



Australian Government

Auditing and Assurance Standards Board

AUASB Business Plan

1 July 2011 to 30 June 2012

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Introduction

The Auditing and Assurance Standards Board (AUASB) is the Australian Government board responsible for the development of auditing and assurance standards and related guidance in Australia

AUASB functions under the *ASIC Act 2001* are to:

- make auditing standards for the purposes of the Corporations Act;
- formulate auditing and assurance standards for other purposes;
- formulate guidance on auditing and assurance matters; and
- participate in and contribute to the development of a single set of international auditing standards for world-wide use.

The AUASB's vision is to be recognised as a leading national standards-setter that develops high quality auditing and assurance standards and guidance in the public interest. The AUASB's mission is to develop auditing and assurance standards and related guidance that will enhance the relevance, reliability and timeliness of information to users of audit and assurance services through high quality audit and assurance engagements.

Global Impacts

Over the past two years, there have been significant international debates taking place, particularly in Europe and in the United States regarding the role of auditors since the Global Financial Crisis of late 2008. This has resulted in considerable public debate about the role and regulation of auditors. Recent examples of this debate include:

- The European Commission (EC) green paper on auditor regulation and subsequent Report on Audit Policy issued in May 2011.
- In the United States, the Public Company Accounting Oversight Board (PCAOB) is further considering and re-evaluating the role of auditors, auditor reporting and its own audit inspection processes.
- The PCAOB also issued a paper on effective communication between auditors and audit committees and risks pertaining to independence, audit committee culture and transparency.
- In the UK, the Financial Reporting Council (FRC) issued a paper on Effective Company Stewardship, which proposes broadening the role of the audit committee and audit scope in reporting publicly on the work of audit committees. Furthermore, the House of Lords conducted an enquiry on the role of auditors and issued a report – Auditors: Market concentration and their Role.
- The UK FRC also launched an inquiry in February 2011, to identify lessons for companies and auditors addressing going concern and liquidity risks in difficult times.
- Developments in various other jurisdictions issuing discussion papers on the future of statutory audit.

- The International Auditing and Assurance Standards Board (IAASB), recently issued a Consultation Paper - *Enhancing the Value of Auditor Reporting: Exploring Options for Change*

There is a considerably heightened focus on the independence of auditors and greater scrutiny over the scepticism and professional judgement exercised by auditors, and as a consequence, also growing international pressure for greater regulation of auditors. These developments will inevitably impact on the work of the AUASB in 2011-12. The AUASB will closely monitor developments and will communicate promptly with stakeholders on these matters with emphasis on audit quality and the value of assurance.

AUASB Strategies and Initiatives

Overview

This *Business Plan* establishes the AUASB work program for the year ending 30 June 2012 to implement the strategies and initiatives set out in the *AUASB Corporate Plan* for the three-year period ending 30 June 2012.

Following the revision and release of the current Australian Auditing Standards (ASAs) in October 2009, the AUASB's work program has been refocused to undertake the following key initiatives:

- Contribute to the successful implementation and monitoring of the revised Australian Auditing Standards in Australia.
- Revise and reissue Standards on Assurance Engagements (ASAEs), Standards on Review Engagements (ASREs), Standards on Related Services (ASRS) and Guidance Statements, as necessary.
- Engage in thought leadership initiatives, including promoting audit quality, assurance implications of integrated reporting, and aligning other regulated audit reporting frameworks.

Key Strategies and Initiatives

The AUASB key strategies and initiatives for the year ending 30 June 2012 are as follows:

1. Formulate and maintain legally enforceable Auditing Standards

The strategy of the AUASB is to formulate and maintain Auditing Standards that are legally enforceable under the *Corporations Act 2001* and conform with international auditing standards.

The current suite of Australian Auditing Standards (ASAs) was issued in October 2009, and became operative for financial reporting periods that commenced on or after 1 January 2010. Consequently, the AUASB's focus in 2011-12 is to further facilitate and monitor the implementation of the revised ASAs.

To this end, the AUASB will continue to undertake significant work to communicate to auditors and other assurance practitioners the key changes in the ASAs that resulted from their redrafting and revision and how they should be applied in practice. This work includes making various presentations on this theme throughout 2011-2012.

To reinforce the above, the AUASB will also undertake the following activities during the 2011-12 year:

- Provide feedback to the IAASB through its Clarity ISA Implementation Monitoring and Audit Quality project task forces.
- Develop articles for professional journals that will highlight key principles and major changes, and that will provide guidance on significant matters in the ASAs.
- Consider Australian legislation and other regulatory requirements as well as developments in international auditing standards for any changes which may require further amendments to the ASAs.

2. Formulate and maintain other auditing and assurance standards

Another key strategy of the AUASB is to formulate and maintain other auditing and assurance standards, ensuring quality and complete coverage of relevant auditing and assurance matters.

