



# Auditing and Assurance Standards Board

## Corporate Plan 2016-17





## AUASB Corporate Plan 2016–17

I, Merran Kelsall, as the accountable authority of the Auditing and Assurance Standards Board (AUASB), present the 2016-17 AUASB Corporate Plan, which is prepared for the 2016-17 period and covers the periods 2015-16 to 2018-19, as required under section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

### The Purpose of the AUASB

The AUASB is responsible for setting auditing and assurance standards for the private and public sectors in Australia, (see section 227 of the *Australian Securities and Investments Commission Act 2001*). The AUASB:

- develops principles-based independent auditing and assurance standards and guidance for Australia that meet user needs; and
- contributes to the development of international auditing and assurance standards.

The main purpose of accounting and auditing standards is to assist in maintaining confidence in the Australian economy, including its capital markets. The AUASB achieves this by developing, issuing and maintaining Australian Standards on Auditing (ASAs) and related pronouncements. These standards enable auditors and other assurance practitioners to enhance the credibility of an entity's performance and reporting, thereby providing entities, users and investors with confidence and trust.

The transparency, comparability and accountability required by auditing and assurance standards underpin public and investor confidence in the Australian economy. They reduce information gaps and enable more efficient resource/capital allocations.

The AUASB has a substantial body of standards and an assurance framework that address the vast majority of auditing and assurance issues facing entities in all sectors (private, public, for-profit and not-for-profit). Entities required by the *Corporations Act 2001* to lodge financial statements must have their financial reports audited in accordance with the AUASB's auditing standards, and many other types of entities are also generally required to be audited in accordance with those standards.

The AUASB will consider it is successful if it:

- both adopts and is able to influence the development of international standards (see strategy 1 and 5 below)
- is seen by its stakeholders as a progressive, forward-looking standard-setter, sought after for its views both within Australia and internationally (see strategy 2 and 3 below)
- promotes consistent adoption of pronouncements and audit quality by successful stakeholder engagement (see strategy 4)



## Environment

### The Australian Reporting Framework

The AUASB's vision is to be recognised as a leading national auditing and assurance standards setting body that develops high quality auditing and assurance standards and guidance in the public interest. To this end, it is taking a lead role in shaping the Australian Reporting Framework, which seeks to set out the assurance applicable to different types of Australian entities. This framework will act as a guide for governments and regulators to balance the costs and benefits of obtaining independent assurance, and result in 'fit for purpose' public information from different types of entities.

The AUASB is also implementing changes to ensure that Australia remains at the forefront of international auditing and assurance practice and that standards are 'fit for purpose' in the Australian environment. Technological advances, the rise in importance of non-financial reporting, stakeholder demands for clearer and more frequent information, and the need for international alliances with other standard setters and better empirical evidence to effectively influence international developments, all pose potentially significant challenges. The AUASB recognises that it will need to be more agile and responsive to meet these challenges and the steps it is taking to do so are set out under 'Performance: Achieving our strategy' below.

### Setting standards in a global economy

The AUASB is required to consider the interests of Australian corporations looking to raise capital in major international financial centres when setting standards. The International Auditing and Assurance Standards Board (IAASB) is well-recognised as the world's major international auditing and assurance standards setter, with International Standards on Auditing (ISAs) being applied in more than 100 countries. For this reason, and in accordance with the Financial Reporting Council (FRC) Strategic Direction given in 2005, the AUASB has adopted ISAs and International Standards on Assurance Engagements (ISAEs) issued by the IAASB as the basis of the AUASB's auditing and assurance standards.

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

However, where ISAs do not cover a topic of importance to the Australian community, the AUASB sets local standards to fill that gap. Projects to make these additions and amendments may relate to government and private sector entities, and are embarked upon with stakeholders engaged through AUASB project advisory groups (PAGs) and other forms of consultation.

The AUASB consults extensively with Australian entities and other stakeholders, so that it can properly reflect the interests of the Australian community at both the domestic and international levels. The AUASB is also increasingly seeking empirical research from Australian academics as a means of influencing internationally, to support the identification of issues, analysis of possible solutions and evidence of impact once a standard is finalised.

