

Annual Regulatory Plan

2010-2011

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Australian Government

Auditing and Assurance Standards Board

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Introduction

The Auditing and Assurance Standards Board (AUASB) is an Australian Government Agency established under the *ASIC Act 2001* and is an entity under the *Financial Management and Accountability Act 1997* (FMA).

The primary functions of the AUASB are to:

- make Auditing Standards under section 336 of the *Corporations Act 2001*;
- formulate auditing and assurance standards for other purposes; and
- formulate guidance on auditing and assurance matters.

What is a regulatory plan?

Government agencies or departments that are responsible for regulatory changes are required to publish an Annual Regulatory Plan on their website early in each financial year.

A regulatory plan is a document that tells business operators, business representatives, other stakeholders and the public about regulatory changes that a government agency or department has made in the past financial year, and plans to make in the next financial year.

A regulatory plan covers business regulation. This includes primary legislation, subordinate legislation, quasi-regulation or treaties which directly affect business, have a significant indirect effect on business, or restrict competition.

A regulatory plan does not include information about the following:

- Regulations of a minor or machinery nature that do not substantially alter existing arrangements;
- Regulations that involve consideration of specific Government purchases;
- Regulations of a state or self-governing territory that apply in a non-self-governing territory; and
- Anticipated activity about which it would be inappropriate to publish information on grounds of confidentiality.

In addition, there may be regulatory activities undertaken during the next financial year which have not been included in a regulatory plan because they could not be foreseen when the plan was prepared.

In view of these exclusions, users should not take a regulatory plan to be a comprehensive source of information on past or potential changes to business regulation.

AUASB Pronouncements

The AUASB issues a range of pronouncements that may be regulatory or non-regulatory in nature.

The following pronouncements will generally be *regulatory* in nature:

- (a) Australian Auditing Standards (ASAs);
- (b) Standards on Review Engagements (ASREs);
- (c) Standards on Assurance Engagements (ASAEs); and
- (d) Guidance Statements

The following AUASB pronouncements will generally be *non-regulatory* in nature:

- (a) Foreword;
- (b) Framework;
- (c) Glossary;
- (d) Bulletins; and
- (e) Other publications.

How up to date is information in this regulatory plan?

This plan was compiled in mid June 2010. It contains two sections:

- Regulatory Activities July 2009 – June 2010; and
- Planned Regulatory Activities July 2010 – June 2011

The AUASB may periodically review and update information in the Planned Regulatory Activities section. To check when an entry was last updated, see Date Last Modified in each entry.

Office of Best Practice Regulation

The Office of Best Practice Regulation (OBPR) oversees compliance with the regulatory plan requirements. For further information about regulatory plans, go to www.obpr.gov.au.

Regulatory Activities July 2009 – June 2010

Title	ASA Redrafting (Clarity) Project
<p>Description</p>	<p>The AUASB revised and reissued the Australian Auditing Standards in ‘Clarity’ format consistent with the International Auditing and Assurance Standards Board (IAASB) project to update the International Standards on Auditing (ISAs). To ensure continued conformance of Australian Auditing Standards with the ISAs, the AUASB used the ‘Clarity’ ISAs as the underlying standards, with changes made only for Australian regulatory or public interest reasons. In addition, the AUASB issued two new standards which are relevant in the Australian legislative context. The standards issued are:</p> <ul style="list-style-type: none"> • <i>ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements.</i> • <i>ASA 101 Preamble to Australian Auditing Standards</i> • <i>ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i> • <i>ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards</i> • <i>ASA 210 Agreeing the Terms of Audit Engagements</i> • <i>ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i> • <i>ASA 230 Audit Documentation</i> • <i>ASA 240 The Auditor’s Responsibilities Relating to Fraud in an Audit of a Financial Report</i> • <i>ASA 250 Considerations of Laws and Regulations in an Audit of a Financial Report</i> • <i>ASA 260 Communication with Those Charged with Governance</i> • <i>ASA 265 Communicating Deficiencies in Internal Control with Those Charged with Governance and Management</i> • <i>ASA 300 Planning an Audit of a Financial Report</i> • <i>ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i> • <i>ASA 320 Materiality in Planning and Performing an Audit</i> • <i>ASA 330 The Auditor’s Responses to Assessed Risks</i> • <i>ASA 402 Audit Considerations Relating to an Entity Using a Service Organisation</i> • <i>ASA 450 Evaluation of Misstatements Identified During the Audit</i> • <i>ASA 500 Audit Evidence</i> • <i>ASA 501 Audit Evidence—Specific Considerations for Inventory and Segment Information</i> • <i>ASA 502 Audit Evidence—Specific Considerations for Litigation and Claims</i> • <i>ASA 505 External Confirmations</i> • <i>ASA 510 Initial Audit Engagements—Opening Balances</i> • <i>ASA 520 Analytical Procedures</i> • <i>ASA 530 Audit Sampling</i>

