is greater than 10%; and
- an item below this threshold but is considered important for the readers' understanding or is relevant to an assessment of the discharge of accountability and to an analysis of performance of AASB.'

Note 11A: Major Budget Variances for 2020-21

Australian Accounting Standards Board	
Explanations of major variances	Footnote reference and affected statement
Employee related salaries and provisions lower due not having a Technical Director the entire year and when engaged it was a on a part-time model. Another SES was on maternity leave for part of the year and the Communications Manager position was completed by an external consultant for half of the year.	1 (SoCI & CFS)
Supplier expenses are favourable to budget due to the impact of COVID-19 on travel and other stakeholder engagement. Offset partially by additional IT projects undertaken such as redevelopment of websites and transition of phone system to Teams.	2 (SoCI & CFS)
Lease expenditure costs were not shown as a separate budget line item.	3 (SoCI)
Additional depreciation expense due to review of expected life of assets.	4 (SoCI & SoFP)
Budget for resources received free of charge included an additional Board Member to actual costs and Audit fee budget shown on this line, whilst actual disclosure is a separate line.	5 (SoCI)
Timing of drawing down of appropriations.	7 (SoFP & CFS)
Due to COVID19 uncertainty cash reserves were increased in June 2020, they have now returned to normal operating holding balance.	8 (SoFP & CFS)
As at the 30th June a new lease has not been signed, the budget assumed that a renewal of our current MOU arrangement would occur.	9 (SoFP)
Employee provisions have increased as insufficient opportunity for leave to be taken and personal leave requirements reduced whilst working from home.	10 (SoFP)

Auditing and Assurance Standards Board	
Explanations of major variances	Footnote reference and affected statement
Unfavourable to budget due to recruiting additional temporary staff to assist with project work load and also restructure of some senior positions resulting in a change of remuneration package.	1 (SoFP & CFS)
Supplier expenses are favourable to budget due to the impact of COVID-19 on travel and other stakeholder engagement.	2 (SoCI & CFS)
AUASB Standards portal capitalised June, whilst budget anticipated project being completed earlier in the year. Timing difference on appropriation drawdown compared to budget. All other assets held by AASB	4 (SoCI, SoFP & CFS)
Budgeted costs are shown under Supplier.	6 (SoCI & CFS))
Due to COVID19 uncertainty cash reserves were increased in June 2020, they have now returned to normal operating holding balance.	7 (SoFP & CFS)

Statements of Comprehensive Income
for the period ended 30 June 2021

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2021	Original 2021	Variance 2021	2021	Original 2021	Variance 2021
	\$	\$	\$	\$	\$	\$
EXPENSES						
Employee and contractor costs ¹	3,234,745	3,320,000	(85,255)	1,524,799	1,390,000	134,799
Supplier expenses ²	893,348	1,304,000	(410,652)	234,960	1,090,000	(855,040)
Occupancy expenses ³	111,786	0	111,786	0	0	0
Depreciation and amortisation ⁴	293,234	243,000	50,234	3,934	22,000	(18,066)
Finance costs	2,409	6,000	(3,591)	0	0	0
Management fee expenses ⁶	0	0	0	633,735	0	633,735
Write-down and impairment of assets and losses on sale	12,406	0	12,406	0	0	0
Total expenses	4,547,928	4,873,000	(325,072)	2,397,428	2,502,000	(104,572)
LESS:						
OWN SOURCE INCOME						
Own-source revenue						
Sale of goods and rendering of services	558	0	558	0	0	0
Management fee recharge ⁶	633,735	636,000	(2,265)	0	0	0
Resources received free of charge ⁵	59,696	121,000	(61,304)	64,173	94,000	(29,827)
Audit Fees received free of charge	46,150	0	46,150	33,000	0	33,000
Contributions from states and territories	500,000	500,000	0	0	0	0
Total own-source revenue	1,240,139	1,257,000	(16,861)	97,173	94,000	3,173
Net cost of services & cost of outcome delivery	3,307,789	3,616,000	(308,211)	2,300,255	2,408,000	(107,745)
Revenue from Government - departmental appropriations	3,565,000	3,565,000	0	2,386,000	2,386,000	0
Surplus/(Deficit) attributable to the Australian Government	257,211	(51,000)	308,211	85,745	(22,000)	107,745
OTHER COMPREHENSIVE INCOME						
Total comprehensive income attributable to the Australian Government	257,211	(51,000)	308,211	85,745	(22,000)	107,745

Statements of Financial Position
for the period ended 30 June 2021

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
	2021	Original 2021	Variance 2021	2021	Original 2021	Variance 2021
	\$	\$	\$	\$	\$	\$
ASSETS						
Financial assets						
Cash and cash equivalent ⁷	57,018	2,183,000	(2,125,982)	41,203	273,000	(231,797)
Trade and other receivables ⁸	2,809,135	259,000	2,550,135	1,092,000	803,000	(289,000)
Total financial assets	2,866,153	2,442,000	424,153	1,133,203	1,076,000	57,203
Non-financial assets						
Buildings ROU9	140,062	358,000	(217,938)	0	0	0
Plant and equipment ⁴	80,521	153,000	(72,479)	0	0	0
Computer Software/Intangibles ⁴	1,884	0	1,884	141,116	41,000	100,116
Prepaid expenses	159,889	128,000	31,889	59,248	0	59,248
Total non-financial assets	382,356	639,000	(256,644)	200,364	41,000	159,364
Total assets	3,248,509	3,081,000	167,509	1,333,567	1,117,000	216,567
LIABILITIES						
Payables						
Suppliers	169,833	106,000	63,833	7,285	223,000	(215,715)
Management fee payable to AASB ⁶	0	0	0	321,132	0	321,132
Other payables	98,131	150,000	(51,869)	0	3,000	(3,000)
Total payables	267,964	256,000	11,964	328,417	226,000	102,417
Interest -bearing liabilities						
Leases ⁹	146,850	370,000	(223,150)	0	0	0
Total Interest-bearing liabilities	146,850	370,000	(223,150)	0	0	0
Provisions						
Employee provisions ¹⁰	374,723	304,000	70,723	271,297	264,000	7,297
Total provisions	374,723	304,000	70,723	271,297	264,000	7,297
Total liabilities	789,537	930,000	(140,463)	599,714	490,000	109,714
Net assets	2,458,972	2,151,000	307,972	733,853	627,000	106,853
EQUITY						
Parent entity interest						
Contributed equity	702,000	702,000	0	301,300	303,000	(1,700)
Retained earnings	1,756,972	1,449,000	307,972	432,553	324,000	108,553
Total parent entity interest	2,458,972	2,151,000	307,972	733,853	627,000	106,853

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Variances in equity are the net result of variances in the statements of comprehensive income and the statements of financial position.

