

STATEMENT OF INTENT

THE AUDITING AND ASSURANCE STANDARDS BOARD

This Statement of Intent provides the response of the Auditing and Assurance Standards Board (AUASB) to the Government's Statement of Expectation received on 7 April 2014 in relation to the AUASB's role with respect to the Government's deregulation agenda, relationship with Treasury, transparency and accountability and operational issues.

BACKGROUND

The AUASB is constituted under Part 12 of the *Australian Securities and Investments Commission Act 2001* (the ASIC Act). The functions of the AUASB, as reflected in Section 227B of the Act, include the formulation of auditing and assurance standards for both engagements under the *Corporations Act 2001* and for other purposes and related guidance, as well as participation in and development of auditing standards for world-wide use.

The Assistant Treasurer currently appoints the Chairman of the AUASB and the Financial Reporting Council (FRC) appoints the other members of the AUASB. The AUASB may appoint one of its members to be Deputy Chairman of the AUASB. An AUASB member is appointed on the basis of their knowledge of, or experience in, assurance or a related field, whether in public practice, business or government.

THE GOVERNMENT'S DEREGULATION AGENDA

The AUASB notes the Government's commitment to reducing red tape and compliance costs to business and the community. To this end the AUASB will continue to seek opportunities to reduce compliance costs for business and the community through the standards and guidance issued and through the advice provided to other regulators in developing and implementing policy with respect to audit and assurance.

The AUASB will comply with the Government's enhanced Regulatory Impact Analysis requirements for all regulatory proposals and consider the impacts of new or revised regulation on business and the community, by costing any regulatory impacts which are expected to arise using the Regulatory Burden Measurement Framework, prior to issue. The AUASB is well practised in complying with regulatory impact analysis.

The AUASB will continue to act in accordance with regulatory best practice in its decision making, policies, processes and communication practices to both maximise effectiveness, efficiency and transparency and to minimise compliance costs. The AUASB reviews its policies and procedures on an on-going basis to ensure that it continually improves the way in which the AUASB operates to further these goals.

The AUASB standards and guidance are themselves principles-based rather than rules-based or overly prescriptive, so the approach taken in the AUASB's pronouncements supports the Government's preference for an outcomes-based approach, which allows assurance practitioners, for whom the pronouncements are written, to apply their professional judgement in implementing the objectives of the standards. In advising other regulators, the AUASB will continue to promote clear principle-based audit and assurance requirements, to avoid prescriptive regulation in this regard. The AUASB adopts a risk-based approach to development of regulation and in advising other regulators on their policy with respect to audit and assurance. The AUASB is supportive of the proportionate approach to regulation based on size, nature, complexity and risk, and issues guidance statements to assist stakeholders in applying the AUASB standards in particular circumstances. As the AUASB standards are principles-based they can be applied across a broad spectrum of businesses and industries and scaled to meet the needs of the specific engagement.

The AUASB seeks to influence the International Auditing and Assurance Standards Board (IAASB) through participation in IAASB meetings, and by making submissions on discussion papers and exposure drafts released by the IAASB. The AUASB encourages and will continue to encourage a risk-based and principle-based approach to standard-setting by the IAASB.

The AUASB looks forward to receiving further detail about the whole-of-government risk management framework later in 2014 and Treasury's expectations regarding the AUASB's performance against specific performance indicators. The AUASB will respond to those expectations as required.

RELATIONSHIP WITH TREASURY

The AUASB acknowledges its role in contributing to policy development by advising Treasury on the implications of Government policy initiatives with respect to auditing and assurance, to support Treasury's role in advising the Treasurer and Treasury Ministers. The AUASB will continue to update Treasury on possible policy implications of international regulatory developments in audit and assurance.

