



Australian Government
Auditing and Assurance Standards Board

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Mr Jonathan Bravo
International Organization of Securities Commissions (IOSCO)
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consultation-04-2018@iosco.org

Dear Mr Bravo

IOSCO Consultation Report on Good Practices for Audit Committees in Supporting Audit Quality

The Australian Auditing and Assurance Standards Board (AUASB) is pleased to have the opportunity to comment on the IOSCO Consultation Report *Good Practices for Audit Committees in Supporting Audit Quality* ('good practices for audit committees').

The AUASB commends IOSCO's initiative to develop the good practices for audit committees at a time when the delivery of a high quality, robust, and independent audit is viewed as a critical cornerstone of credible financial reporting. The AUASB supports initiatives that are in the public interest and that seek to enhance the quality of the audit process and reinforce confidence of capital markets in that process.

The AUASB considers the good practices for audit committees to be consistent with current principles and themes already contained in the joint publication of the *Audit Committees A Guide to Good Practice* issued by the Australian Auditing and Assurance Standards Board, Australian Institute of Company Directors and The Institute of Internal Auditors-Australia, as well as Information Sheet 196 *Audit Quality: The role of directors and audit committees*, as issued by the Australian Securities and Investments Commission. Furthermore the publication supports the IAASB's publication *A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality* that reinforces the importance of the interactions and the role of all stakeholders in the financial reporting supply chain.

The AUASB raises the following points for IOSCO's consideration:

1. Features of Audit Committees

The good practices for audit committees suggests that good practice for the audit committee chair or another audit committee member is good knowledge of financial reporting *or* audit. The AUASB considers that in order for the audit committee to discharge its responsibilities appropriately, it is essential that there is good knowledge of financial reporting *and* audit.

2. Assessing Potential and Continuing Auditors

The good practices for audit committees suggests that in relation to audit strategy and scope, the audit committee should take reasonable steps to ensure that *'the auditor's decision not to review or test one of the significant systems supporting information in the financial report in a particular year but still rely on relevant key controls is appropriate, particularly where the audit committee is aware of risks that controls may be intended to address or has other relevant concerns. The audit committee may also consider whether the auditor should review and test IT general and application controls if they do not intend to do so. Similarly, the audit committee may consider whether the auditor's*

decision not to ask component auditors to perform work at a particular operation or location is appropriate.'

The AUASB notes that these decisions are the responsibility of the auditor and are subject to auditor's professional judgement. As set out in the auditing standards, the external auditor has responsibilities for effective communication with those charged with governance (which may include the audit committee), including communication about the decisions referred to above. While communication between the auditor and the audit committee is expected, the decisions around audit strategy and scope are those of the auditor and not the audit committee. The Australian publication *Audit Committees A Guide to Good Practice*, suggests that the audit committee's responsibilities include '*assessing the quality of audits conducted and evaluating the performance of the auditor including consideringthe audit process (including the auditor's demonstration of professional scepticism)*'.

Should you have any queries on the above or need further clarification, please do not hesitate to contact me at rsimnett@auasb.gov.au or Matthew Zappulla on 61 3 8080 7445 or mzappulla@auasb.gov.au

Yours sincerely



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