The other auditing and assurance standards, and their related AUASB projects, comprise:

- **Standards on Assurance Engagements (ASAEs)**

The major projects relating to the development of new ASAEs that are expected to be completed or undertaken in the coming year include:

- Issue a new standard on fundraising engagements, including prospective financial information.
- Issue a new standard on comfort letter engagements for international and cross-border offerings.
- Revise AUS 810 *Special Purpose Reports on the Effectiveness of Control Procedures* and replace it with a new ASAE.
- Revise ASAE 3000 *Assurance Engagements* in line with proposed revision of ISAE 3000 by the IAASB.
- Conduct post-implementation reviews of ASAE 3100 *Compliance Engagements* and ASAE 3500 *Performance Engagements*.
- Issue an ED and ASAE dealing with Assurance on Greenhouse Gas Emissions based on the proposed ISAE 3410 as issued by the IAASB.
- Continue to work jointly with the Water Accounting Standards Board on the development of an Assurance Standard on Water Accounting Reports.

- **Standards on Review Engagements (ASREs)**

The AUASB will monitor the revision of the IAASB standard on review engagements (ISRE 2400) and consider the implications for the equivalent AUASB review engagement standards.

3. Formulate and maintain guidance pronouncements

The AUASB formulates and maintains guidance pronouncements, ensuring that guidance is of high quality, timely and provides appropriate coverage through pronouncements that supplement auditing and assurance standards and address emerging issues.

AUASB Guidance Statements are developed to assist auditors and assurance practitioners in fulfilling the objectives of an audit or assurance engagement. They include explanations and suggested procedures on specific matters for the purposes of understanding and complying with the auditing and assurance standards. They may be issued to provide industry or sector specific guidance for auditing and assurance practitioners, for example, in relation to the audit requirements of prudential standards applicable to financial institutions.

In the coming year, the AUASB will review and consider the impact of amendments to legislation/regulation on the ASAs and existing Guidance Statements, and revise them as appropriate.

Major projects which will be undertaken in the forthcoming year producing guidance in the following areas include:

- APRA regulated areas (ADIs, general insurance, life insurance and superannuation);
- Service Organisations (GS 007);
- Self-managed Superannuation Funds (GS 009);
- Auditing Complex Financial Instruments;
- Auditing Grant Acquittals (including liaison with government departments regarding the nature and scope of such audits);
- Privity Letter Requests;
- Other government agencies to conform their prescribed audit reports with the AUASB reporting framework; and
- Application of ASAs on audits of smaller entities (SMEs).

4. Contribute to and influence the development of international auditing standards

The strategy of the AUASB is to contribute to and influence the development of international auditing and assurance standards by collaborating and liaising with other international and national standard-setting organisations, to contribute to improving the quality of auditing and assurance standards. The AUASB will maintain its international profile by engaging in the following activities:

4.1 Participate in quarterly IAASB meetings and annual National Standard Setters (NSS) meeting

The AUASB Chairman and Executive Director will attend IAASB meetings to participate in its activities and to maintain understanding of emerging issues relating to the development of international pronouncements.

The AUASB Chairman and Executive Director will also contribute to the agenda and participate in the annual Audit NSS meeting to be held in April 2012.

Through the above activities, the AUASB will keep abreast of IAASB and other international auditing and assurance developments.

4.2 Contribute to and participate in IAASB projects

The AUASB will continue its direct involvement in IAASB projects. In particular, certain AUASB members will continue their participation in the IAASB projects on:

- Audit Quality;
- ISA Implementation Monitoring;
- Assurance on Pro-Forma Information; and
- Review Engagements.

The AUASB will also seek involvement in other IAASB projects that are relevant to the AUASB activities and initiatives, and will share auditing pronouncements developed in Australia.

4.3 Monitor IAASB and other international projects

The AUASB will closely monitor and contribute to other proposed IAASB projects that are relevant to AUASB activities and initiatives, including:

- Auditor Reporting;
- Assurance Engagements (other than on historical financial information);
- Auditing financial statement disclosures;
- Assurance on Greenhouse Gas Reports;
- Using the Work of Internal Auditors;
- Other information in Documents Containing an Audited Financial report; and
- Audit implications of XBRL.

In addition, the AUASB will monitor developments in *Integrated Reporting*, emanating from the work of the International Integrated Reporting Committee.

4.4 Seek input and provide comments on IAASB exposure drafts

The AUASB will maintain active participation in the IAASB consultation process for developing international pronouncements. In particular, the AUASB will actively seek comments from constituents when formulating its submissions to the IAASB and where appropriate, organise roundtable meetings to seek stakeholder input prior to finalising such submissions.

4.5 Working with the New Zealand Auditing & Assurance Standards Board

Structural changes to auditing standards setting arrangements in New Zealand commenced on 1 July 2011 and cross appointments of the Chairmen from each of the two boards have been made. More active engagement, joint influence and resource sharing will be undertaken.

4.6 Participate in TTAASAG meetings

The AUASB Chairman will continue membership of the Trans-Tasman Accounting and Auditing Standards Advisory Group (TTAASAG) and participate in the discussions of that group, including developments and issues relating to Australian and New Zealand auditing and assurance standard setting activities.