The quality of standards developed by the IAASB is dependent on three factors: quality of IAASB board membership, quality of staff resources and effective feedback from constituents. The AUASB seeks to mitigate potential risks to standards quality by engaging directly with the IAASB board members and staff, participating in working groups/task



forces, periodically obtaining membership of the IAASB and by providing input into all IAASB exposure drafts and other consultation documents.

The AUASB also seeks to influence the IAASB by developing close working relationships and alliances with other national standard setters. These include the New Zealand Auditing and Assurance Standards Board (NZAuASB), the Canadian Assurance Standards Board, the UK Financial Reporting Council (Auditing Standards Committee), the South African Independent Regulatory Board for Auditors and the IDW Auditing Standards Board in Germany.

The international standard setting environment has complex dynamics. It is both collaborative and competitive; all see the sense of having commonly applied standards but each jurisdiction is keen to promote their own stakeholders' views, and it tends to be dominated by the larger geographical blocs. In this global environment, a national standard setter's reputation is crucial and the AUASB's work is well regarded among other national standard setters.

### **Regulatory**

The AUASB is an auditing and assurance standard setter but (unlike some overseas bodies) not a regulator of its own standards, which is largely the function of the ASIC, APRA and other Australian regulatory agencies such as the ACNC, ATO and CER. The perception of the AUASB's performance is impacted not only by the AUASB's own actions, but also how well its standards and guidance are enforced.

The process by which the AUASB formulates its standards and guidance is expansive and interrelated with the international standard setting process, as well as being subject to Commonwealth due process requirements. Thorough and wide-ranging consultation with stakeholders is at the core of the AUASB's work.

### **The AUASB strategies**

The strategic directions that enable the AUASB to meet its purpose are as follows.

<b>Strategy 1: Standard setting</b>	<b>Strategy 2: Australian assurance issues</b>	<b>Strategy 3: Thought leadership</b>	<b>Strategy 4: Stakeholder engagement</b>	<b>Strategy 5: Harmonisation of AU/NZ standards</b>
Increase confidence in assurance on external reporting by contributing to the development of and converging with one set of robust international auditing and assurance standards	Be recognised by key stakeholders as the standard setting body in Australia that formulates and maintains auditing and assurance standards and guidance pronouncements that address local issues	Provide thought leadership, identify and respond to emerging issues	Communicate and engage with stakeholders to promote audit quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements	Harmonise Australian and New Zealand auditing and assurance standards



## 2016-17 Key Priorities

The AUASB’s key priorities for 2016-17 are as follows.

<p><b>Strategy 1:</b> Standard setting</p>	<p>Issue new and revised auditing standards and exposure drafts based on ISAs issued by the IAASB on: non-compliance with laws and regulations, auditing accounting estimates, group audits, quality control at the firm and engagement levels, and identification and assessment of risk.</p>
<p><b>Strategy 2:</b> Australian assurance issues</p>	<p>Revise and issue assurance standards on the areas of compliance engagements and performance engagements; revise auditing guidance statements on the responsibilities of auditors at annual general meetings, and issue new guidance in the area of auditor reporting implementation.</p>
<p><b>Strategy 3:</b> Thought leadership</p>	<p>Revise the joint publication, <i>Audit Committees A Guide to Good Practice</i>, in conjunction with the Australian Institute of Company Directors and the Institute of Internal Auditors-Australia.</p>
<p><b>Strategy 4:</b> Stakeholder engagement</p>	<p>Engage with stakeholders through the use of forums, roundtables and annual consultative meeting on implementation of the auditor reporting project and the IAASB’s new projects such as auditing accounting estimates and financial institutions, identification and assessment of risk and survey on the IAASB strategy and work plan.</p> <p>Provide formal submissions to IAASB exposure drafts and other consultation documents relating to the above projects, including consultation paper on emerging areas of external reporting (EER)</p> <p>Work with other Australian Government agencies such as APRA, ASIC, ACNC, CER and the ATO to issue guidance for practitioners and to encourage their audit and assurance requirements to be aligned to AUASB pronouncements. Similarly, a dialogue will be continued with legislative drafters in conjunction with the Australian Accounting Standards Board (AASB) to encourage alignment of legislation with AUASB pronouncements.</p>
<p><b>Strategy 5:</b> Harmonisation of AU/NZ standards</p>	<p>Monitor developments in Service Performance Reporting.</p> <p>Work with NZAuASB to consider other EER and co-operate on projects including compliance and performance engagements plus the IAASB projects.</p>

### Performance: Achieving our strategy

Appendix A maps the AUASB’s strategic priorities to its statutory functions and Appendix B relates the strategies to KPIs for each of the next four years. The AUASB’s annual performance statements will be based on these KPIs.

