



Purpose of briefing paper:

The purpose of this briefing paper is to provide the AUASB with an overview of the Financial Reporting and Assurance Frameworks strategic project. The paper is structured to consider the questions in paragraph 9 of the BMSP and to provide sufficient information to facilitate discussion at the AUASB April 2018 meeting.

1. Project objectives:

Overview

As outlined in the background of the BMSP, the initial focus of the project has been on charities registered with the ACNC. The last time the Board was presented with a strategic project outline for the Financial Reporting and Assurance Framework project, the project objective was:

“To obtain an understanding of the audit and assurance impacts arising from the AASB charities framework project, with a view to balancing the ACNC objectives of maintaining trust and confidence in the sector through increased accountability and transparency together with promoting the reduction of unnecessary regulatory obligations on the sector.

Consideration will be made in relation to:

- the identification of options relating to the type of auditing or assurance engagement conducted, including the level of assurance provided; and
- qualifications and certification requirements for assurance practitioners and auditors.”

Considerations

As the AASB project has now moved from specifically focusing on charities registered with the ACNC to the public and for-profit sectors, the Board needs to determine what the objective of the project is. There may be elements of the objective in the overview which are still relevant, or the focus of the project could change. Below are some points to consider:

- The AASB objective is to “clarify and simply the Australian Financial Reporting Framework, in conjunction with policymakers and regulators”. Should the AUASB objective align with this from an assurance point of view?
- Does this project provide opportunities to show thought leadership? Does identifying and addressing financial reporting and assurance issues that may exist in the present financial reporting and assurance framework demonstrate thought leadership?
- Should the project continue to follow on from the work the AASB is undertaking, or should there be assurance specific work initiated? Potentially not all relevant assurance issues will arise under the work being undertaken by the AASB.
- What is the public interest benefit of the project?
 - E.g. reviewing the assurance requirements and working towards legislative change can lead to improved coherence and clarity of assurance requirements and assist in ‘future proofing’ acts against subsequent updates made to the audit and assurance standards.
 - E.g. identifying areas where the assurance standards may be causing issues for stakeholders and developing guidance or other educational materials to support the application of the standards by practitioners. This should result in improved clarity for, and consistent application by, practitioners.

2. Project Scope:

Overview

Similarly to the Project Objectives section, when the Board was last presented with the strategic project plan, the focus of the project was on the framework for charities registered with the ACNC and had a view of supporting the AASB in their work. The project scope was to:

“Work with the AASB and the ACNC in relation to auditing and assurance impacts resulting from proposed changes to the reporting framework for charities.

Work with NZAuASB to identify common areas of interest in relation to auditing and assurance issues impacting on the charity and NFP sectors. This is particularly important given the recent progress in New Zealand on reporting tiers for NFP entities as well as the reporting of service performance information.

Identify any other significant gaps impacting these entities in order to provide guidance and influence where required.”

In addition to the project moving beyond the framework for charities, the AUASB has also undertaken two linked projects:

- Audit quality – Prescribed Reports – a key goal of the project from the AASB perspective is achieving legislative change. The opening of legislation allows assurance sections of acts to be improved; this includes the removal of duplication and inconsistencies between acts and assurance standards and may provide opportunities to amend prescribed reports in legislation.
- SME/SMP – the wide range of stakeholders targeted by the outreach being undertaken by the AASB may assist in the identification of issues with assurance standards for small/medium entities and small/medium practitioners.

Considerations

The scoping of the project is important to allow action items to be determined. Below are some points to consider:

- The present framework of assurance standards is flexible, should the focus be on assisting policy makers to determine the appropriate level (audit, review or AUP) and scope (financial report, single statement etc.) of assurance requirements.
- Are there things outside of the standards we should be considering, for example, the qualifications of assurance practitioners?
- Should the project consider common areas of interest between the Australian and New Zealand Financial Reporting and Assurance Frameworks
- Who are our key stakeholders?
- Are there any implications that the Board can see of there no longer being SPFR?

3. Action items

Overview

After the AUASB/UNSW Auditor Roundtable in October 2017, a list of action items for the charity component of the project was developed. These included:

- Continue to work with the AASB in relation to outreach activities being held in November 2017.
- Continue consultation with CPA Australia and CA ANZ in relation to auditing and assurance options for the sector.
- Input from academics in relation to the use of different auditing and assurance options such as reviews and other assurance engagements.
- Consideration of the NZAuASB guidance for assurance practitioners in relation to the NZ reporting tiers for charities.

The AUASB participated in outreach activities, consulted with CPA and CAANZ in relation to audit and assurance options in the sector as part of the preparation of the ACNC legislative review submission and considered research which highlighted the low take up of reviews in the charity sector. The determination of whether guidance similar to the NZAuASB is dependent on the results of the legislative review.

Considerations

Based on the potential objective and scope discussed above, the action points will need to be decided. The action points are the way the project will be taken forward and are key to measuring impact and success. Below are some points to consider:

- What is the outcome of identifying issues with the Assurance Framework in a particular sector? Should we be preparing guidance similar to NZ? E.g. *A guide for funding organisations* (Agenda Item 5(b)(iii) *A guide for funding organisations* attached)?
- Should we be preparing guidance for legislation drafters? This is already part of work for prescribed reports, but should this be expanded and available on the website for all government?
- How do the action items for the prescribed reports and SMP/SME projects impact on the action items for this project?
- Continued participation in AASB outreach, do Board members wish to attend? Should there be AUASB specific outreach on topics?

Other items for consideration

- What is the role of the Board for each of the action items?
 - Offering guidance to technical group and approving required documents?
 - Something more hands on?