Statements of Changes in Equity
for the period ended 30 June 2021

Australian Accounting Standards Board

	Retained earnings			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
		Original	Variance		Original	Variance		Original	Variance
	2021	2021	2021	2021	2021	2021	2021	2021	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance									
Balance carried forward from previous period	1,499,761	1,500,000	(239)	651,000	651,000	0	2,150,761	2,151,000	(239)
Comprehensive income									
Surplus/ (Deficit) for the period	257,211	(51,000)	308,211	0	0	0	257,211	(51,000)	308,211
Total comprehensive income attributable to the Australian Government	257,211	(51,000)	308,211	0	0	0	257,211	(51,000)	308,211
Contribution by owners									
Departmental capital budget	0	0	0	51,000	51,000	0	51,000	51,000	0
Distribution to Australian Government	0	0	0	0	0	0	0	0	0
Total transactions with owners	0	0	0	51,000	51,000	0	51,000	51,000	0
Closing balance attributable to Australian Government	1,756,972	1,449,000	307,972	702,000	702,000	0	2,458,972	2,151,000	307,972

Statements of Changes in Equity (continued)

for the period ended 30 June 2021

Auditing and Assurance Standards Board

	Retained earnings			Contributed equity/capital			Total equity		
	Actual	Budget Estimate		Actual	Budget Estimate		Actual	Budget Estimate	
		Original	Variance		Original	Variance		Original	Variance
	2021	2021	2021	2021	2021	2021	2021	2021	2021
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance carried forward from previous period	346,808	346,000	808	280,300	281,000	(700)	627,108	627,000	108
Surplus/ (Deficit) for the period	85,745	(22,000)	107,745	0	0	0	85,745	(22,000)	107,745
Total comprehensive income attributable to the Australian Government	85,745	(22,000)	107,745	0	0	0	85,745	(22,000)	107,745
Contributions by owners									
Departmental capital budget	0	0	0	21,000	21,000	(1,000)	21,000	22,000	(1,000)
Distribution to Australian Government	0	0	0	0	0	0	0	0	0
Total transactions with owners	0	0	0	21,000	22,000	(1,000)	21,000	22,000	(1,000)
Closing balance attributable to Australian Government	432,553	324,000	108,553	301,300	303,000	(1,700)	733,853	627,000	106,853

Cash Flow Statements

for the period ended 30 June 2021

	AASB			AUASB		
	Actual	Budget estimate		Actual	Budget estimate	
		Original	Variance		Original	Variance
	2021	2021	2021	2021	2021	2021
\$	\$	\$	\$	\$	\$	
OPERATING ACTIVITIES						
Cash received						
Appropriations ⁷	1,160,000	3,565,000	(2,405,000)	1,294,000	1,586,000	(292,000)
Goods and services ⁸	492,611	636,000	(143,389)	0	0	0
Net GST received	93,931	0	93,931	0	0	0
Contributions received	500,000	500,000	0	0	0	0
Total cash received	2,246,542	4,701,000	(2,454,458)	1,294,000	1,586,000	(292,000)
Cash used						
Employees and contractors ¹	3,155,978	3,320,000	(164,022)	1,453,742	1,390,000	63,742
Suppliers ²	1,028,637	1,170,000	(141,363)	747,745	996,000	(248,255)
Interest payments on lease liabilities	2,409	0	2,409	0	0	0
Total cash used	4,187,024	4,490,000	(302,976)	2,201,487	2,386,000	(184,513)
Net cash from/ (used by) operating activities	(1,940,482)	211,000	(2,151,482)	(907,487)	(800,000)	(107,487)
INVESTING ACTIVITIES						
Cash received / (used)						
Purchase of property, plant and equipment and intangibles ⁴	(25,283)	(51,000)	25,717	(145,050)	(22,000)	(123,050)
Cash received from disposal of infrastructure, plant and equipment	0	0	0	0	0	0
Total cash used	(25,283)	(51,000)	25,717	(145,050)	(22,000)	(123,050)
Net cash from (used by) investing activities	(25,283)	(51,000)	25,717	(145,050)	(22,000)	(123,050)
FINANCING ACTIVITIES						
Cash received						
Contributed equity	51,000	51,000	0	21,000	22,000	(1,000)
Principal payments of lease liabilities	(211,334)	(211,000)	(334)	0	0	0
Net cash from/ (used by) financing activities	(160,334)	(160,000)	(334)	21,000	22,000	(1,000)
Net increase (decrease) in cash held	(2,126,099)	0	(2,126,099)	(1,031,537)	(800,000)	(231,537)
Cash and cash equivalents at the beginning of the reporting period	2,183,117	2,183,000	117	1,072,740	1,073,000	(260)
Cash and cash equivalents at the end of the reporting period	57,018	2,183,000	(2,125,982)	41,203	273,000	(231,797)

Appendices

APPENDIX A

AASB AND AUASB LEGISLATIVE REQUIREMENTS

AASB

The AASB is required to advance and promote the main objects of Part 12, section 224, of the ASIC Act:

- (a) to facilitate the development of accounting standards that require the provision of financial information that:
1. allows users to make and evaluate decisions about allocating scarce resources
 2. assists directors to discharge their obligations in relation to financial reporting
 3. is relevant to assessing performance, financial position, financing and investment
 4. is relevant and reliable
 5. facilitates comparability
 6. is readily understandable.
- (b) to facilitate the Australian economy by:
1. reducing the cost of capital
 2. enabling Australian entities to compete effectively overseas
 3. having accounting standards that are clearly stated and easy to understand.

(c) to maintain investor confidence in the Australian economy (including its capital markets).

Part 12, section 227, of the ASIC Act provides, among other things, that:

- (1) The functions of the AASB are:
1. to develop a conceptual framework, not having the force of an accounting standard, for the purpose of evaluating proposed accounting standards and international standards
 2. to make accounting standards under section 334 of the *Corporations Act 2001* for the purposes of the Corporations legislation (other than the excluded provisions)
 3. to formulate accounting standards for other purposes
 4. to participate in and contribute to the development of a single set of accounting standards for worldwide use
 5. to advance and promote the main objects of this Part.
- (2) In carrying out its functions under paragraphs (1) (a) and (d) the AASB must have regard to the interests of Australian corporations which raise or propose to raise capital in major international financial centres.

AUASB

The AUASB is an Australian Government Agency under the *Australian Securities and Investments Commission Act 2001* (ASIC Act).

Under section 227B (1) of the ASIC Act, the functions of the AUASB are:

- (a) to make auditing standards under section 336 of the *Corporations Act 2001*, for the purposes of the corporations legislation
- (b) to formulate auditing and assurance standards for other purposes
- (c) to formulate guidance on auditing and assurance matters
- (d) to participate in and contribute to the development of a single set of auditing standards for worldwide use
- (e) to advance and promote the main objects of Part 12 of the ASIC Act. Section 224 (aa) of the *ASIC Act* states the objectives of Part 12, which include:

“To facilitate the development of auditing and assurance standards and related guidance materials that:

1. provide Australian auditors with relevant and comprehensive guidance in forming an opinion about, and reporting on, whether financial reports comply with the requirements of the *Corporations Act 2001*; and
2. require the preparation of auditors’ reports that are reliable and readily understandable by the users of financial reports to which they relate.”

Other relevant objectives of Part 12 are summarised below:

- to facilitate the Australian economy by having (accounting and) auditing standards that are clearly stated and easy to understand; and
- to maintain investor confidence in the Australian economy (including its capital markets).

APPENDIX B

ATTENDANCE AT AASB AND AUASB MEETINGS

AASB MEMBER ATTENDANCE

The AASB met six times via video conference during 2020-21 for a total of eleven meeting days. In addition to preparation for these meetings, which requires consideration of detailed technical papers, members considered and voted on accounting standards and other pronouncements out of session and also attended or made presentations at seminars and other meetings related to their role as a Board member. Consequently, the time committed by members is substantially more than the meeting days attended.

AASB Member attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
K Kendall (Chair)	11	11	0
M Blake (Vice-Chair)*	4	4	0
P Gibson	11	11	0
J Grant	11	9	2
K Liow*	4	4	0
C Ridley*	4	4	0
P Rogers	11	11	0
S Taylor*	4	4	0
A White	11	11	0
D Holland	11	11	0
T Langley	7	7	0
D Hanlon	7	7	0
C Cordery	7	7	0
C Spencer	7	7	0

* Board retirements during 2020-21 period

For details of terms of appointments, please refer to the AASB Organisational Structure section of this Report.

AUASB MEMBER ATTENDANCE

The AUASB held seven meetings during 2020-21 for a total of eleven meeting days. Member attendance is shown in the table below:

Members	Number of days eligible to attend	Number of days attended	Apologies (days)
William Edge (Chair)	6	6	0
R Simnett (ex- Chair)	5	5	0
R Buchanan	11	11	0
G Bird	11	10	1
J Cain	11	11	0
J Crisp	11	10	1
K Hankin	11	11	0
N Harding	11	11	0
R Piltz	11	11	0
A Porter	11	11	0
C Ralph	11	10	1
J Reid*	9	9	0

* Board retirements during 2020-21 period

For details of terms of appointments, please refer to the AUASB Organisational Structure section of this Report.