To this end the AUASB will continue to maintain a close relationship with Treasury, working with Treasury on significant policy initiatives in addition to the deregulation agenda, such as cost reduction in Government, sunseting and repeal of legislative instruments and applying revised pricing models for Federal Register of Legislative Instruments (FRLI) lodgements. The AUASB will also support the Government by providing briefings on significant issues relating to its activities and the activities of the AUASB that may arise from time to time. The AUASB Chairman will continue to assist and advise Treasury and the FRC in this regard by ongoing membership of the FRC and in particular, membership of the FRC Audit Quality Committee and the FRC Financial Reporting Task Force.

TRANSPARENCY AND ACCOUNTABILITY

The AUASB acknowledges that, despite being an independent body, the AUASB remains accountable to Parliament and ultimately the public through the Treasury Ministers, the Parliamentary Committee and in tabling its annual report.

The AUASB fosters an open and consultative relationship with stakeholders through a number of means. Firstly, the AUASB establishes Project Advisory Groups for each project, representing key stakeholders, which meet regularly to provide advice on each standard or guidance statement developed by the AUASB. Secondly, the AUASB encourages considered views of stakeholders to be communicated by issuing exposure drafts of all proposed AUASB standards, inviting written comment for a period of 45 to 60 days, as appropriate, and giving those comments due consideration in finalising the requirements and application material in the final standard issued. Thirdly, the AUASB conducts Roundtable discussions with stakeholders for most proposed standards and guidance statements to facilitate more candid communication from stakeholders via a more informal forum. Fourthly, the AUASB invites comments from Australian stakeholders on key standards proposed by the IAASB and conducts Roundtable discussions before those standards are considered for issue in Australia, in order to feed comments back into the international standards development process. Fifthly, the AUASB conducts an annual consultative meeting at which stakeholders are encouraged to share their candid views on completed projects, proposed pronouncements, emerging issues and topics for future projects. The AUASB will continue to strengthen its relationships with stakeholders and its commitments to transparency and accountability.

Finally, the AUASB works closely with other key regulators, including ASIC, APRA, the Clean Energy Regulator, the Department of Environment and the Australian Taxation Office, on audit and assurance matters. The AUASB provides advice to these and other regulators on the potential impact of their policy with respect to audit and assurance and the manner by which that policy is implemented through legislation, regulation or approved forms, in order to minimise compliance costs of audit and assurance to stakeholders. The AUASB has a significant role to play in reducing the regulatory burden by advising on reduction in the complexity of audit and assurance requirements and identifying the critical factors within regulation which have the greatest cost impact on assurance practitioners and their clients. Most particularly, the AUASB will continue to encourage regulators to utilise the audit and assurance framework as issued by the AUASB, rather than recreating different requirements that impose extra burdens on auditors and therefore business and the community.

OPERATIONAL ISSUES

The AUASB acknowledges that it has the capacity to employ staff under the *Public Service Act 1999* (PSA) and under the ASIC Act. The AUASB has a code of conduct for staff employed under the ASIC Act, which is published on the AUASB's website.

The AUASB notes its staffing powers under both the PSA and the ASIC Act, and acknowledges its requirement to comply with the APS Bargaining Framework in relation to any employees engaged under the PSA.

The AUASB's financial operations are governed by the *Financial Management Accountability Act 1997* (FMA Act) and from 1 July 2014 the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), which deal with the proper management by government agencies of public money and public property and the lines of accountability and reporting for these matters within agencies. The AUASB notes its responsibilities under the FMA/PGPA Act and the Finance Minister's Orders. In particular, the AUASB notes the requirements in relation to approval of overseas travel as set out in Finance Circular 2013/06 *Official International Travel - Approval and Use of the Best Fare of the Day* and confirms that the AUASB seeks approval for any overseas travel expenses at the required level of authority based on the total estimated cost to the AUASB as provided by that circular.

CONCLUSION

The AUASB will continue to strive to fulfil the Government's vision of the AUASB as a high performing and consultative standard-setter, by working closely with stakeholders to ensure that it provides assurance practitioners and other users of auditing and assurance standards with high quality principles-based standards which minimise regulatory compliance costs.