Many of the AUASB’s activities are impacted by events not wholly within its control. For example, much of the AUASB’s work is based on the work of the IAASB, so delays can affect achievement of our key priorities.

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

### Capability: Strategic enablers

To achieve its strategies over the period of the Corporate Plan, the AUASB will make use of the following enablers.



## **Technology**

The AUASB and AASB are increasingly using the internet and social media (Twitter and LinkedIn) and webinars to engage and educate. This will continue to evolve as technology and user preferences change.

Technology is also critical to improving knowledge management and reducing compliance risk. The AUASB and AASB are currently implementing SharePoint to manage much of their core operations, which will enhance program and project control, and address compliance risks such as document control and record retention.

## **People**

In order to focus more effectively and efficiently on their core standard setting activities the AUASB and AASB have implemented a major restructure. The boards have moved to a shared support model where both boards are supported by a single National Director and combined administrative staff. The Boards are also adopting a more flexible, 'program management' approach to standard setting, focusing efforts on turning around critical projects and bringing in critical resources on a project basis as needed.

The changes to the Boards' operating model are being supported by changes in systems and processes, particularly those regarding accountability, training and employee development. Taken together, these changes will enable the Boards to collaborate and influence more effectively, and more cost-effectively set standards.

## **Our board**

The AUASB board members are experienced and diverse in background, including accounting and auditing practice, industry, the public sector and academia, which they bring to standard setting, together with a paramount understanding of standard setting in the public interest. The FRC appoints all board members as individuals, except for the Chairman, who is appointed by the Minister. Board members serve on Project Advisory Groups and participate in public forums. The Chairman is a member of the IAASB and a member of its Steering Committee. It is anticipated that the new Chair to be appointed in 2017 will attend IAASB meetings as an observer.

## **Our staff**

The AUASB is well-placed to implement its five strategies with the skills and expertise currently available to it.

AUASB staff have a range of professional backgrounds, including accounting and auditing practice, industry, and the public sector. Collectively, they possess many years of technical and practical auditing and assurance experience.

There is an active staff professional development program, a graduate intern program with the AASB, as well as opportunities for staff secondments to and from other standard setters, professional accounting firms and corporates.

Research capability will be enhanced by the addition of the new role of Research Director in 2016/17 in conjunction with the AASB, which will be a part-time appointment from academia.



## **Our peers**

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

## **Risk oversight and management**

There are two arms of the AUASB:

- the Board itself; and
- the Office of the AUASB that employs the staff who support the Board and the administrative staff that support the AASB and the AUASB.

The Board makes technical decisions and approves the standards for issuance with the benefit of information from the staff, preparers, academics, international counterparts, the audit profession, and other sources.

All technical deliberations are conducted in public. Accordingly, the standard setting process is conducted in a transparent manner. The basis for the Board's major decisions are made public in board meeting minutes and published in Basis for Conclusions documents.

The AUASB complies with the Commonwealth Risk Management Policy. The policy is reviewed at least annually in consultation with the AUASB's Audit Committee. The Audit Committee has a majority of external members and oversees risk management at the administrative level. The AUASB also maintains a risk register, which is regularly updated.