Title	ASA Redrafting (Clarity) Project (continued)
	<ul style="list-style-type: none"> • <i>ASA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i> • <i>ASA 550 Related Parties</i> • <i>ASA 560 Subsequent Events</i> • <i>ASA 570 Going Concern</i> • <i>ASA 580 Written Representations</i> • <i>ASA 600 Special Considerations—Audits of a Group Financial Report (including the Work of Component Auditors)</i> • <i>ASA 610 Using the Work of Internal Auditors</i> • <i>ASA 620 Using the Work of an Auditor’s Expert</i> • <i>ASA 700 Forming an Opinion and Reporting on a Financial Report</i> • <i>ASA 705 Modifications to the Opinion in the Independent Auditor’s Report</i> • <i>ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report</i> • <i>ASA 710 Comparative Information—Corresponding Figures and Comparative Financial Reports</i> • <i>ASA 720 The Auditor’s Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report</i> • <i>ASA 800 Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i> <p><i>ASRE 2410 Review of a Financial Report by the Independent Auditor of the Entity</i></p>
Date of issue	27 October 2009
Date of effect	Operative for financial reporting periods commencing on or after 1 January 2010.

Title	Guidance Statement GS 013 <i>Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes</i>
Description	<p>The suite of guidance statements identified by the prefix “AGS” issued by the former AuASB have been in place for many years and are now eligible for review. In particular, references to Auditing Standards are out of date given the introduction of the new Australian Auditing Standards (ASAs) in April 2006 and the subsequent release of Standards on Assurance Engagements (ASAEs) in 2007 and 2008. In some instances, the guidance may be out of date due to changes in the relevant provisions of applicable laws and regulations.</p> <p>Guidance statement GS 013 <i>Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes</i> replaces AGS 1052 <i>Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes</i> (issued in June 2002).</p>
Date of issue	August 2009
Date of effect	August 2009

Title	Guidance Statement GS 014 <i>Auditing Mortgage Schemes</i>
Description	<p>The suite of guidance statements identified by the prefix “AGS” issued by the former AuASB have been in place for many years and are now eligible for review. In particular, references to Auditing Standards are out of date given the introduction of the new Australian Auditing Standards (ASAs) in April 2006 and the subsequent release of Standards on Assurance Engagements (ASAEs) in 2007 and 2008. In some instances, the guidance may be out of date due to changes in the relevant provisions of applicable laws and regulations.</p> <p>Guidance statement GS 014 <i>Auditing Mortgage Schemes</i> replaces AGS 1058 <i>Auditing Mortgage Investment Schemes</i> (issued in July 2002).</p>
Date of issue	August 2009
Date of effect	August 2009

Title	Guidance Statement GS 015 <i>Audit Implications of Accounting for Investments in Associates</i>
Description	<p>The suite of guidance statements identified by the prefix “AGS” issued by the former AuASB have been in place for many years and are now eligible for review. In particular, references to Auditing Standards are out of date given the introduction of the new Australian Auditing Standards (ASAs) in April 2006 and the subsequent release of Standards on Assurance Engagements (ASAEs) in 2007 and 2008. In some instances, the guidance may be out of date due to changes in the relevant provisions of applicable laws and regulations.</p> <p>Guidance statement GS 015 <i>Audit Implications of Accounting for Investments in Associates</i> replaces AGS 1032 <i>The Audit Implications of Accounting for Investments in Associates</i> (issued in July 2002).</p>
Date of issue	November 2009
Date of effect	November 2009

