

**Inquiry into Regulation of Auditing in Australia**

**Hearing – Canberra, 29 November 2019**

**AUASB CHAIR'S OPENING STATEMENT**

Thank you. I welcome the opportunity to contribute to today's session.

By way of background, the Auditing and Assurance Standards Board (the AUASB) is responsible for developing, issuing and maintaining auditing and assurance standards and supporting guidance, which meets user needs and enhance audit and assurance consistency and quality in Australia.

The AUASB develops Australian Auditing and Assurance Standards that have a clear public interest focus, using the International Auditing and Assurance Standards Board's standards as a base. The use of a single set of robust auditing and assurance standards contributes to enhanced engagement quality and consistency of practice throughout the world and strengthened public confidence in the global auditing and assurance profession. Where appropriate, modifications are made to account for legislative requirements or other reasons that will result in significant improvement to audit quality in Australia.

In accordance with its public interest mandate of setting high-quality standards, public input to the development of AUASB standards and guidance is paramount and is obtained through extensive consultative with stakeholders.

The impact and output of audit and assurance standards is observed by all stakeholders across the financial reporting supply chain, but the actual users who need to understand and apply the AUASB standards is quite narrow and focused on those who conduct audit and assurance engagements. The composition of our board is representative of our stakeholders and incorporates diversity across expertise, including audit practitioners.

Our standards are legally enforceable for audits or reviews of financial reports required under the *Corporations Act 2001*.

The AUASB has been closely monitoring the debate about audit quality internationally and in Australia. The AUASB has been working in collaboration with the FRC and a broad range of auditing and assurance stakeholders to better understand and improve the levels of audit quality in Australia.

The AUASB is supportive of evidence-informed, best practice initiatives aimed at improving the quality of audit and financial reporting in Australia. We recognise that high-quality auditing standards are one of the foundations of high quality audits. However, auditing standards alone are not sufficient to ultimately achieve audit quality. Improving audit quality requires interaction between, and action by, all key parties / stakeholders (such as directors, audit committees, preparers, regulators, professional bodies, auditors) in the financial reporting supply chain.

The AUASB considers there should be a continued focus on assessing audit quality, understanding the root cause of and strategies to improve the results of the ASIC Audit Inspection Program. It is widely accepted that regulatory inspection findings are but one indicator of audit quality and it is necessary to look more holistically at measuring and assessing audit quality. The AUASB supports the Committee's previous recommendation to ASIC to report on a wider range of audit quality indicators which may be monitored over time. Measuring and monitoring the right indicators will provide further insights about audit quality and facilitate a more informed and enhanced discussion of the purpose and value of audit. We encourage consideration as to what are the right indicators and also who should be responsible for reporting these, including the role of the FRC, given its mandate to provide strategic advice on audit quality in Australia.

I welcome any questions you may have.