Australian Government
Auditing and Assurance Standards Board

Auditing and Assurance Standards Board Corporate Plan 2015-16

What the AUASB does - formulates and maintains auditing and assurance standards and related guidance which:

• conform with international auditing and assurance standards; and
•addresses local issues affecting the Australian economy.

How the AUASB does it - works with the IAASB and other national standards-setters, and Australian regulators - consults widely with relevant Australian stakeholders, including individuals and organisations who use audited and assured information and those who are involved in undertaking audits and other assurance engagements.

Who is better off and why - the community, because resources are allocated more efficiently when decision makers have useful independently audited and assured information on which to base economic decisions about allocating capital to run a business, assessing performance of a government entity or allocating donations to charity.

1 September 2015

Australian Government

Auditing and Assurance Standards Board

AUASB Corporate Plan 2015–16

1. Introduction

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

2. Purpose

2.1 The AUASB is established by the *Australian Securities and Investments Commission Act 2001* and its functions under section 227B(1) are to:

- make auditing standards under section 336 of the *Corporations Act* for the purposes of the corporations legislation; and

- formulate auditing and assurance standards for other purposes; and

- formulate guidance on auditing and assurance matters; and

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

- advance and promote the main objects of this Part (Part 12).

[Section 224 of the *ASIC Act* states the objectives of Part 12 – which include:

"(aa) To facilitate the development of auditing and assurance standards and related guidance materials that:

i. 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

ii. 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).

2.2 The AUASB's vision is to be recognised as a leading national auditing and assurance standards-setting body. The AUASB sees its mission as to develop, in the public interest, high quality auditing and assurance standards and related guidance as a means to enhance the relevance, reliability and timeliness of information provided to users of audit and assurance services.

Strategy

2.3 To fulfil this purpose, the AUASB has developed the following strategic objectives:

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.

2015-16 Key Priorities

2.4 The AUASB's key priorities for 2015-16 include:

(a) issuing new auditing standards based on International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB)) on topics such as auditor reporting, the auditor's consideration of other information, and auditing disclosures;

(b) revising and issuing assurance standards on the areas of compliance engagements and performance engagements, and considering the assurance implications of the Australian Accounting Standards Board's (AASB) service performance reporting project;

(c) revising auditing guidance statements on areas such as AFSL audit reports, auditing self-managed superannuation funds, the responsibilities of auditors at annual general meetings, and audit implications of data and analytics;

(d) engaging with stakeholders through the use of forums, roundtables and annual consultative meetings on the IAASB's various new projects such as non-compliance with laws and regulations (NOCLAR), quality control, group audits, professional scepticism, and auditing financial institutions;

(e) providing formal submissions to IAASB exposure drafts and other consultation documents relating to the above projects, as well as on any new proposals released by the International Integrated Reporting Council (IIRC);

(f) conducting post-implementation reviews on various auditing and assurance standards as appropriate within Australia;

(g) in conjunction with the AASB, considering the audit implications of research on the Australian financial reporting framework, aimed at informing policy makers on cost-beneficial reforms, including research on financial reporting thresholds within Australia; and

(h) working with other Australian Government agencies such as APRA, ASIC, ACNC, CER and the ATO to encourage their audit and assurance requirements to be aligned to AUASB pronouncements.

3. Environment

Standard-setting

International standards-setting

3.1   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.

3.2   Standards-setting is an international global activity. The IAASB is well-recognised as the world's major international auditing and assurance standards-setter, with ISAs being applied in more than 100 countries, including Canada, New Zealand, South Africa, various countries in Asia and South America and 25 of the member countries in the European Union.

3.3   The use of international auditing and assurance standards in Australia is in accordance with a Strategic Direction made by the Financial Reporting Council (FRC) in April 2005. ISAs and International Standards on Assurance Engagements (ISAEs) issued by the IAASB form the basis of the AUASB's auditing and assurance standards.

3.4   Paragraph 3.3 notes that much of the work undertaken by the AUASB is based on the IAASB's standards. Consequently, much of the AUASB's work program is also based on the IAASB's work plan. Reliance on the IAASB to issue consultation documents within time-frames specified in their work-plans can affect the AUASB's achievement of its key priorities. If IAASB projects are delayed, so are those projects of the AUASB. Therefore, this area is beyond the control of the AUASB. Should this occur, this will affect the key priorities set out in paragraph 2.4(a) above.

3.5   The use of ISAs and ISAEs and our engagement internationally is vital to having standards that result in financial reporting that enables entities to raise capital efficiently internationally. This has beneficial flow-on effects in the domestic capital market for all entities and individuals.

3.6   However, the quality of standards developed by the IAASB is dependent on three factors: quality of IAASB board membership, quality of IAASB staff resources and effective feedback from IAASB constituents.

3.7   The AUASB strives to mitigate these risks by engaging directly with the IAASB, through the AUASB Chairman's membership of the IAASB and participation on various working groups and the IAASB Steering Committee, and by providing input into all IAASB exposure drafts and other consultation documents, as a means to influence the quality of international standards.