APPENDIX C

OTHER INFORMATION

EXTERNAL SCRUTINY

The AASB and AUASB's financial statements are audited each year by the ANAO.

AASB and AUASB annual reports are scrutinised by the Senate Economics Legislation Committee and the Parliamentary Joint Committee on Corporations and Financial Services.

https://www.aph.gov.au/Parliamentary_Business/Committees/Joint/Corporations_and_Financial_Services/No1of46thParliament.

PURCHASING

The AASB and AUASB's general policy is that the purchase of any major capital items follows the Commonwealth Procurement Guidelines.

Information on expenditure on contracts and consultancies is also available on the AusTender website, www.tenders.gov.au.

PROCUREMENT INITIATIVES TO SUPPORT SMALL BUSINESS

The AASB and AUASB support small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website (www.finance.gov.au/procurement/statistics-on-commonwealth-purchasing-contracts)

Officials of the AASB and AUASB apply procurement practices that do not unfairly discriminate against SMEs and provide appropriate opportunities for SMEs to compete. Officials consider the benefits of doing business with SMEs when scoping the requirements and evaluating value for money.

CONSULTANTS

Reportable consultancy contracts 2020-21	AASB		AUASB	
	Number	Expenditure \$	Number	Expenditure \$
New contracts entered into during the reporting period	4	100,928	1	13,750
Ongoing contracts entered into during a previous reporting period	1	13,025	0	0
Total	5	113,953	1	13,750

AASB		
Organisations receiving a share of reportable consultancy contract expenditure 2020-21	Expenditure \$	Proportion of 2020-21 total spend (%)
Gadens Lawyers	37,953	33.3%
Langfield-Smith Consulting	31,900	28.0%
Hays	31,075	27.3%
TalentCode	13,025	11.4%
Total of the Largest Shares	113,953	100%

AUASB		
Organisations receiving a share of reportable consultancy contract expenditure 2020-21	Expenditure \$	Proportion of 2020-21 total spend (%)
Orima Research	13,750	100%
Total of the Largest Shares	13,750	100%

AASB -During 2020-21, four new reportable consultancy contracts were entered into involving total actual expenditure of \$100,928. In addition, one ongoing reportable consultancy contract was active during the period, involving total actual expenditure of \$13,025.

AUASB - During 2020-21, one new reportable consultancy contracts were entered into involving total actual expenditure of \$13,750. There were no active ongoing reportable consultancy contracts during the period.

Annual reports contain information about actual expenditure on reportable consultancy contracts. Information on the value of reportable consultancy contracts is available on the AusTender website.

NON-CONSULTANCY CONTRACTS

Reportable non-consultancy contract 2020-21	AASB		AUASB	
	Number	Expenditure \$	Number	Expenditure \$
New contracts entered into during the reporting period	12	267,557	5	266,952
Ongoing contracts entered into during a previous reporting period	6	113,746	0	0
Total	18	381,304	5	266,952

AASB		
Organisations receiving a share of reportable non-consultancy contract expenditure 2020-21	Expenditure \$	Proportion of 2020-21 total spend (%)
AvePoint Au	55,722	14.6%
Headline PR	55,770	14.6%
The Alchemy Collective	54,450	14.3%
Data#3	48,941	12.8%
KPMG	38,150	10.0%
Torque Software	28,516	7.5%
Yart	21,120	5.5%
Total of the Largest Shares	302,669	79%
AUASB		
EY	206,382	77%
Department of Finance	44,377	17%
International Federation of Accountants	16,193	6%
Total of the Largest Shares	266,952	100%

Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the reportable non-consultancy contracts' value is available on the AusTender website.

EXEMPT CONTRACTS

The AASB has a contract with the IFRS Foundation. The contract gives the AASB rights to IFRS copyright material.

This contract and value has been exempted by the Chair from being published in AusTender on the basis that it would disclose exempt matters under the *Freedom of Information Act 1982*.

ADVERTISING AND MARKET RESEARCH

The AASB and AUASB do not carry out any advertising or market research.

FREEDOM OF INFORMATION

Information Publication Scheme

The AASB and AUASB are subject to the *Freedom of Information Act 1982* (FOI Act) and publish information to the public as part of the Information Publications Scheme (IPS). The AASB and AUASB display on their websites a plan showing information in accordance with the IPS requirement (www.aasb.gov.au/about-the-aasb/freedom-of-information and www.auasb.gov.au/about-auasb/freedom-of-information).

DISABILITY REPORTING

Since 1994, Commonwealth departments and agencies have reported on their performance as policy adviser, purchaser, employer, regulator and provider under the Commonwealth Disability Strategy. In 2007-2008, reporting on the employer role was transferred to the Australian Public Service Commission's *State of the Service Report* and the *APS Statistical Bulletin*. Those reports are available at www.apsc.gov.au. From 2010-2011, departments and agencies are no longer required to report on those functions.

The Commonwealth Disability Strategy has been overtaken by a new National Disability Strategy 2010-2020 which sets out a 10-year national policy framework to improve the lives of people with disability, promote participation and create a more inclusive society. A high-level two-yearly report will track progress against each of the six outcome areas of the Strategy and present a picture of how people with disability are faring. The first of these reports became available in 2014 and can be found at www.dss.gov.au.

OCCUPATIONAL HEALTH AND SAFETY

The AASB and AUASB have less than 50 employees and are therefore not required to establish an Occupational Health and Safety Committee (OHSC) under section 34 of the *Occupational Health and Safety Act 2001*. A delegate from our business observes our landlord's OHSC Committee that meets quarterly

All employees, and Board members, when attending meetings, are covered under Comcare and Comcover. No accidents or dangerous occurrences, or relevant investigations, took place during the 2020-21 financial year.

ECOLOGICALLY SUSTAINABLE DEVELOPMENT AND ENVIRONMENTAL PERFORMANCE REPORTING

The AASB and AUASB do not have specific responsibilities in relation to the administration of environmental sustainability legislation.

The nature of the AASB and AUASB's activities limits the impact of their operations on the environment, however, they are mindful of their responsibilities to minimise negative impacts. Accordingly, the AASB and AUASB have in place policies and procedures designed to minimise

environmental impacts by complying with government policies relating to waste, energy and travel.

The principal environmental impact minimisation activities employed are:

- waste management, through a fully commingled and organic recycling program
- energy efficient practises in lighting, air-conditioning and computer use
- limited water use.

Travel restrictions limit meetings to only essential obligations. Teleconferencing and videoconferencing are used whenever possible.

APPENDIX D

AGENCY RESOURCE STATEMENT AND RESOURCES FOR OUTCOMES

The changes in financial results from the previous year are discussed in the Chair's Review. Explanations of variances from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statement/Portfolio Additional Estimate Statement, and their implications are set out in note 11 and 11A to the financial statements.

Agency summary resource table by outcomes

Office of the AASB: Resources for outcomes 2020-21

	Budget \$	Actual Expenses \$	Variation \$
Outcome 1:			
The formulation and making of external reporting standards that are used by Australian entities to prepare financial reports and enable users of these reports to make informed decisions			
Output Group 1.1:			
AASB			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1)	3,373,000	3,015,113	357,887
Revenues from independent sources (section 74)	1,136,000	1,133,735	2,265
Expenses not requiring appropriation	364,000	399,080	(35,080)
Total for Outcome 1	4,873,000	4,547,928	325,072
Average Staffing Level (number)	22	18	4

Appendix D: Agency Resource Statement and Resources for Outcomes

The changes in financial results from the previous year are discussed in the Chair's Review. Explanations of variances from the budgeted financial statements for the financial year as set out in the Portfolio Budget Statement/Portfolio Additional Estimate Statement, and their implications are set out in note 11 and 11a to the financial statements.

