



Australian Government
Auditing and Assurance Standards Board

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4 April 2011

Mr. James Gunn
Technical Director
International Auditing and Assurance Standards Board
International Federation of Accountants
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Dear James,

**Consultation Paper:
Proposed IAASB Strategy and Work Program 2012-2014**

The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the IAASB Consultation Paper regarding its strategy and work program for 2012-2014.

Our responses to the questions raised in the Consultation Paper are attached to this letter.

Should you have any queries regarding this submission, please do not hesitate to contact either myself on +61 3 8080 7440 or email rmifsud@auasb.gov.au, or Ms Patricia Wales, Senior Project Manager on +61 3 8080 7447 or email pwales@auasb.gov.au.

Yours sincerely,

Richard Mifsud
Executive Director

Attachment

IAASB Strategy and Work Program 2012-2014

The following comments are provided in response to matters raised in the IAASB Consultation Paper *Proposed IAASB Strategy and Work Program for 2012-2014* (January 2011).

1. *Whether the IAASB's three areas of strategic focus noted in paragraphs 7–11 remain appropriate.*

IAASB Response:

As indicated in our response to the IAASB strategy survey (May 2010), we believe the IAASB's three areas of strategic focus remain appropriate. That is, the IAASB should continue to focus on:

- the development and revision of standards;
- monitoring and facilitating adoption of those standards; and
- responding to concerns about implementation of the standards.

We agree the emphasis should be on the ISAs, but recognise also the need to devote resources to the development and revision of other assurance standards, and their adoption. It is also important for the IAASB to participate in international debate on crucial issues such as audit quality, the scope of audit and its relevance, professional scepticism and auditor's judgements and auditor reporting, perhaps through the issue of Consultation Papers and other documents of a "Thought Leadership" nature. The IAASB should also proactively seek to work more closely with other relevant organisations, such as audit regulators (for example, IFIAR). These activities should aim to ensure that the IAASB continues to be, and enhances its standing as, the leading international auditing and assurance standard setter.

2. *Whether the list of anticipated projects likely to commence in 2012–2014 (Column B) adequately address issues currently facing the accounting and auditing professions, in particular:*
 - (i) *Whether respondents support the IAASB undertaking work in these areas and, if not, the reasons why a particular project(s) would not be supported;*
 - (ii) *Whether respondents believe these projects are consistent with the IAASB's three areas of strategic focus; and*
 - (iii) *How these anticipated projects should be prioritized in light of the current projects (Column A).*

Decisions on the scope and planned output of each of the projects listed in Column B would be undertaken following the development and approval of a project proposal, with full IAASB and IAASB CAG consultation in accordance with the IAASB's due process and working procedures.

AUASB Response:

Yes, the list of anticipated projects (Column B) adequately addresses issues currently facing the accounting and auditing professions.

- (i) Work could be undertaken in the listed areas, subject to the completion of current projects. In Australia, we would see little value in undertaking a project to develop a publication on the benefits of adopting the ISAs (B.6), however recognise that this task may be important in convincing other jurisdictions of the value in adopting ISAs.
- (ii) These listed projects are consistent with the IAASB's three areas of strategic focus.
- (iii) Current projects should be completed, for the most part, before anticipated projects are undertaken. Each of the current projects (Column A) is of high importance and it is in the public interest that they be completed within the short to medium term.

After current projects, we prioritise the anticipated projects (from Column B) in the following order:

- B.2 Revise ISRS 4400 *Engagements to Perform Agreed-upon Procedures Regarding Financial Information*.
- B.1 Revise or develop new ISA(s), IAPS or other publications in response to the findings of the ISA Implementation Monitoring project, bearing in mind the issue of "standards overload" (particularly as it may affect SMPs).

Of lesser importance, and subject to feedback and resources, we prioritise other anticipated projects (from Column B) in the following order:

- B.4 Seek to develop materials aimed at addressing ISA implementation challenges, in conjunction with NSS, IFAC member bodies and others.
- B.5 Seek feedback on the implementation of ISAE 3402 *Assurance Reports on Controls at a Service Organisation*.
- B.3 Determine whether to revise or withdraw ISAE 3400 *The Examination of Prospective Financial Information*.

As referred to earlier, we would see B.6, projects to develop publications on the benefits of adopting the ISAs and promote the adoption and implementation of the IAASB's standards, as of lesser priority, unless a convincing case could be made that this work effort will be likely to result in jurisdictions adopting the ISAs when they would not otherwise do so.

3. *With respect to the additional projects (Column C):*

- (i) *Which of the suggestions, if any, should be considered for inclusion on the future work program, and how should these be prioritized in light of the current projects (Column A) and anticipated projects likely to commence in 2012–2014 (Column B); and*
- (ii) *Whether any particular project(s) in Column C would not be supported; and*

AUASB Response:

- (i) Of the additional projects listed in Column C, we consider priority should be given to revising ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (C.7), as half-yearly reviews are commonly performed in Australia where legislation requires them for certain entities. This would complete the revision of the international review standards (ISRE 2400 is a current project (A.8)).