Title	Guidance Statement GS 001 <i>Concise Financial Reports Under the Corporations Act 2001</i>
Description	<p>Guidance Statements (GSs) provide guidance on the application of (AUASB) standards in specific circumstances.</p> <p>GS 001 <i>Concise Financial Reports</i> issued in December 2008 relates to the pre-existing Auditing Standards.</p> <p>In October 2009, the AUASB issued revised and redrafted Auditing Standards, commonly referred to as the “clarity” versions. These Auditing Standards are applicable to audits and reviews of financial reports for periods commencing on or after 1 January 2010.</p> <p>With the issue of the ‘clarity’ standards, GS 001 required updating to align it with the revised Auditing Standards.</p>
Date of issue	March 2010
Date of effect	January 2010

Title	Guidance Statement GS 006 <i>Electronic Publication of the Auditor's Report</i>
Description	<p>Guidance Statements (GSs) provide guidance on the application of (AUASB) standards in specific circumstances.</p> <p>GS 006 <i>Electronic Publication of the Auditor's Report</i> issued in December 2007 relates to the pre-existing Auditing Standards.</p> <p>In October 2009, the AUASB issued revised and redrafted Auditing Standards, commonly referred to as the “clarity” versions. These Auditing Standards are applicable to audits and reviews of financial reports for periods commencing on or after 1 January 2010.</p> <p>With the issue of the ‘clarity’ standards, GS 006 required updating to align it with the revised Auditing Standards.</p>
Date of issue	March 2010
Date of effect	January 2010

Title	Guidance Statement GS 008 <i>The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001</i>
Description	<p>Guidance Statements (GSs) provide guidance on the application of (AUASB) standards in specific circumstances.</p> <p>GS 008 <i>The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001</i> issued in June 2008 relates to the pre-existing Auditing Standards.</p> <p>In October 2009, the AUASB issued revised and redrafted Auditing Standards, commonly referred to as the “clarity” versions. These Auditing Standards are applicable to audits and reviews of financial reports for periods commencing on or after 1 January 2010.</p> <p>With the issue of the ‘clarity’ standards, GS 008 required updating to align it with the revised Auditing Standards.</p>
Date of issue	March 2010
Date of effect	January 2010

Title	Guidance Statement GS 016 <i>Bank Confirmation Requests</i>
Description	<p>The pre-existing guidance statement, AGS 1002, was issued by the AUASB in October 1995. Feedback received by the AUASB from various stakeholders indicated that AGS 1002 had become out of date and, therefore, was no longer relevant or helpful to auditors seeking to obtain audit evidence through requesting bank confirmation of certain bank-related information. The reasons for this view included:</p> <ul style="list-style-type: none"> • The pre-existing guidance statement referred to Auditing Standards that have now be replaced by the revised and redrafted (Clarity) Auditing Standards; • Banking and auditing practices have evolved since 1995 and the guidance statement needs to reflect current practices (for example, the increasing use of electronic bank confirmation processes); • The pre-existing guidance statement did not provide sufficient detail about specific bank confirmation procedures (for example, designing the bank confirmation request; timing the request; evaluating responses to bank confirmation requests; and following up over due responses); • The Bank Confirmation Request forms included as appendices to the pre-existing guidance statement were out of date and needed to be updated; and • Various improvements to bank confirmation procedures needed to be: <ul style="list-style-type: none"> • firstly, developed in consultation with the Australian Bankers Association (ABA); and • subsequently, documented in a revised Guidance Statement. <p>Guidance statement GS 016 <i>Bank Confirmation Requests</i> replaces AGS 1002 <i>Bank Confirmation Requests</i> (issued in October 1995).</p>
Date of issue	June 2010
Date of effect	For audits with reporting periods ending on or after 30 September 2010

Title	Guidance Statement GS 017 <i>Prudential Reporting Requirements for Auditors of a Life Company</i>
Description	<p>Guidance Statements (GSs) provide guidance on the application of (AUASB) standards in specific circumstances.</p> <p>GS 017 provides guidance to auditors of a life company, reporting in accordance with prudential reporting requirements specified by APRA in Prudential Standard LPS 310 <i>Audit and Related Matters</i> issued in March 2010.</p> <p>It revises existing Guidance Statement AGS 1024 (July 2002).</p>
Date of issue	June 2010
Date of effect	June 2010