Agency summary resource table by outcomes

Office of the AUASB: Resources for outcomes 2020-21

	Budget \$	Actual Expenses \$	Variation \$
Outcome 1:			
The formulation and making of auditing and assurance standards that are used by auditors of Australian entity financial reports or for other auditing and assurance engagements			
Output Group 1.1:			
AUASB			
Departmental expenses			
Ordinary annual services (Appropriation Bill No. 1)	2,386,000	2,296,321	86,679
Revenues from independent sources (PGPA Act - section 74)	0	0	0
Expenses not requiring appropriation	116,000	101,107	14,893
Less revenue to be carried forward	0	0	0
Total for Outcome 1	2,502,000	2,397,428	104,572
Average Staffing level (number)	8	8	0

APPENDIX E

LIST OF REQUIREMENTS

Description	Requirement	AASB Page	AUASB Page
Letter of transmittal			
A copy of the letter of transmittal signed and dated by accountable authority on the date final text approved, with statement that the report has been prepared in accordance with section 46 of the Act and any enabling legislation that specifies additional requirements in relation to the annual report	Mandatory	iii	iii
Aids to access			
Table of contents	Mandatory	iv	iv
Alphabetical index	Mandatory	127	127
Glossary of abbreviations and acronyms	Mandatory	v	v
List of requirements	Mandatory	120	120
Details of contact officer	Mandatory	vii	vii
Entity's website address	Mandatory	vii	vii
Electronic address of report	Mandatory	vii	vii
Review by accountable authority			
A review by the accountable authority of the entity	Mandatory	11	33
Overview of the entity			
A description of the role and functions of the entity	Mandatory	16	39
A description of the organisational structure of the entity	Mandatory	57	60
A description of the outcomes and Programs administered by the entity	Mandatory	19	42
A description of the purposes of the entity as included in the corporate plan	Mandatory	16	39
Name of the accountable authority or each member of the accountable authority	Mandatory	16	39
Position title of the accountable authority of each member of the accountable authority	Mandatory	16	39

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
Period as the accountable authority or member of the accountable authority within the reporting period	Mandatory	58	61
Where outcome and programs administered by the entity differ from any Portfolio Budget Statement, Portfolio Additional Estimates Statement or other portfolio estimates statement that was prepared for the entity for the period, include details of variation and reasons for change	If applicable, Mandatory	100	100
Report on the performance of the entity			
Annual performance statements			
Annual performance statement in accordance with program 39(1)(b) of the Act and section 16F of the Rule	Mandatory	16	39
Report on financial performance			
A discussion and analysis of the entity's financial performance	Mandatory	15	37
A table summarising the total resources and total payments of the entity	Mandatory	118	119
If there may be significant changes in the financial results during or after the previous or current reporting period, information on those changes, including: the cause of any operating loss of the entity; how the entity has responded to the loss and the actions that have been taken in relation to the loss; and any matter or circumstances that it can reasonably be anticipated will have a significant impact on the entity's future operation or financial results	If applicable, Mandatory	15	37
Management and accountability			
Corporate governance			
Information on compliance with section 10 (fraud systems)	Mandatory	64	64
A certification by accountable authority that fraud risk assessments and fraud control plans have been prepared	Mandatory	64	64
A certification by accountable authority that appropriate mechanisms for preventing, detecting incidents of, investigating or otherwise dealing with, and recording or reporting fraud that meet the specific needs of the entity are in place	Mandatory	64	64

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2020-21

Description	Requirement	AASB Page	AUASB Page
A certification by accountable authority that all reasonable measures have been taken to deal appropriately with fraud relating to the entity	Mandatory	64	64
An outline of structures and processes in place for the entity to implement principles and objectives of corporate governance	Mandatory	64	64
A statement of significant issues reported to Minister under paragraph 19(1)(e) of the Act that relates to non-compliance with Finance law and action taken to remedy non-compliance	If applicable, Mandatory	n/a	n/a
Audit Committee			
A direct electronic address of the charter determining the functions of the entity's audit committee	Mandatory	64	64
The name of each member of the entity's audit committee	Mandatory	63	63
The qualifications, knowledge, skills or experience of each member of the entity's audit committee	Mandatory	63	63
Information about the attendance of each member of the entity's audit committee at committee meetings	Mandatory	63	63
The remuneration of each member of the entity's audit committee	Mandatory	63	63
External scrutiny			
Information on the most significant developments in external scrutiny and the entity's response to the scrutiny	Mandatory	113	113
Information on judicial decisions and decisions of administrative tribunals and by the Australian Information Commissioner that may have a significant effect on the operations of the entity	If applicable, Mandatory	n/a	n/a
Information on any reports on operations of the entity by the Auditor-General, (other than report under section 43 of the Act), a Parliamentary Committee or the Commonwealth Ombudsman	If applicable, Mandatory	n/a	n/a
Information on any capability reviews on the entity that were released during the period	If applicable, Mandatory	n/a	n/a
Management of human resources			
An assessment of the entity's effectiveness in managing and developing employees to achieve entity objectives	Mandatory	66	67

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
<p>Statistics on the entity's employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> • statistics on full-time employees • statistics on part-time employees • statistics on gender • statistics on staff location 	Mandatory	66	67
<p>Statistics on the entity's APS employees on an ongoing and non-ongoing basis; including the following:</p> <ul style="list-style-type: none"> • statistics on staffing classification level • statistics on full-time employees • statistics on part-time employees • statistics on gender • statistics on staff location • statistics on employees who identify as Indigenous. 	Mandatory	66	67
<p>Information on any enterprise agreements, individual flexibility arrangements, Australian workplace agreements, common law contracts and determinations under subsection 24(1) of the <i>Public Service Act 1999</i>.</p>	Mandatory	66	67
<p>Information on the number of SES and non-SES employees covered by agreements etc. identified in paragraph 17AG(4)(c)</p>	Mandatory	66	67
<p>The salary ranges available for APS employees by classification level</p>	Mandatory	66	67
<p>A description of non-salary benefits provided to employees</p>	Mandatory	69	69
<p>Information on the number of employees at each classification level who received performance pay</p>	If applicable, Mandatory	n/a	n/a
<p>Information on aggregate amounts of performance pay at each classification level</p>	If applicable, Mandatory	n/a	n/a
<p>Information on the average amount of performance payment, and range of such payments, at each classification level</p>	If applicable, Mandatory	n/a	n/a
<p>Information on aggregate amount of performance payments</p>	If applicable, Mandatory	n/a	n/a
Assets management			
<p>An assessment of effectiveness of assets management where asset management is a significant part of the entity's activities</p>	If applicable, mandatory	n/a	n/a

Description	Requirement	AASB Page	AUASB Page
Purchasing			
An assessment of entity performance against the <i>Commonwealth Procurement Rules</i>	Mandatory	113	113
Consultants			
A summary statement detailing the number of new contracts engaging consultants entered into during the period; the total actual expenditure on all new consultancy contracts entered into during the period (inclusive of GST); the number of ongoing consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting year on the ongoing consultancy contracts (inclusive of GST)	Mandatory	113	113
A statement that “ <i>During 2020-21, [specified number] new consultancy contracts were entered into involving total actual expenditure of \$[specified million]. In addition, [specified number] ongoing consultancy contracts were active during the period, involving total actual expenditure of \$[specified million]</i> ”.	Mandatory	113	113
A summary of the policies and procedures for selecting and engaging consultants and the main categories of purposes for which consultants were selected and engaged	Mandatory	113	113
A statement that “ <i>Annual reports contain information about actual expenditure on contracts for consultancies. Information on the value of contracts and consultancies is available on the AusTender website</i> ”.	Mandatory	113	113
A summary statement detailing the number of new reportable non-consultancy contracts entered into during the period; the total actual expenditure on such contracts (inclusive of GST); the number of ongoing reportable non-consultancy contracts that were entered into during a previous reporting period; and the total actual expenditure in the reporting period on those ongoing contracts (inclusive of GST).	Mandatory	114	114
A statement that “ <i>Annual reports contain information about actual expenditure on reportable non-consultancy contracts. Information on the value of reportable non-consultancy contracts is available on the AusTender website</i> ”	Mandatory	114	114

