



AUASB DUE PROCESS

Purpose

1. The purpose of this paper is to provide information to constituents on the policies and processes used by the Auditing and Assurance Standards Board (AUASB) to develop and issue pronouncements and other publications.

Introduction

2. This paper forms part of a series of AUASB documents that provide information about the AUASB, its mandates, operations and pronouncements.

Definitions

3. For the purposes of this paper, the following terms have the meanings attributed below:
 - (a) **Pronouncements** means AUASB authoritative documents comprising:
 - (i) Framework pronouncements;
 - (ii) Standards; and
 - (iii) Guidance Statements
 - (b) **Other Publications** means AUASB informative documents comprising:
 - (i) Explanatory Guides;
 - (ii) Bases for Conclusions;
 - (iii) Bulletins; and
 - (iv) Other Publications
 - (c) **Due Process** means the proper and appropriate policies and procedures for meeting all the necessary requirements to develop and issue AUASB pronouncements and other publications.
 - (d) **Issue** means the AUASB makes public a document that complies with the AUASB due process policies and procedures.

Policies

4. The AUASB's policies relating to the development and issuance of pronouncements and other publications are as follows:
 - (a) The AUASB shall determine due process policies and procedures that, where necessary, conform to relevant legislative requirements.
 - (b) Due process procedures shall include appropriate consultation with constituents to ensure that:

- (i) All interested parties are given ample opportunity to express their views; and
 - (ii) Pronouncements and other publications are relevant, consistent and logically derived.
- (c) The AUASB shall issue pronouncements and other publications only:
- (i) After complying with due processes policies and procedures; and
 - (ii) When approved in accordance with the AUASB's voting and approval policies.

Procedures

5. AUASB pronouncements and other publications are developed and published through a 3-stage process:

- A. The Planning Stage
- B. The Development Stage
- C. The Completion Stage

A. Planning Stage

6. AUASB pronouncements and other publications can be developed as follows:

- (a) By using an IAASB or other international pronouncement, guide or other publication issued by a national standard setter adapted for use as an AUASB document; or
- (b) Developing an original AUASB document that relates to a specific Australian auditing, assurance or related services matter.

7. Formalised project plans are prepared by the AUASB Technical Group for all substantive projects, such as the development of Standards, Guidance Statements and Bulletins.

8. All projects must be approved by the AUASB or AUASB Executive.

9. Once a project is approved, the AUASB considers whether a project advisory group needs to be formed. A project advisory group would be appointed for topics requiring specialist input. Project advisory groups are normally chaired by a member of the AUASB and are a resource available at all stages of the project.

B. Development Stage

10. The AUASB Technical Group develops AUASB documents by:

- (a) Conducting research;
- (b) Obtaining the input of a project advisory group, where relevant;
- (c) Obtaining input from constituents;

- (d) Preparing detailed issues papers, which identify the principal issues to be resolved by the AUASB; and
 - (e) Drafting exposure drafts, pronouncements and other publications.
11. Throughout the life of a project, the AUASB Technical Group prepare and present (technical) papers to the AUASB for its progressive consideration, decisions and approvals. Ordinarily, this process occurs at formalised public meetings of the Board but may also be conducted by out-of-session exchanges.
 12. Through its on-going reviews and decisions, the AUASB directs the development of AUASB documents, including the exposure drafts of proposed standards.
 13. In accordance with its public interest mandate and the policy described at paragraph 4(b) above, public input to the development of AUASB Standards is obtained through the following processes:
 - (a) Roundtable discussion groups;
 - (b) Direct communications with specific people and/or organisations; and
 - (c) Wider appeals to constituents' generally (including the use of exposure drafts).Using these methods, the AUASB is able to gauge the appropriateness and level of acceptance of its proposals as well as obtain important information about issues that need to be considered in the development of the standard.
 14. All proposed standards are released for public comment in the form of exposure drafts prior to issuance as an AUASB pronouncement. Normally, exposure drafts are released for periods of 30 or 45 days but this may be varied by the AUASB.
 15. The AUASB Technical Group accumulates all comments received from constituents responding to the proposals. Constituent comments are publicised on the AUASB website. The AUASB Technical Group considers all submissions received, in whatever form, and amends the proposed standard where constituent input is relevant and adds value to the standard. A basis for conclusions (paper) is also prepared.
 16. After completion of the public exposure period, the AUASB Technical Group present the amended proposed standard and basis for conclusions, together with all constituent comments, to the AUASB for its consideration, direction and final approval.
 17. The public views expressed in submissions and the proposed changes to the exposure draft are considered by the AUASB who may further amend the draft standard prior to its final approval in accordance with AUASB voting protocols.
 18. In extremely rare cases, the AUASB may decide that proposed changes to the original exposure draft, arising from the public exposure, are of such significance that the standard should be publically exposed for a second time.

Amendments to Existing Standards

19. Any future substantive amendments to a published standard, such as an update to account for changes in legislation, are subject to the same public exposure process.