4.7 Liaise and engage with other National Standard Setters

The AUASB will also continue to monitor the activities of other auditing standard setting bodies including Canada, France, Germany, Netherlands, United Kingdom, United States and South Africa.

4.8 Monitor international developments on audit and assurance

In addition to its liaison with other national auditing standard-setters (NSS), the AUASB will also monitor other international developments in audit and assurance. In particular, the AUASB will monitor the work of other international regulatory bodies, such as IOSCO, PCAOB and IFIAR, and consider matters that may impact on AUASB pronouncements.

An *International Update* on IAASB and other international standard setters' activities will be prepared for AUASB meetings and will be posted on the AUASB website.

5. Communicate and consult with constituents

Through a detailed communication and consultation plan, the AUASB strategy is to increase awareness of the AUASB's work among its stakeholders, and to ensure that stakeholders' views are appropriately considered in the AUASB activities and initiatives. To this end, the AUASB will undertake the following in the coming year:

5.1 Liaise and engage with Australian regulatory bodies, professional bodies and other stakeholders

Liaise and engage with Australian regulatory bodies (including ASIC, APRA and ATO), professional accounting bodies, practitioners, Australian Treasury and other relevant government departments and other organisations on matters affecting auditing and assurance standards, including, engaging with key stakeholders and through topic specific Roundtable meetings and an annual AUASB stakeholder Consultative Meeting to inform stakeholders of the significant projects and achievements of the AUASB during the year,

as well as obtaining their views about emerging issues that may impact the AUASB strategies and activities.

Furthermore, liaison activities will extend to:

- Monitoring the APESB professional standards and raising ethical issues that relate to audit and assurance for consideration by the APESB, such as auditor independence.
- Liaising with the Australian Council of Auditors General (ACAG) and issuing relevant auditing and assurance standards and guidance.
- Liaising with the Australian Accounting Standards Board (AASB) in relation to changes to the audit reporting standards brought about by new differential financial reporting requirements.

5.2 Communicate and consult on emerging issues

The AUASB will conduct communication and consultation initiatives that will address emerging issues, including:

- audit quality;
- the role of the auditor; and
- the value of assurance.

This will include the publication in professional journals on these and other AUASB matters of significant interest.

The AUASB will also present at conferences and discussion groups on topics relating to AUASB pronouncements and activities.

5.3 Issue media releases on new standards and other pronouncements

The AUASB will continue to issue media releases on new standards and other pronouncements to ensure that its stakeholders are appropriately informed of such developments.

5.4 Maintain and enhance AUASB website

The AUASB will continue to maintain, update and enhance, as appropriate, the AUASB website and to publish its newsletter *Independence* on the AUASB website to promote awareness of AUASB activities.

6. Thought leadership and responding to emerging issues

The AUASB's strategy is to engage in thought leadership and respond to emerging issues through the use of research, communication and consultation to:

- identify emerging issues; and
- ensure early participation that will enable thought-leadership initiatives and appropriate responses.

The AUASB recognises the need to have access to adequate and appropriate expertise in key emerging topics. With appropriate expertise, the AUASB will be able to assist and influence legislators and regulators in developing laws and regulations relating to emerging topics. Mindful of this need and in line with the AUASB strategy on thought leadership, the Board plans to consult with subject matter experts, where appropriate, in addressing the key emerging topics identified for the year ending 30 June 2012.

The AUASB will:

- 6.1** Promote audit quality thought leadership including research on emerging issues that are relevant to the AUASB's activities.
- 6.2** Identify and respond to auditing and assurance issues relevant to specific industry groups.
- 6.3** Participate in the early stages of the development of legislation and work with regulators in developing regulatory guides to better define audit requirements.
- 6.4** Identify and respond on a timely basis, to significant emerging auditing and assurance issues of public interest.
- 6.5** Track local and international research projects and consider any implications for auditing and assurance standards.

Key issues identified for the coming year include:

Aligning Other Regulated Audit Reporting Frameworks to AUASB Standards

The AUASB will in 2011-12 publish an AUASB Bulletin which will promote the benefits of regulators in other jurisdictions, aligning their industry specific audit reporting requirements with those of the AUASB.

In recent years we have witnessed the emergence of audit regulation in various states and territories, which in some cases require audit reports to be in a form that is different from the model prescribed in Australian Auditing Standards. The proposed AUASB Bulletin will endeavour to demonstrate how a greater alignment to the AUASB reporting model can minimise the risk of an information gap to users.

Integrated Reporting

The AUASB appreciates the importance of the role of auditors and assurance practitioners to the emerging area of integrated reporting. Mindful of these considerations, the AUASB will promote discussion on issues relating to integrated reporting, focusing on challenges for assurance practitioners.

Audit Quality and the Role of the Auditor

The AUASB will closely monitor developments regarding the role of the auditor since the Global Financial Crisis, and will address the need for communication or revision of existing guidance including:

- Update of the guide on audit committees issued jointly with the AICD - *“Audit Committees: A Guide to Good Practice”* (Issued February 2008).
- Guidance on auditor professional scepticism, the value of an audit and the information and expectation gap.