Title	Standard on Assurance Engagements ASAE 3402 Assurance Reports on Controls at a Service Organisation
Description	<p>ASAE 3402 provides requirements and application material (guidance) for <u>service</u> auditors preparing reports on controls at a service organisation for use by user auditors in the audit of the financial report of a user entity.</p> <p>ASAE 3402 replaces requirements and guidance for service auditors contained in the former ASA 402 <i>Audit Considerations Relating to Entities Using Service Organisations</i>, which was issued by the AUASB in April 2006 and reflects guidance contained in GS 007 (March 2008).</p> <p>Service engagements are conducted on a voluntary basis at the request of the service organisation. There is no regulatory requirement for service organisations to provide user entities with audited reports on their controls.</p>
Date of issue	June 2010
Date of effect	June 2010

Title	Standard on Review Engagements ASRE 2415 Review of a Financial Report – Company Limited by Guarantee
Description	<p>ASRE 2415 is a transitional Auditing Standard on Review Engagements which directs the auditor to conduct a review of certain companies limited by guarantee in accordance with either ASRE 2410 or ASRE 2400, depending on whether or not the auditor conducted an audit of the company's previous financial report. That is, this standard points the auditor to the relevant, pre-existing standard and does not introduce new or revised requirements.</p>
Date of issue	June 2010
Date of effect	June 2010

Planned Regulatory Activities July 2010 – June 2011

Title	Issue a new Assurance Standard in connection with Proposed Fundraisings
Description	<p>This proposed new assurance standard will replace the existing AUASB pronouncements, AUS 804 <i>The Audit of Prospective Financial Information</i> and AGS 1062 <i>Reporting in Connection with Proposed Fundraisings</i>.</p> <p>The standard will establish requirements and provide guidance on the responsibilities of assurance practitioners when performing and reporting on assurance engagements in connection with fundraisings, takeovers, and schemes of arrangement involving the examination of financial information that is either historical or prospective in nature related to a public document. The standard will also apply to the examination of prospective financial information not in connection with fundraisings, takeovers, and schemes of arrangement.</p>
Consultation opportunities	The proposed standard will be released for exposure for a minimum period of 30-45 days and the AUASB will consider all comments received prior to finalising the standard.
Expected timetable	June 2011
Date last modified	June 2010

Title	Issue a new Assurance Standard on Comfort Letter Engagements
Description	The proposed new assurance standard will address the auditor's responsibilities when performing engagements related to issuance of comfort letters to underwriters and other requesting parties in connection with international offerings undertaken by Australian entities.
Consultation opportunities	The proposed standard will be released for exposure for a minimum period of 30-45 days and the AUASB will consider all comments received prior to finalising the standard.
Expected timetable	June 2011
Date last modified	June 2010

Subject	Issue a new Assurance Standard in connection with Greenhouse Gas Emissions
Description	The proposed new assurance standard will address the auditor's responsibilities when performing engagements related to Greenhouse Gas Emissions.
Consultation opportunities	The proposed standard will be released for exposure for a minimum period of 30-45 days and the AUASB will consider all comments received prior to finalising the standard.
Expected timetable	To be determined.
Date last modified	June 2010

Subject	Issue a new (or revised) standard or guidance statement on specified assurance procedures
Description	<p>This proposed pronouncement may be either a standard on assurance engagements or a guidance statement. It will replace Auditing and Assurance Standard AUS 904 <i>Engagements to Perform Agreed-upon Procedures</i> issued by the former Auditing and Assurance Standards Board of the Australian Accounting Research Foundation.</p> <p>The proposed new pronouncement will provide guidance and/or establish requirements for assurance practitioners on their professional responsibilities when an engagement to perform specific assurance procedures is undertaken, and on the form and content of the report that the assurance practitioner issues in connection with such an engagement.</p>
Consultation opportunities	A project advisory group will be established. If a standard is developed, it will be released for exposure for a minimum period of 30-45 days and the AUASB will consider all comments received prior to finalising the standard. If a guidance statement is developed, it will not be formally exposed, however targeted consultation will be conducted with stakeholders.
Expected timetable	Issue a pronouncement by the end of calendar year 2010.
Date last modified	June 2010