Appendix E: List of Requirements

Description	Requirement	AASB Page	AUASB Page
Additional information, in accordance with section 17AGA, about organisations receiving amounts under reportable consultancy contracts or reportable non-consultancy contracts.	Mandatory	114	114
Australian National Audit Office Access Clauses			
If an entity entered into a contract with a value of more than \$100,000 (inclusive of GST) and the contract did not provide the Auditor-General with access to the contractor's premises, the report must include the name of the contractor, purpose and value of the contract, and the reason why a clause allowing access was not included in the contract.	If applicable, Mandatory	n/a	n/a
Exempt contracts			
If an entity entered into a contract or there is a standing offer with a value greater than \$10,000 (inclusive of GST) which has been exempted from being published in AusTender because it would disclose exempt matters under the FOI Act, the annual report must include a statement that the contract or standing offer has been exempted, and the value of the contract or standing offer, to the extent that doing so does not disclose the exempt matters.	If applicable, Mandatory	113	113
Small business			
A statement that <i>"AASB-AUSB supports small business participation in the Commonwealth Government procurement market. Small and Medium Enterprises (SME) and Small Enterprise participation statistics are available on the Department of Finance's website"</i>	Mandatory	113	113
An outline of the ways in which the procurement practices of the entity support small and medium enterprises	Mandatory	113	113
If the entity is considered by the Department administered by the Finance Minister as material in nature – a statement that <i>AASB recognises the importance of ensuring that small businesses are paid on time. The results of the Survey of Australian Government Payments to Small Business are available on the Treasury's website."</i>	If applicable, Mandatory	n/a	n/a
Financial statements			
Inclusion of the annual financial statements in accordance with subsection 43(4) of the Act	Mandatory	71	71

Australian Accounting Standards Board and Auditing and Assurance Standards Board Annual Reports 2020-21

Description	Requirement	AASB Page	AUASB Page
Executive Remuneration			
Information about executive remuneration in accordance with Subdivision C of Division 3A of Par 2-3 of the Rule	Mandatory	95	96
Other mandatory information			
If the entity conducted advertising campaigns, a statement that <i>“During 2020-21, the AASB conducted the following advertising campaigns: [name of advertising campaigns undertaken]. Further information on those advertising campaigns is available on [entity’s website] and in the reports on Australian Government advertising prepared by the Department of Finance. Those reports are available on the Department of Finance’s website.”</i>	If applicable, Mandatory	n/a	n/a
If the entity did not conduct advertising campaigns, a statement to that effect	If applicable, Mandatory	115	115
A statement that <i>“Information on grants awarded to AASB during 2020-21 is available at [entity’s website]</i>	If applicable, Mandatory	n/a	n/a
Outline of mechanisms of disability reporting including reference to website for further information	Mandatory	116	116
Website reference to where the entity’s Information Publication Scheme statement pursuant to Part II of FOI Act can be found	Mandatory	116	116
Correction of material errors in previous annual report	If applicable, Mandatory	n/a	n/a
Information required by other legislation	Mandatory	113	113

APPENDIX F

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FRC/AASB/AUASB Position Statement on Extended External Reporting and Assurance

The FRC, the AASB and the AUASB (“the Boards”) recognise the desire for authoritative guidance on Extended External Reporting in Australia. To this end, the Boards are taking active steps to ensure Australia adopts a reporting regime that meets the needs of users of financial and non-financial reporting information and supports Australia’s international competitiveness.

Structure

The Boards seek to adopt an Extended External Reporting regime within the current institutional framework in place for financial reporting. Specifically, the AASB intends to develop reporting requirements for non-financial information and the AUASB intends to simultaneously update relevant assurance standards, which are already capable of addressing current voluntary disclosures. The FRC will continue to provide strategic oversight of the Boards.

This approach is designed to take advantage of the significant experience, expertise and credibility, that the AASB and the AUASB have in standard setting. It will also help ensure appropriate links between the financial reporting framework and the Extended External Reporting framework, as well as addressing assurance requirements in a timely fashion.

Accordingly, the Boards do not support, at this time, establishing a new body that would specialise in developing sustainability reporting standards.

Objectives

Having undertaken preliminary stakeholder engagement, the Boards have identified the following objectives to guide the development of the reporting framework:

- To provide comparability in Extended External Reporting with an initial focus on sustainability reporting;
- To provide a basis for directors and auditors to meet stakeholder expectations and legislative requirements (subject to discussions with relevant regulators);
- Provide meaningful disclosures for users of Extended External Reporting information in the private, public and not-for-profit sectors;
- Establish and maintain appropriate links between the financial reporting framework and the Extended External Reporting framework; and
- To provide meaningful, relevant and timely guidance on assuring Extended External Reporting with an initial focus on sustainability reporting.



Developing the framework

In developing an Extended External Reporting framework for Australia, the Boards will be taking the following measures:

- Maintain close links with the International Financial Reporting Standards (IFRS) Foundation in the development of the proposed International Sustainability Standards Board to ensure Australia's interests are appropriately represented;
- Liaise closely with counterparts in New Zealand to maintain consistency between jurisdictions as far as possible, consistent with the Closer Economic Relations policy;
- Maintain close links with other stakeholders and regulators in developing the framework for the private, public and not-for-profit sectors;
- Establish a Project Advisory Panel as a forum for open communication between the Boards and the stakeholder community so that the Boards are aware of stakeholder developments and thought leadership as they occur;
- Continue stakeholder liaison, including as part of the forthcoming AASB Agenda Consultation 2022–2026 Invitation to Comment; and
- Recruit additional in-house technical expertise and for the Boards as developments continue.

IAASB Work Plan for 2022–2023

[date]

*International Auditing and Assurance Standards
Board*

The IAASB's [Draft] Work Plan for 2022–2023: A Public Interest Focus in Uncertain Times

IAASB

International Auditing
and Assurance
Standards Board

About the IAASB

The objective of the IAASB is to serve the public interest by setting high-quality auditing, assurance, and other related standards and by facilitating the convergence of international and national auditing and assurance standards, thereby enhancing the quality and consistency of practice throughout the world and strengthening public confidence in the global auditing and assurance profession.

The IAASB develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the Public Interest Oversight Board (PIOB), which oversees the activities of the IAASB, and the IAASB Consultative Advisory Group, which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC).

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Introduction

This Work Plan for the period 2022–2023 ('Work Plan') sets out our specific projects and activities to support our strategic objectives and actions described in our [Strategy for 2020–2023](#) ('Strategy').

The Work Plan continues our [Work Plan for 2020–2021](#) and embodies our goal, strategic drivers and strategic objectives included in our Strategy. We will select any new projects and initiatives that are started in the Work Plan period using the criteria and processes as set out in our [Framework for Activities](#) ('Framework'),¹ which is focused on orderly and thoughtful selection, prioritization and scoping of our forward work.

Our stakeholders consistently supported the position that we should complete the projects underway at the start of 2022. A number of substantial projects underway at the start of 2022 should complete by the end of 2023. As capacity opens at both the Board and Staff level, we will consider commencing new project(s).

The Work Plan assumes full utilization of our current resources and capacity (e.g., people, plenary time and operating budget), and balances the current needs of different stakeholders. As the Work Plan period progresses, timing and resources may be changed to accommodate:

- Capacity to address urgent or unexpected issues that arise and are not known at the time of approval of the Work Plan, enabling us to remain agile should such need arise.
- The ongoing pandemic and the need to continue to operate in a hybrid or virtual environment.²
- Changes that may come from the transition to the Monitoring Group proposals, the implementation period of which starts in 2022.

Any changes arising from a change in circumstances may impact the targeted milestones of our projects set out in this Work Plan, as well as our [Detailed Quarterly Forward Work Plan](#) presented on our website.