If possible, the revision of ISRE 2410 should be scheduled to occur during 2012-2014, prior to, or concurrently with, the anticipated projects listed in Column B.

Following the revision of ISRE 2410, we consider the main priorities to be:

- integrated reporting and related audit and assurance projects (C.3), and
- assurance on sustainability reporting (C.4).

- (ii) Each of the projects listed in Column C has merit and there is no project listed that we would not support if resources were unlimited. However, given the IAASB's resources and the likelihood that it may need to respond to as yet unidentified events, it is unrealistic to expect that all of the projects in Column C will commence in the medium term.

4. *Whether there are additional actions or projects that respondents believe should be addressed, and, if so, how these should be prioritized in relation to the projects identified in Columns B and C.*

AUASB Response:

One area not addressed in Columns B and C is standards for the public sector and public sector consideration. This topic is, however, discussed at paragraphs 47-48 of the Consultation Paper. We believe that this is an area that should be considered for inclusion in Column C.

5. *The IAASB intends to devote the majority of its efforts on the projects in Column A through 2011 and into 2012 and beyond to progress these projects on a timely basis. If respondents support commencing the majority of the anticipated projects (Column B), the IAASB currently anticipates it will have resources and time to commence 3 further new projects, although substantive activity for these new projects would not be expected to commence before 2013.*

*Respondents are therefore specifically asked to select the **top three projects** either from, or in addition to, the list of suggestions for additional projects (Column C) that they believe would best meet the IAASB's public interest mandate. However, outreach activities, the findings of the ISA Implementation Monitoring project, the fundamental debates about the role of the auditor, and unforeseen events beyond the IAASB's control may require the IAASB to amend its Work Program or reprioritize its agenda.*

AUASB Response:

We strongly support the IAASB's intention to devote the majority of its efforts on the projects in Column A during 2011-2012 and beyond. In particular, we welcome the revisions of the *Framework for Assurance Engagements* and *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

We are pleased that the IAASB is revising the *Framework*, in particular, as we see this as the foundation upon which all other assurance standards should be built.

Of high importance in the revisions of the *Framework* and ISAE 3000, are the descriptions and definitions of reasonable and limited assurance. Also important is the clear enunciation of the differences between attestation, or assertion-based, engagements and direct engagements, and their respective uses. We note that the IAASB intends to engage in communication about these key matters and we welcome that initiative also, as a matter of priority.

We consider ISAE 3000 to be an important standard that, if revised appropriately, will have wide application in a range of assurance engagements other than audits and reviews of historical financial information that may not have been envisaged when the standard was issued originally. For example, its application to assurance engagements on GHG statements is now evident. It may also be applicable to engagements on sustainability reports and have relevance for engagements related to integrated reporting.

We consider the top three projects from those listed in Column C, or additional to that list, that would best meet the IAASB's public interest mandate, to be:

- integrated reporting and related audit and assurance projects (C.3).
- assurance on sustainability reporting (C.4).
- explicit consideration of audit quality issues (currently A.4)

6. *The IAASB notes that, depending on the priorities identified by respondents, the balance of the IAASB's future time spent on auditing and implementation of the ISAs as compared to development of new assurance standards may vary significantly. For this reason, it would also be helpful to understand which one project (either from Column B, Column C or an additional action not included in either column) respondents would identify as the IAASB's top priority, in order for the IAASB to consider how each of the three areas of strategic focus would be addressed in the future Work Program.*

AUASB Response:

In our view, the IAASB's top priority, from the anticipated and future projects listed, should be the revision of ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* (C.7).

This project should be followed closely by the revision of ISRS 4400 *Engagements to*

Perform Agreed-upon Procedures Regarding Financial Information (B.2).

These projects will largely complete a suite of projects¹ related to clarifying the range of services provided by practitioners and associated levels of assurance, and should contribute to assisting practitioners and better informing users of assurance services.

7. *In addition, the IAASB would welcome comments from respondents as to the following:*

- (a) *What types of publications or further implementation guidance may be of most use to facilitate the adoption and implementation of the IAASB's pronouncements; and*
- (b) *What opportunities may exist for the IAASB to partner with others to facilitate implementation of the clarified ISAs (for example, IFAC member bodies, NSS, training organizations, and others)?*

AUASB Response:

- (a) The following IAASB publications and implementation guidance are helpful:
 - Example reports, as provided in the appendices to certain standards.
 - ISA video modules.

Given resourcing constraints that the IAASB may have, it may be necessary to be judicious in terms of developing additional guidance in the form of new IAPSs.
- (b) The AUASB would be pleased to partner with the IAASB and, where appropriate, the professional accounting bodies in Australia.

¹ That is, ISRE 2410 (C.7) and ISRS 4400 (B.2), together with the following current projects:

- *Framework for Assurance Engagements*;
- *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (A.6);
- *ISRE 2400 Engagements to Review Historical Financial Statements* (A.8);
- *ISRS 4410 Compilation Engagements* (A.8); and
- Proposed publication on the "Meaning of Audit" (A.10).