### Map of AUASB Strategies to its Statutory Functions and Relationship to KPI's for 2017-2020

Function Strategy	Make auditing standards under section 336 of the <i>Corporations Act</i> 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 objects of this Part (Part 12)
1. Increase confidence in assurance on external reporting by contributing to the development of and converging with one set of robust international auditing and assurance standards	√	√		√	√
2. Be recognised by key stakeholders as the standards-setting body in Australia that formulates and maintains Auditing and Assurance Standards and guidance pronouncements that address local issues	√	√	√		√
3. Provide thought leadership, identify and respond to emerging issues	√	√	√	√	√
4. Communicate and engage with stakeholders to promote Audit Quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements	√	√	√	√	√
5. Harmonise Australian and New Zealand auditing and assurance standards	√	√		√	√



### AUASB Initiatives and Functions Mapped to Strategy and KPI's for 2017-2020

Strategic Objectives	Strategic Initiative and KPIs	2016-17	2017-18	2018-19	2019-2020
<b>1. Increase confidence in assurance on external reporting by contributing to the development of, and convergence with, one set of robust international auditing standards</b>	<b>Participate in IAASB activities:</b> <ul style="list-style-type: none"> <li>• Attend and actively contribute to <u>quarterly</u> IAASB meetings;</li> <li>• Participate and present at the <u>annual</u> IAASB-NSS meeting;</li> <li>• Contribute to relevant IAASB projects and as appropriate, participate in IAASB Working Groups; and</li> <li>• Provide AUASB submissions to the IAASB on <u>all</u> exposure drafts and discussion and consultation papers by the due date.</li> </ul>	√	√	√	√
		√	√	√	√
		√ (at least one)	√	√	√
		√	√	√	√
	<b>AUASB international-related initiatives:</b> <ul style="list-style-type: none"> <li>• Issue IAASB related Australian equivalent Exposure Drafts in a timely manner (by the later of, within 3 months of PIOB clearance or within 1 month of AUASB approval);</li> <li>• IAASB equivalent, or ISA plus, standards adopted by the AUASB with the same application dates; and</li> <li>• Conduct post-implementation reviews of IAASB equivalent issued AUASB Standards.</li> </ul>	√	√	√	√
		√	√	√	√
		√ (informal)	√(informal)	√(formal)	√

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-2020
<p><b>2. Be recognised by key stakeholders as the standards-setting body in Australia that formulates and maintains Auditing and Assurance Standards and guidance pronouncements to address local issues</b></p>	<p><b>Increase awareness and acceptance of AUASB Pronouncements, in particular, their application to government agencies and other bodies.</b></p> <ul style="list-style-type: none"> <li>• Actively liaise and engage with regulatory agencies, including ASIC, APRA, ACNC, CER, and ATO, to encourage their audit and other assurance requirements to be aligned with AUASB pronouncements.</li> <li>• Periodic presentations to Commonwealth and State Based Legislative drafters.</li> </ul> <p><b>Formulate and maintain high quality Australian Auditing and Assurance Standards that conform with their IAASB equivalents, address local regulatory issues and promote consistency in application.</b></p> <ul style="list-style-type: none"> <li>• Consider Australian legislative and other regulatory requirements when considering adoption of IAASB standards and identify any changes that may be consequentially required to the Auditing and Assurance Standards via the <i>compelling reasons</i> test.</li> </ul> <p><b>Formulate and maintain high quality Standards and Guidance Statements and other pronouncements that address gaps in the suite of international standards as well as local regulatory and other issues and promote consistency in application.</b></p> <ul style="list-style-type: none"> <li>• Develop and revise, as appropriate, AUASB Guidance Statements which will provide practical guidance to auditors and assurance practitioners on industry related areas, such as those regulated by ASIC, APRA, ATO, CER and other regulators.</li> </ul>	<p>√(ASIC and APRA at least Quarterly)</p> <p>√(At least 2)</p> <p>√(every standard)</p> <p>√(at least one)</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√</p>

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-2020
<b>3 Provide thought leadership and identify emerging issues</b>	<p><b>Proactively monitor international developments on auditing and assurance including:</b></p> <ul style="list-style-type: none"> <li>• Monitor the activities of other auditing standard setting bodies (including Canada, France, Germany, Netherlands, United Kingdom, United States and South Africa) and the work of other international regulatory bodies (including IOSCO, PCAOB and IFIAR), and consider any matters they have considered that may potentially impact on AUASB pronouncements;</li> <li>• Monitor and promote the work of other international bodies, such as FEE and the IIRC; and</li> <li>• Prepare International Auditing and Assurance Update e-publication covering IAASB and other national auditing standard setters' activities for AUASB meetings and for publishing on the AUASB website.</li> <li>• Communication with stakeholders (refer to strategic objective 4).</li> </ul>	<p>√</p> <p>√</p> <p>√(at least quarterly)</p>	<p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p>