3.8   The AUASB also seeks to influence the IAASB by developing close working relationships and alliances with other national standards-setters. This includes maintaining a close relationship, in particular, with 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.

3.9 The standards-setting environment internationally is both collaborative, in terms of there being a common interest in determining reporting solutions that can be usefully applied across the world, and competitive, with different jurisdictions keen to promote the views of their own constituents, particularly within the European Union and the United States of America.

3.10 In this global environment, a national standards-setter's reputation is crucial and the AUASB's work is well regarded among other national standards-setters. The AUASB is therefore, well placed to fulfil the purpose outlined in paragraph 2.1 with the AUASB Chairman having been re-appointed to the IAASB in recent years for a second term and for having been appointed to the IAASB Steering Committee and as a public interest member in 2015.

Domestic standards-setting and guidance

3.11 The AUASB also undertakes domestic standards-setting projects that are intended to address jurisdictional issues not addressed by the IAASB. In this context, the AUASB consults widely within Australia on other subject areas. It considers issues affecting assurance standards not directly covered by the IAASB. For example, the AUASB currently has under revision, assurance standards relating to compliance engagements and performance engagements undertaken in both the private and public sectors. The AUASB has formed separate project advisory groups (PAGs) to consult and involve key stakeholders with an interest in these areas. In previous years, the AUASB has also developed Australian assurance standards in the areas of comfort letters, corporate fundraisings, water accounting assurance, and assurance on controls engagements. Unlike projects influenced by international standards-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.

Technology

3.12 The manner in which the AUASB delivers standards and guidance and provides information on its pronouncements standards is changing. The use of electronic and social media is becoming increasingly important to be able to deliver information to stakeholders on a timely basis. Newly issued standards and /or consultation documents are no longer printed but are made available on the AUASB website with constituents being notified of their issuance electronically via web alerts and media releases. This allows constituents faster access to documents. The AUASB is also considering establishing a LinkedIn account, webinars and Twitter to keep stakeholders updated with not only the AUASB's activities, but those of other standard-setters.

Regulatory

3.13 The AUASB is an auditing and assurance standards-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.

3.14 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.

4. Performance

4.1 The AUASB's five strategies are the basis for effectively pursuing its statutory functions and responsibilities. Appendix A maps the AUASB's strategies 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.

4.2 As explained in Section 3, many of the KPIs are not wholly within the control of the AUASB because the outcomes depend on the actions of many other parties.

4.3 The AUASB will consider it is successful, if it is seen as a progressive forward looking standards-setter and its standards are well regarded, recognised and adopted.

5. Capability

Strategies

5.2 The AUASB is well-placed to implement its five strategies with the skills and expertise currently available to it, albeit with limited resources of 7.1 equivalent full-time professional and administrative staff.

Resources

5.3 The AUASB board membership is both experienced and diverse in background. The FRC appoints all board members as individuals, except for the Chairman, who is appointed by the Minister.

5.4 AUASB staff have a range of professional backgrounds, including accounting practice, industry, the public sector and academia. Collectively, they possess many years of technical auditing and assurance experience, which they bring to auditing and assurance standards-setting.

5.5 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.

5.6 The AUASB receives all of its funding from the Commonwealth.

5.7 To ensure that AUASB staff have the appropriate skills to implement its strategies, both now and in the future, ongoing staff training and professional development are provided.

6. Risk oversight and management

Standards

6.1 There are two arms of the AUASB:

(a) the Board itself; and

(b) the Office of the AUASB that employs the staff who support the Board.

6.2 The Board makes technical decisions and the standards themselves with the benefit of information from the staff and other sources. All technical deliberations are conducted in public. Accordingly, the standards-setting process is conducted in the 'sunlight' and

the basis for the Board's major decisions are made public in board meeting minutes and published basis for conclusions documents relating to standards-setting.

6.3   The FRC has oversight of the standards-setting process and is itself comprised of part-time members appointed by the relevant Minister. The FRC membership represents a wide range of the AUASB's stakeholder groups.

6.4   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 AUASB also maintains a risk register, which is regularly updated.

Management

6.5   The AUASB has an Audit Committee, with a majority of external members, who oversee risk management at the administrative level.

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Map of AUASB Strategies to its Statutory Functions and Relationship to KPI's for 2015-2019

Function Strategy	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 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 2015-2019

Strategic Objectives	Strategic Initiative and KPIs	2015-16	2016-17	2017-18	2018-19
1. *Increase confidence in assurance on external reporting by contributing to the development of, and convergence with, one set of robust international auditing standards*	**Participate in IAASB activities:**				
	• Attend and actively contribute to <u>quarterly</u> IAASB meetings;	√	√	√	√
	• Participate in the <u>annual</u> IAASB-NSS meeting;	√	√	√	√
	• Contribute to relevant IAASB projects and as appropriate, participate in IAASB working groups; and	√ <IR>, ISRS 4400	√ at least one	√	√
	• Provide AUASB submissions to the IAASB on all exposure drafts and discussion and consultation papers.	√ Revision of ISA 720, ISA 800, 805	√ at least one	√	√
	AUASB international-related initiatives:				
	• Issue IAASB related Australian equivalent exposure drafts in a timely manner;	√	√	√	√
	• IAASB equivalent, or ISA plus, standards adopted by the AUASB with the same application dates;	√	√	√	√
	• Conduct post-implementation reviews of IAASB equivalent issued AUASB Standards;	√	√	√	√
	• Respond to all IAASB and NSS feedback requests and surveys; and	√	√	√	√ AR project
	• Actively promote and maintain a strong relationship with the IAASB and other National Standards Setters (NSS).	√ Liaise pre annual NSS mtg	√	√	√