Our Strategy

In developing our Strategy and Work Plan for 2020–2021, we undertook extensive public consultation to improve our understanding of our stakeholders' needs. Based on that public consultation, we identified three strategic objectives to guide our work. These strategic objectives remain relevant in the current environment and our planned Work Plan activities continue to operate within the framework of these objectives:

¹ The Framework is aimed at articulating how we organize our efforts to identify and deliver on our committed actions.

² The Work Plan has been developed on the assumption that the Board will go back to its former model of quarterly, in person meetings. If there is the need to operate in a virtual environment or an environment where not all Board members are able to join in person during 2022 or 2023, this will impact the amount of Board plenary time available and may result in further prioritization of some projects, which may result in the slow-down of other projects or initiatives ongoing at the time. Any decisions related to such determination will be made based on the ongoing circumstances in 2022 and 2023, and in coordination with the PIOB.

(i) Increase the Emphasis on Emerging Issues to Ensure that Our International Standards Provide a Foundation for High-Quality Audit, Assurance and Related Services Engagements

(ii) Innovate Our Ways of Working to Strengthen and Broaden Our Agility, Capabilities, and Capacity to Do the Right Work at the Right Time

(iii) Maintain and Deepen Our Relationships with Our Stakeholders to Achieve Globally Relevant, Progressive and Operable Standards

Planned Actions for 2022–2023

Progression and Completion of Projects Underway at the Start of 2022

We plan to complete the projects underway at the start of 2022. The great majority of feedback received in our Work Plan consultation supported this approach with some differences on the level of priority. Table A below sets out the substantial standard-setting projects that we will focus on progressing or completing in 2022–2023. **Appendix 1** sets out a high-level description of the activities within each of these projects and our [Detailed Quarterly Forward Work Plan](#) illustrates the targeted progress for each project.

Table A	
Completion of Current Standard-Setting Projects	Targeted Milestones
AUDIT	
Audit Evidence (Revision of ISA 500) ³	Exposure Draft: 2022 Completion: 2024
Fraud (Revision of ISA 240) ⁴	Project Proposal: 2021 ⁵ Exposure Draft: 2023 Completion: 2024

³ International Standard on Auditing (ISA) 500, *Audit Evidence*

⁴ ISA 240, *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

⁵ These projects are still in the information gathering and research stage. The nature and extent of possible changes to be made, and other activities (as necessary), still have to be agreed by the Board. Depending on the agreed project scope for each of these projects, the targeted milestones may change. The estimated targeted milestone in this Work Plan have been determined based on the expected scope for each project, with the scope of the project impacting the time that will be needed to develop revised pronouncements. Our Detailed Quarterly Forward Work Plan will be updated as necessary once the project scoping for each of these projects has been agreed.

Table A	
Completion of Current Standard-Setting Projects	Targeted Milestones
Going Concern (Revision of ISA 570 (Revised)) ⁶	Project Proposal: 2022 ⁵ Exposure Draft: 2022 Completion: 2023
Implications for IAASB Standards of International Ethics Standards Board for Accountants' (IESBA) Project, <i>Definitions of Listed Entity and Public Interest Entity</i>	Project Proposal: 2022 ⁵ Exposure Draft: 2022 Completion: 2023
REDUCING COMPLEXITY AND IMPROVING UNDERSTANDABILITY	
Audits of Less Complex Entities – Developing a Separate Standard for Audits of Less Complex Entities	Completion: 2023
Addressing Complexity, Understandability, Scalability and Proportionality – Developing Drafting Principles & Guidelines	Completion: 2022

Other Initiatives and Ongoing Activities

In addition to our standard-setting projects, the following are continuing and will also require dedicated Staff resources and Board plenary time during 2022 and 2023:

- Technology, including our focused efforts on disruptive technologies.^{7, 8}
- Professional skepticism.^{7, 8}
- Auditor Reporting.^{7, 8}
- Implementation support activities for recently completed standard-setting projects, including on our group audit standard.⁷
- Developing or revising non-authoritative support materials as needed.
- Coordination with IESBA, including monitoring the work that they undertake in 2022 and 2023 and how any changes may impact our standards (see below);⁷ and
- Development of the Strategy for 2024–2027 and the Work Plan for 2024–2027.⁹

⁶ ISA 570 (Revised), *Going Concern*

⁷ **Appendix 1** describes the IAASB's ongoing work in these areas.

⁸ We have reconstituted our Working Groups for professional skepticism, technology and auditor reporting implementation to "Consultation Groups." The main function of our Consultation Groups is to provide input and support to other Task Forces or Working Groups, or to Staff, as needed, in terms of the effect of these particular topics, i.e., technology, professional skepticism or auditor reporting, on other projects or activities.

⁹ Moving into the next strategy period it is intended that the work plan period will be changed to align with the strategy period (i.e., a four-year work plan).

Selecting Our Next Project(s)

Any new projects or initiatives commenced during the Work Plan period will be determined in accordance with the processes as set out in our Framework, taking into account:

- Our goal, strategic drivers and strategic objectives.
- The criteria for the selection of new projects or actions as set out in the Framework (i.e., the topic is in the public interest; alignment with the Board's remit; prevalence of the issue globally; Board action necessary to maintain or enhance quality of engagements; and urgency). Our stakeholders' views from the Work Plan consultation and from outreach activities will also help inform how the criteria for selection of new projects or actions as set out in the Framework are applied.
- The available resources, including Board capacity and Staff resources.

In planning our detailed forward actions, the Board will always balance information gathering and research efforts with the need for timely action to address topics of significant and urgent public interest.

Based on Board capacity, Staff resources for 2022–2023 and the projections of the progression and completion of work underway at the start of 2022, **it is expected that one or two new projects will commence in this Work Plan period.**

Maintaining the Balance Between Audit and Other International Standards

One of the most significant strategic issues that we are facing is ensuring the continued credibility and confidence in our work as a global standard setter, both in terms of our ability to identify the most pertinent public interest issues and to respond appropriately to them in a timely manner.

Since 2012 we have focused on enhancing the utility and robustness of the audit of financial statements to support the financial reporting ecosystem,¹⁰ recognizing that the work of the auditor plays a key role in the credibility of the financial statements on which they are reporting. However, our work is highly influenced by the environment in which we operate. In the current environment we also recognize that there is a growing, urgent need to also consider our international standards that address services other than audits

¹⁰ In 2012 the IAASB commenced a series of projects focusing on audit quality, starting with the revisions of the IAASB's Auditor Reporting Standards: ISA 700 (Revised), *Forming an Opinion and Reporting on Financial Statements*, ISA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, ISA 260 (Revised), *Communication with Those Charged with Governance*, ISA 570 (Revised), *Going Concern*, ISA 705 (Revised), *Modifications to the Opinion in the Independent Auditor's Report*, ISA 706 (Revised), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, ISA 720 (Revised), *The Auditor's Responsibilities Relating to Other Information*, ISA 800 (Revised), *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and ISA 805 (Revised), *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, ISA 810 (Revised), *Engagements to Report on Summary Financial Statements*). Other projects focusing on Audit Quality that ensued in the period between 2012 to date included an omnibus pronouncement affecting a number of ISAs, *Addressing Disclosures in the Audit of Financial Statements*, and the following revised ISAs: ISA 220 (Revised), *Quality Management for An Audit of Financial Statements*, ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, ISA 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement*, ISA 540 (Revised), *Auditing Accounting Estimates and Related Disclosures*, ISA 600 (Revised), *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and In addition, the IAASB developed International Standard on Quality Management (ISQM) 1, *Quality Management for Firms That Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and ISQM 2, *Engagement Quality Reviews which also impact Audit Quality*.

of financial statements, in particular in relation to the fast-evolving developments related to non-financial information (including sustainability / environmental, social and governance (ESG) reporting).

