



Australian Government

Auditing and Assurance Standards Board

Overview of 2009-10 Business Plan and Work Program AUASB Consultative Meeting

Melbourne, 8 December 2009

Richard Mifsud FCA FCPA
AUASB Executive Director



Overview

- Strategies
- Initiatives
- Completed and current projects



Strategies

- Formulate and maintain:
 - Legally enforceable Auditing Standards
 - Other Auditing and Assurance Standards
 - Guidance pronouncements
- Contribute to development of international standards
- Communicate and consult with constituents
- Thought leadership and responding to emerging issues



Key Initiatives

- ASA Redrafting *Clarity* Project
- New and revised Standards on Assurance Engagements
- New and revised Guidance Statements
- Other Guidance



Other Initiatives

- Contribute and participate in IAASB projects
- Liaise with other national standards setters
- Monitor international developments



Other Initiatives

- Promote thought leadership on emerging issues
- Liaise with regulatory and professional bodies
- Work with regulators in developing regulations, legislation and regulatory guides



Completed Projects

ASA Redrafting Project

- Suite of 41 Redrafted ASAs and *Glossary* released in October 2009
- *Regulatory Impact Statement*
- Ongoing *Clarity* information sessions



Completed Projects (continued)

Issue of revised Guidance Statements

- *GS 013 Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes (August 2009)*
- *GS 014 Auditing Mortgage Schemes (August 2009)*
- *GS 015 Audit Implications of Accounting for Investments in Associates (November 2009)*



Current Projects

Development of other Assurance Standards

- Engagements to Perform Specified Assurance Procedures
- Assurance Engagements in Connection with Proposed Fundraisings
- Assurance Reports on Controls at a Service Organisation
- Comfort Letters on International Fundraisings
- Assurance on Internal Control



Current Projects (continued)

- Issue of new and revised Guidance Statements
 - Bank Confirmation Requests
 - Auditing Charitable Entities
- Other assurance areas
 - Application of Auditing Standards in audits of SMEs
 - Sustainability (including NGERs)
 - Standard Business Reporting (including XBRL)



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The Revised and Redrafted *Clarity* Australian Auditing Standards

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ASA Redrafting *Clarity* Project

Background and Overview

- Reasons for change
- Significance of changes
- Operative dates
- Use of IAASB *Clarity* Standards
- AUASB *Clarity* Auditing Standards
- Major improvements
- AUASB drafting approach
- *Clarity* structure
- Web site resources



Reasons for Change

AUASB mandate:

- *ASIC Act 2001* legally enforceable standards
- FRC strategic direction to AUASB
 - Use ISAs as underlying standards
 - Have regard to revisions of the IAASB
 - Amend AUASB Auditing Standards



Reasons for Change (continued)

- Public Interest
- Improved global Auditing Standards
- Need to improve audit quality



Significance of Changes

- Driven by global improvements to auditing standards and practice
- Legally enforceable Auditing Standards operative in Australia since 2006
- Previous ASAs had greater linkages between requirements and explanatory guidance than ISAs
- *Clarity* provides a basis for further improvements to Auditing Standards in Australia



Operative dates

- Firms required to implement systems of quality control by 1 January 2010 (ASQC1)
- Audits and reviews for financial reporting periods commencing on or after 1 January 2010 (all other ASAs and ASRE 2410)



Use of IAASB *Clarity* Standards

37 *Clarity* Standards issued by IAASB

- 1 new ISA
- 19 redrafted standards (18 ISAs + ISQC1)
- 16 revised and redrafted ISAs



AUASB *Clarity* Standards

- 41 *Clarity* Standards issued by AUASB comprise:
- 37 ASAs using *Clarity* ISAs & ISQC1 as underlying standards
 - +
 - ASA 101 *Preamble to ASAs*
 - +
 - ASA 102 *Compliance with Ethical Requirements*
 - +
 - ASA 502 *Specific Considerations for Litigation & Claims*
 - +
 - ASRE 2410 *Review of a Financial Report by the Auditor*



AUASB *Clarity* Auditing Standards (continued)

Under *Corporations Act 2001*:

- ASQC 1 Quality Control – firms

- ASAs Auditing Standards for
financial report audits

- ASRE 2410 Review engagements



AUASB *Clarity* Auditing Standards (continued)

Other Auditing Standards:

- *ASA 805 Audits of Single Financial Statements*
- *ASA 810 Summary Financial Statements*



AUASB *Clarity* Auditing Standards (continued)

New Australian Standards:

- *Quality Control for Firms* ASQC 1
- *Preamble* ASA 101
- *Compliance with Ethical Requirements* ASA 102
- *Communicating Deficiencies in Internal Control* ASA 265



AUASB *Clarity* Auditing Standards (continued)

Note restructured changes:

- *Evaluation of Misstatements* ASA 450
- *Estimates and Fair Value* ASA 540
- *Group Audits* ASA 600
- *Audit Reporting* ASAs 705,
706, 805, 810



Major improvements

- Clear statement of objectives
- The auditor “shall” (already in existing ASAs)
- Improved format assists readability and understandability
- Considerations specific to SMEs and public sector



AUASB drafting approach

Changes to address:

- Australian laws and regulations
- Form of Australian standards as legislative instruments
- Public interest considerations



AUASB drafting approach

- Australian specific paragraphs
 - “Aus” prefix
- Appendices
 - Illustrative examples e.g. audit reports
- Footnotes – refer to Australian regulatory requirements
- Conformity Statements highlight major differences (if any) from ISAs
- Regulatory impact assessment



Clarity Auditing Standards structure

- Application Clause (AUASB)
- Operative Date (AUASB)
- Scope
- Objectives
- Definitions
- Requirements
- Application and Other Explanatory Material
- Appendices



Web Site Resources

- AUASB website

<http://www.auasb.gov.au>

- IAASB *Clarity* Centre

<http://web.ifac.org/clarity-center/support-and-guidance>



Questions ?