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2018-19
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	**Increase awareness and acceptance of AUASB pronouncements, in particular, their application to government agencies and other bodies:**				
	• 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.	√ at least Quarterly	√	√	√
	Formulate and maintain high quality Australian Auditing and Assurance Standards that conform with the IAASB equivalents, address local regulatory issues and promote consistency in application:				
	• 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 *compelling reason*s test.	√ for each new/revised standard	√	√	√
	• Reflecting the above, issue AUASB auditing and assurance standards that conform with IAASB equivalent standards, and develop standards for other areas, addressing auditing and assurance needs identified for Australia.	√	√	√	√
	Formulate and maintain high quality Guidance Statements and other pronouncements that address local regulatory and other issues and promote consistency in application:				
	• 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.	√	√	√	√

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2018-19
3. **Provide thought leadership, identify and respond to emerging issues**	**Identify and respond to significant auditing and assurance issues of public interest on a timely basis:**				
	• Identify emerging issues (such as integrated reporting, data analytics) and determine appropriate action;	√	√	√	√
	• Participate in determining policy issues and any amendments to legislation and regulation arising from the international debate on audit quality and audit regulation;	√	√	√	√
	• Respond to local and international developments to enhance the role, relevance and quality of audit and assurance services to promote audit quality systemically and at the engagement level;	√	√	√	√
	• Enhance the profile of the AUASB as a leading national standards-setter as a result of activities involving thought leadership;	√	√	√	√
	• Consult with subject matter experts, where appropriate, in addressing the key emerging topics as identified from time to time; and	√	√	√	√
	• Contribute to policy debates, such as the external reporting framework and appropriate assurance.	√	√	√	√

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2018-19
3 *Provide thought leadership and identify emerging issues* **(cont'd)**	**Proactively monitor international developments on auditing and assurance including:**				
	• Monitor the activities of other auditing standards-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;	√ monthly	√	√	√
	• Monitor and promote the work of other international bodies, such as FEE and the IIRC; and	√ monthly	√	√	√
	• Prepare International Auditing and Assurance Update e-publication covering IAASB and other national auditing standards-setters' activities for AUASB meetings and for publishing on the AUASB website.	√ at least quarterly	√	√	√

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2018-19
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*	**Actively engage with stakeholders:**				
	• 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:	√ regularly	√	√	√
	- engage directly with key stakeholders on a timely basis on topical issues;	√	√	√	√
	- conduct topic-specific roundtable meetings to gather feedback;	√ on major proposals	√	√	√
	- conduct surveys to identify the needs of stakeholders and other users of auditing and assurance services; and	√	√	√	√
	- conduct the annual AUASB Consultative Meeting with stakeholders to discuss significant projects and to obtain their input on what should be the AUASB's work plan priorities;	√ 19 April 2016	√ April 2017	√ April 2018	√ April 2019
	• Conduct post-implementation reviews of all issued AUASB standards;	√ ASAEs 3420 & 3450	√	√	√
	• 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	√	√	√	√
	• Engage with the FRC through the AUASB Chairman's active involvement, including through membership of Audit Quality Committee;	√ at least Quarterly	√	√	√

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2018-19
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)	• Participate in public debate, conferences and seminars on topics relevant to global auditing and assurance standards and strategic audit and assurance issues; and	√	√	√	√
	• Contribute articles for relevant professional publications that highlight key principles of, or major changes to, the AUASB pronouncements.	√	√	√	√
	Identify AUASB stakeholders and understand their needs and expectations:				
	• Conduct stakeholder satisfaction survey and use feedback results to obtain benchmark for performance improvement;	√ develop	√ monitor & improve	√	√
	• Create and maintain a key stakeholders contacts database; and	√ create	√ maintain & improve	√ √	√ √
	• Increase media mentions, social media activity and level of participation at AUASB events.	√ create	√ monitor & grow		

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2018-19
5. *Harmonise Australian and New Zealand auditing and assurance standards*	**Harmonise, wherever possible, given the different regulatory environments, Australian and New Zealand Auditing and Assurance Standards through working actively with the NZAuASB:**				
	• Engage with the NZAuASB Chairman, 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	√ review board papers and provide feedback	√	√	√
	• Collate and reconcile any differences between Australian and New Zealand standards, and the reasons therefor: - prepare compelling reasons test documentation to explain all differences, including with any underlying IAASB standard(s).	√ Service Performance Reporting project	√	√	√