Working to ensure that our international standards address current public interest needs, our aim in the Work Plan period is to signal our intent to dedicate capacity and provide resources to focus on this emerging area, while still maintaining a focus on progressing and completing projects to revise key ISAs.

Our actions to consider our other international standards will initially involve working with others to identify priority actions, as well as other information gathering and research activities. Our future actions will likely then include future project(s) to revise our existing international standards or guidance, or develop new standards or guidance, and maintain and support them, as sustainability / ESG and other non-financial reporting inevitably evolves over time.

Possible New Projects in Work Plan Period

Table B below sets out the list of possible projects, as determined at this time, that will be subject to further consideration as the **one or two new projects expected to commence in this Work Plan period**.

Appendix 1 sets out a high-level description of the potential activities within each of these possible projects.

In our Work Plan consultation, we identified eight leading candidate topics on which to undertake more focused information gathering and research activities to determine what action, if any, is needed (the eight topics identified by us have been highlighted with a *). Our stakeholders broadly agreed with these eight topics identified, however, variations in the relative ranking of the topics were noted across stakeholder groups. Additional topics have also been added to Table B where they were suggested by our stakeholders and may possibly meet the criteria within the Framework for progression to more active information gathering (i.e., similar to the original eight topics identified).¹¹

For this Work Plan period, we have organized the possible projects into distinct focus areas. We have done so because we anticipate allocating resources and expertise (as needed) in most or all of these focus areas simultaneously. We view active efforts in each of the categories as consistent with our mission, strategy, and commitment to the public interest. The list of possible topics within each focus area have been listed in an order informed by the stakeholder consultation. Additional topics highlighted by stakeholders as candidates for narrow scope maintenance of standards projects have been included at the end of each focus area.

¹¹ The original eight topics identified and the topics that have been added based on feedback from our work plan consultation are currently in Category A of Component I of the Framework, together with various other possible topics for IAASB consideration. Based on our monitoring of Category A topics, including our recent work plan consultation, the topics presented in Table B are the likely candidates at this time to meet the criteria in the Framework to move into Category B during the Work Plan period (i.e., for more focused information gathering and research activities to identify and understand the relevant public interest issues and related standard-setting or other needs of stakeholders), and progress further through the Framework, as appropriate.

Table B

Possible New Standard-Setting Project(s) that May Commence in 2022–2023

The one or two new projects expected to commence during the Work Plan period will likely be one or two topics from the following:

AUDIT

*Responding to Assessed Risks of Material Misstatement (Revision of ISA 330¹²)

*Analytical Procedures (Revision of ISA 520¹³)

*Audit Sampling (Revision of ISA 530¹⁴)

*Using the Work of an Auditor’s Expert (Revision of ISA 620)¹⁵

Materiality (Revision of ISA 320)¹⁶

*Joint Audits

Narrow Scope Maintenance Projects (in numerical order of standards that may be affected):

- Omnibus project to update ISAs for impact of technology.¹⁷
- ISA 260 (Revised), clarifying requirements in the context of when management and those charged with governance are the same.
- Updating ISA 501¹⁸ for virtual inventory counts.
- Updating ISA 505¹⁹ for technology (i.e., modernization for increased use of technology-based processes).
- Updating ISA 720 (Revised) for challenges arising from the implementation of the standard.²⁰

¹² ISA 330, *The Auditor’s Responses to Assessed Risks*

¹³ ISA 520, *Analytical Procedures*

¹⁴ ISA 530, *Audit Sampling*

¹⁵ ISA 620, *Using the Work of an Auditor’s Expert*

¹⁶ ISA 320, *Materiality in Planning and Performing an Audit*

¹⁷ Given advancements in technology, we recognize that an omnibus project to update the ISAs for the impact of technology may be needed. Such a project may include revisions to our audit evidence standards (ISA 500 series), including revisions to ISA 520 and ISA 530, and other ISAs, as needed. The scope of such a project depends on the outcome of our current project on Audit Evidence which, among other matters, aims to modernize ISA 500 in relation to technology (see approved [Project Proposal](#)).

¹⁸ ISA 501, *Audit Evidence – Specific Considerations for Selected Items*

¹⁹ ISA 505, *External Confirmations*

²⁰ This topic has also been identified from the post-implementation review of the IAASB’s new and revised auditor reporting standards, which was completed with the Board’s consideration of the Working Group’s recommendations at the September 2021 IAASB meeting.

Table B

Possible New Standard-Setting Project(s) that May Commence in 2022–2023

The one or two new projects expected to commence during the Work Plan period will likely be one or two topics from the following:

REVIEWS

*Review of Interim Financial Information (Revision of ISRE 2410)²¹

Narrow Scope Maintenance Project:

- Review of Interim Financial Information – Going Concern (only)

ASSURANCE

*Standard-setting or Non-Authoritative Guidance on Climate Change Disclosures (as a separate project or to be expanded to include Sustainability / ESG Reporting more broadly – see next row)²²

Standard-setting or Non-Authoritative Guidance on Sustainability / ESG Reporting

*Assurance on eXtensible Business Reporting Language (XBRL)

Coordination with IESBA

As our projects progress in 2022–2023, there may be matters that impact the IESBA's *International Code of Ethics for Professional Accountants (Including International Independence Standards)* (the IESBA Code). Similarly, matters under consideration by the IESBA may have implications for our International Standards. We recognize the importance of ongoing coordination with the IESBA on matters that may impact either the IESBA Code arising from the projects we undertake or our International Standards from the IESBA's activities. We will therefore continue to coordinate with the IESBA in the context of specific topics, through aligning efforts by Staff and the Boards where necessary and appropriate, and through regular leadership interactions and communications.

Our Detailed Forward Work Plan for 2022–2023

Our [Detailed Quarterly Forward Work Plan](#) is our best estimate for how we will progress the various projects and workstreams. This Detailed Quarterly Forward Work Plan may change given the nature of the issues, project complexities, stakeholder feedback, and necessary responses to environmental changes, and will be updated when changes are needed. Our Detailed Quarterly Forward Work Plan will also set out when new projects or initiatives will be discussed in Board plenary sessions.²³

²¹ International Standard on Review Engagements (ISRE) 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*

²² Climate change disclosures may be considered as part of a separate assurance engagement or related to circumstances when such disclosures are presented in the entity's annual report or in the notes to the financial statements.

²³ It should be noted that information gathering and research activities on a new project or initiative will commence at a Staff level approximately 6-9 months before the first Board plenary discussion on the topic.

Allocation of Resources

Our Work Plan will draw on our full capacity to deliver high-quality standards, and undertake our activities in a timely manner. The Work Plan as set out above is expected to be supported by a direct operating budget of approximately \$11 million over the two-year period (excluding operational support received from IFAC).

The work that can be undertaken is also limited to the volunteer hours and Staff capacity available to undertake activities that we have committed to. We will allocate these resources on the basis of information about new initiatives or projects that will need to be started and past experience of the capacity needed to deliver our projects and initiatives. We reserve a limited capacity to respond to unexpected events, as we did in response to the Covid-19 pandemic, and we will be able to reallocate resources if, and when, needed (however, with consequential changes to timelines of projects). The resources needed and capacity for key deliverables illustrated in the Work Plan assumes that nearly all current Staff and Board resources are fully allocated. Notwithstanding that resources are subject to change, particularly as the Monitoring Group reforms are implemented, this Work Plan does not assume the availability of new resources.

Appendix 1

Descriptions of Projects and Initiatives in the Work Plan

More information about our projects can be found on our [project page](#). A direct link to the project page is included in the project title in the table below. The last column illustrates the component within the Framework that the planned action is related to. For new and ongoing activities, these have been grouped to reflect the strategic drivers being addressed by the relevant planned action.