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-20
<p><b>4. Communicate and engage with stakeholders to promote Audit Quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements</b></p>	<p><b>Actively engage with stakeholders:</b></p> <ul style="list-style-type: none"> <li>• Engage with Australian stakeholders, regulatory bodies, professional accounting bodies, practitioners, preparers, users and other stakeholders (including Australian Treasury, ASIC, APRA, ACNC, CER and ATO) to promote Audit Quality and consistency in the application of AUASB pronouncements: <ul style="list-style-type: none"> <li>- engage directly with key stakeholders on a timely basis on topical issues;</li> <li>- conduct topic-specific Roundtable meetings to gather feedback (IAASB survey/Auditing Accounting Estimates/Risk Assessment);</li> <li>- consult with stakeholder either by conducting surveys or consultative meeting to identify the needs of stakeholders and other users of auditing and assurance services;</li> <li>- conduct a strategy session to review the strategic plan and discuss priorities and significant projects and to obtain input on the AUASB's work plan priorities;</li> </ul> </li> <li>• Engage with regulators on the application of the auditing standards to identify issues arising on application.</li> <li>• Conduct informal post-implementation reviews of all issued AUASB standards as and when standards are revised by the IAASB;</li> <li>• Engage with practitioners, professional bodies and regulators to assist with consistent understanding and implementation, of the principles underlying standards and the resultant work effort and evidence requirements; and</li> <li>• Engage with the FRC through the AUASB Chairman's active involvement, including through membership of the Audit Quality Committee;</li> </ul>	<p>√</p> <p>√ (ASIC and APRA at least Quarterly)</p> <p>√</p> <p>√</p> <p>√ May 2017</p> <p>√ (ASIC and APRA at least Quarterly)</p> <p>√</p> <p>√ May 2017</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√ April 2018</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√ April 2019</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>	<p>√</p> <p>√</p> <p>√</p> <p>√ April 2019</p> <p>√</p> <p>√</p> <p>√</p> <p>√</p>

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2019-20
<b>4. Communicate and engage with stakeholders to promote Audit Quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements (cont'd)</b>	<ul style="list-style-type: none"> <li>Participate in public debate, conferences and seminars on topics relevant to global auditing and assurance standards and strategic audit and assurance issues; and</li> </ul>	√(at least one)	√	√	√
	<ul style="list-style-type: none"> <li>Contribute articles for relevant professional publications that highlight key principles of, or major changes to, the AUASB pronouncements.</li> </ul>	√(at least one)	√	√	√
	<b>Identify AUASB stakeholders and understand their needs and expectations:</b>				
	<ul style="list-style-type: none"> <li>Conduct stakeholder satisfaction survey and use feedback results to obtain benchmark for performance improvement;</li> </ul>	√ develop	√ monitor & improve	√	√
	<ul style="list-style-type: none"> <li>Create and maintain a key stakeholders contacts database; and</li> </ul>	√ create	√ maintain & improve	√	√
	<ul style="list-style-type: none"> <li>Increase media mentions, social media activity and level of participation at AUASB events.</li> </ul>	√ create	√ monitor & grow	√	√

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-20
<b>5. Harmonise Australian and New Zealand auditing and assurance standards</b>	<p><b>Harmonise, wherever possible given the different regulatory environments, Australian and New Zealand Auditing and Assurance Standards through working actively with the NZAuASB:</b></p> <ul style="list-style-type: none"> <li>• Engage with the NZAuASB Chair, NZAuASB staff and relevant board members when drafting auditing and assurance standards that will be adopted jointly to understand if there are likely to be any harmonisation differences; and</li> <li>• Collate and reconcile any differences between Australian and New Zealand standards, and the reasons therefor: <ul style="list-style-type: none"> <li>- prepare compelling reasons test documentation to explain all differences, including with any underlying IAASB standard(s).</li> </ul> </li> </ul>	<p>✓ review board papers and provide feedback</p> <p>✓ Service Performance Reporting project</p>	<p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>	<p>✓</p> <p>✓</p>