Subject	Issue a new standard on assurance engagements in connection with water accounting reports
Description	The AUASB and the Water Accounting Standards Board (WASB) have agreed to jointly develop an assurance standard for water accounting.
Consultation opportunities	The standard will subject to the normal exposure procedures.
Expected timetable	To be determined in consultation with the WASB.
Date last modified	June 2010

Subject	Issue a new (or revised) standard on <i>Special Purpose Reports on the Effectiveness of Control Procedures</i>
Description	This proposed pronouncement is expected to be a standard on assurance engagements, to replace Auditing and Assurance Standard AUS 810 <i>Special Purpose Reports on the Effectiveness of Control Procedures</i> issued by the former Auditing and Assurance Standards Board of the Australian Accounting Research Foundation
Consultation opportunities	<p>A project advisory group comprising practitioners with expertise in controls reporting will be established.</p> <p>The proposed standard will be released for exposure for a minimum period of 30-45 days and the AUASB will consider all comments received prior to finalising the standard.</p>
Expected timetable	To be determined.
Date last modified	June 2010

Subject	Issue a new Guidance Statement on the application of auditing standards to smaller entities
Description of issue	The AUASB considers it necessary to provide guidance on how to apply the Auditing Standards in the audit or review of smaller entities. The proposed guidance may, for example, provide details and explanations on the nature and level of documentation. Such material will, in the main, be extracted from the Auditing Standards. There may also be further explanations of those paragraphs in the standards that relate to smaller entities.
Consultation opportunities	Targeted consultation will be conducted with key stakeholders
Expected timetable	June 2011
Date last modified	June 2010

Subject	Issue a revised Guidance Statement on <i>Auditing Complex Financial Instruments</i>
Description	This proposed new Guidance Statement will replace AGS 1030 <i>Auditing Derivative Financial Instruments</i> and will provide guidance to auditors on auditing complex financial instruments, including derivatives. The Guidance Statement will be issued in conformity with the revised International Auditing Practice Statement IAPS 1012 <i>Auditing Complex Financial Instruments</i> , which is currently being developed by the International Auditing and Assurance Standards Board.
Consultation opportunities	Targeted consultation will be conducted with key stakeholders.
Expected timetable	To be determined.
Date last modified	June 2010

Subject	Issue a new Guidance Statement on <i>Grant Acquittals</i>
Description	Grant acquittals are commonplace in Australia and are performed in accordance with relevant standards and, in particular, specific laws, regulations and contracts. Due to the nuances in a vast variety of grant arrangements, it will be helpful for the AUASB to issue guidance on the application of standards. This guidance will demonstrate which AUASB standards apply, how they apply and will also provide a range of illustrative example reports.
Consultation opportunities	Targeted consultation will be conducted with key stakeholders.
Expected timetable	Completion by November 2010.
Date last modified	June 2010

Subject	Issue Amending Standards to existing Australian Auditing Standards, as required
Description	<p>The AUASB plans to issue amending standards to existing Australian Auditing Standards that may arise from:</p> <ul style="list-style-type: none"> • Consequential changes made by the International Auditing and Assurance Standards Board (IAASB) to International Standards on Auditing (ISAs), which flow through to Australian Auditing Standards; • Identified (editorial) “errors” in Australian Auditing Standards; and • Changes made by the Australian Accounting Standards Board (AASB) to the financial reporting framework that may impact Australian Auditing Standards, if any.
Consultation opportunities	Amending standards will be subject to normal exposure procedures.
Expected timetable	Completion by June 2011
Date last modified	June 2010

Subject	Issue revised Guidance Statements, as required
Description	<p>Revisions to existing Guidance Statements are necessary due to:</p> <ul style="list-style-type: none"> • The issuance of the revised and redrafted Auditing Standards, commonly referred to as the ‘Clarity’ standards, by the AUASB in October 2009. Certain Guidance Statements require updating to align them with the ‘Clarity’ Auditing Standards. • Changes in practice since the original Guidance Statement was issued and the need for more current guidance (for example, revisions are required to AGS 1014 <i>Privity Letter Requests</i> issued July 2002).
Consultation opportunities	Targeted consultation will be conducted with stakeholders, if necessary, depending on the nature of the changes required.
Expected timetable	Completion by June 2011.
Date last modified	June 2010