Projects Underway or Committed to at the Start of 2022 (see Table A in main document)

Increase the Emphasis on Emerging Issues to Ensure that Our International Standards Provide a Foundation for High-Quality Audit, Assurance and Related Services Engagements		
<i>Complete Our Major Audit Quality Enhancements</i>		Framework for Activities Component
<u>Audit Evidence (Revision of ISA 500)</u>	We are revising ISA 500, with related conforming and consequential amendments as necessary, to clarify its purpose and relationship to other ISAs, to modernize the standard in relation to technology, to clarify the concept of sufficient appropriate audit evidence and to emphasize the auditor’s responsibility to exercise professional skepticism.	Revising and Developing Standards
<u>Fraud (Revision of ISA 240)</u>	We will be revising and enhancing ISA 240, with related conforming and consequential amendments as necessary, to address issues and challenges that have been identified on the auditor’s procedures relating to the risk of fraud in an audit of financial statements.	Revising and Developing Standards
<u>Going Concern (Revision of ISA 570 (Revised))</u>	Once the project is scoped, we will be revising and enhancing ISA 570 (Revised), as necessary, to address targeted issues and challenges that have been identified related to the going concern assumption used in preparing financial statements.	Revising and Developing Standards
<u>Implications for IAASB Standards of IESBA Project, Definitions of Listed Entity and Public Interest Entity</u>	We will be developing and finalizing narrow-scope amendments, as needed, for changes made by IESBA in its project to consider the definitions of listed entity and public interest entity to achieve convergence to the greatest extent possible between key concepts in the standards of both Boards.	Revising and Developing Standards

<p><u>Audits of Less Complex Entities – Developing a Separate Standard for Audits of Less Complex Entities</u></p>	<p>We are consulting on and finalizing a separate standard for audits of financial statements of Less Complex Entities to address issues and challenges related to complexity, understandability, scalability and proportionality for Less Complex Entities.</p>	<p>Revising and Developing Standards</p>
<p><i>Activities to Support Implementation of Our Standards</i></p>		
<p><u>Addressing Complexity, Understandability, Scalability and Proportionality – Developing Drafting Principles & Guidelines</u></p>	<p>We will finalize the drafting principles and guidelines to address complexity, understandability, scalability and proportionality in the ISAs, with the intention to apply the drafting principles and guidelines in the future revision and development of the ISAs.</p>	<p>Other Activities Related to Standard-Setting</p>
<p><u>Technology</u></p>	<p>Disruptive technology – Ongoing active efforts to explore emerging developments in technology, including consideration of whether action is needed to respond to these emerging developments.</p> <p>The Technology Consultation Group will work with task forces or working groups of other projects, or with Staff, to provide input and support, as needed, on relevant matters relating to technology.</p>	<p>Other Activities Related to Standard-Setting</p>
<p><u>Professional Skepticism</u></p>	<p>The Professional Skepticism Consultation Group makes recommendations on how to more effectively respond to issues related to professional skepticism across audit and assurance areas or topics. They will work with task forces or working groups of other projects, or with Staff, to provide input and support, as needed, on relevant matters relating to professional skepticism.</p>	<p>Other Activities Related to Standard-Setting</p>
<p><u>Auditor Reporting</u></p>	<p>The Auditor Reporting Consultation Group will work with task forces or working groups of other projects, or with Staff, to provide input and support, as needed, on relevant matters relating to auditor reporting, including implementation of identified recommendations from the auditor reporting post-implementation review.</p>	<p>Other Activities Related to Standard-Setting</p>

<i>Activities to Support the First-Time Implementation of New and Revised Standards</i>		
ISA 600 (Revised)	Activities to support the initial implementation of ISA 600 (Revised).	Activities to Support Implementation of the IAASB's Standards
<i>Activities to Support Some or All Strategic Drivers</i>		
Ongoing Information Gathering and Research (Category A)	Ongoing monitoring and research activities to support future workstreams with activities relevant to the topics within Category A (Component I of our Framework). Category A topics will continue to be updated and may be sourced from, among other, our consultations (including prior consultations), outreach and the work undertaken in developing our strategy and work plans.	Information Gathering and Research Activities
ISA 540 (Revised) Post-Implementation Review	Initial discussions and action, as appropriate, to monitor the implementation of ISA 540 (Revised), with a focus on identifying whether there are practical implementation and other related issues that are causing the revised standard to not achieve its intended purpose. The appropriate time for such review still needs to be determined.	Information Gathering and Research Activities
Innovate Our Ways of Working to Strengthen and Broaden Our Agility, Capabilities and Capacity to Do the Right Work at the Right Time		
Strengthening Collaboration with National Standard Setters (NSS) and IFAC	Continue to explore new ways to expand our collaboration with NSS and IFAC to optimize our activities, for example in relation to implementation support activities.	Strengthening and Broadening Capabilities and Capacity
Maintain and Deepen Our Relationships with Our Stakeholders		
Coordination with IESBA	Coordination activities with IESBA involve proactive collaboration, and transparent and timely communications between Staff and members of the two Boards to determine and address matters of mutual impact.	Outreach
<u>Liaison Activities with the International Accounting Standards Board (IASB)</u>	Continue our two-way coordination with the IASB, including providing input on the auditability and verifiability of new and revised International Financial Reporting Standards, thereby contributing to the quality of financial reporting.	Outreach

Possible New Projects in the Work Plan Period (see Table B in main document)

Audit	
Responding to Assessed Risks of Material Misstatement (Possible Revision of ISA 330)	Possible revision of ISA 330 to better align the requirements with changes made to the risk identification and assessment standard (ISA 315 (Revised 2019)) and changes being made to ISA 500, which will foster an integrated risk-based approach. Also, possible revisions to modernize ISA 330 as necessary (in particular in relation to technology).
Analytical procedures (Possible Revision of ISA 520)	Possible revision of ISA 520 to better align the requirements with changes made to our audit evidence standard (i.e., ISA 500), which will foster an integrated risk-based approach. Also, possible revisions to modernize ISA 520 as necessary (in particular in relation to technology).
Audit Sampling (Possible Revision of ISA 530)	Possible revision of ISA 530 to better align the requirements with changes made to our audit evidence standard (i.e., ISA 500), which will foster an integrated risk-based approach. Also, possible revisions to modernize ISA 530 as necessary (in particular in relation to technology).
Using the Work of an Auditor’s Expert (Possible Revision of ISA 620)	Possible revision of ISA 620 based on issues and challenges identified by our stakeholders, including consideration of the impact of technology.
Materiality (Possible Revision of ISA 320)	Possible revision of ISA 320 to address potential changes to materiality considerations as technology and other environmental influences rapidly evolve the way that audits are undertaken, and to promote consistency in materiality determinations.
Joint Audits	Possible standard-setting or guidance to enhance and clarify practice in jurisdictions where joint audits are undertaken.
Reviews	
Review of Interim Financial Information (Possible Revision of ISRE 2410)	Possible revision of ISRE 2410 to update the standard to the clarity format, other possible changes to address issues and challenges identified, and to modernize the standard.
Assurance	
Assurance Standard or Guidance on Climate Change Disclosures	Identify priority actions related to climate change disclosures (in the context of a separate assurance engagement or related to circumstances when such disclosures are presented in the entity's annual report or in the notes to the financial statements). This will likely include revising our existing international standards or guidance, or develop new standards or guidance, and maintain and support them.

Assurance or Guidance on Sustainability / ESG Reporting	Identify priority actions related to sustainability / ESG reporting. This will likely include revising our existing international standards or guidance, or develop new standards or guidance, and maintain and support them.
Assurance on XBRL	As the focus on digital reporting increases, exploring the need for assurance standards related to XBRL, and developing a pronouncement or non-authoritative guidance as necessary.
Narrow Scope Maintenance Projects	
Our Framework allows for narrow scope maintenance of our standards. This is achieved through projects addressing a limited number of targeted changes, to either a single standard or across multiple standards. We will monitor whether there are topics that could be addressed through such a project. For example, when there is an urgent need to address an issue or when a standard-setting response is indicated (rather than non-authoritative material) but does not require a full scope revision on one or more standards.	

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