Guidance Statements and Other Publications

20. Due to their nature, Guidance Statements and other publications are generally not subject to public exposure. These documents comprise the AUASB's views or provide other information on auditing and assurance matters. Accordingly, they do not include any "requirements" that must be complied with by auditors and assurance practitioners.

AUASB Exposure Drafts based on IAASB Standards

21. As described in paragraph 5 above, AUASB pronouncements may be developed by using a document issued by the IAASB or other national standard setter.
22. Under its statutory mandate, the AUASB is required to use, as appropriate, IAASB standards adapted for use as equivalent Australian standards. This requirement was initiated to contribute to global recognition that Australian standards equate to world practice.
23. In addition, the AUASB is required to make such amendments to the International Standards on Auditing (ISAs) as to ensure the Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements.
24. The AUASB's process for the development of a standard based on an equivalent IAASB standard follows the same policies and processes as detailed above. However, recognition is given to the IAASB's due process in the development of its standards, particularly in determining the AUASB's public exposure processes.
25. When the IAASB issues an Exposure Draft, the AUASB seeks input from a wide range of Australian constituents, including:
 - (a) Practitioners in both the private and public sectors;
 - (b) The professional accounting bodies;
 - (c) Directors and board audit committees;
 - (d) Analysts in financial markets; and
 - (e) Regulators.
26. The AUASB determines how best to communicate with, and obtain the views from, its constituents. Requests can be made generally to all constituents or may be through direct contact with selected people/organisations. The use of round table discussion groups usually results in particularly valuable input because that environment facilitates and encourages frank commentary and interaction among participants. Whenever possible, the AUASB endeavours to inform constituents of the likely changes to the IAASB standard that will be necessary in the Australian standard – such as the inclusion of corporations' law requirements.
27. Once the AUASB has completed its research and obtained constituent input, a formal response to the IAASB exposure draft is prepared and submitted to the IAASB.
28. The following table outlines the AUASB's approach to the public exposure of a standard that has been based on an equivalent IAASB standard.

AUASB approach to the exposure of a standard based on an equivalent IAASB Standard

| Step | Action |
|------|---|
| 1 | The AUASB determines if a proposed IAASB standard is relevant for use in Australia. |
| 2 | The AUASB communicates with, and obtains input from, its constituents in relation to the IAASB exposure draft. |
| 3 | The AUASB issues a formal submission to the IAASB in relation to the exposure draft. |
| 4 | AUASB Technical Group (ATG) communicates with the Office of Best Practice Regulation (OBPR); prepare and submit a regulatory impact assessment; and provide supporting documentation. |
| 5 | Formal response to the IAASB's exposure draft |
| 6 | Once the IAASB issues the standard, the ATG: <ul style="list-style-type: none"> • Adapts the standard into AUASB format. • Inserts "Aus." paragraphs to reflect legislative requirements and other suggestions that the AUASB determine add value to the standard. • Prepares the AUASB exposure draft (ED). |
| 7 | AUASB continues to review documentation and requests further changes until ED approved for publication. |
| 8 | ED published and copy sent to OBPR. When required, a <i>Regulatory Impact Statement</i> is prepared. |
| 9 | ATG accumulates public submissions and processes changes. Submissions and revised ED presented to AUASB for consideration and further changes. |
| 10 | Where necessary, finalise <i>Regulatory Impact Statement</i> and obtain final approval from OBPR. |
| 11 | Final standard, basis for conclusions and regulatory impact documents presented to AUASB for final approval in accordance with voting protocols. |
| 12 | Where applicable, lodge approved standard and OBPR approvals with the Register of Legislative Instruments (FRLI). |
| 13 | Issue standard by publishing on the AUASB website and notifying constituents. |

Regulation Impact Assessment

29. In accordance with the Australian Government's best practice regulation requirements, and in the context of its legislative mandate, the AUASB is required to consider carefully the impact of proposed new or revised auditing and assurance pronouncements, including costs that may be incurred by business and the community. Accordingly, before issuing new or revised pronouncements (Standards or Guidance Statements), the AUASB undertakes a preliminary regulation impact assessment.
30. Where the preliminary assessment indicates that a new or revised pronouncement is likely to have an impact on business or the community that is 'higher than nil', or 'low', the AUASB is required to consult with the Office of Best Practice Regulation (OBPR) to determine whether further analysis is required. In some instances a *Regulation Impact Statement* may be required.
31. A *Regulation Impact Statement* involves a more detailed consideration of the various options available to address an issue or problem, including both regulatory and non-regulatory options, together with the likely benefits and costs to constituents under each option. A regulation impact statement also documents the consultation processes involved in the development of a new pronouncement. It provides a clear statement of the conclusions reached, the recommended option, a review of that option and a plan for implementation.
32. Regulation impact assessments, and where required, a *Regulation Impact Statement* are considered by the Board at the time a pronouncement is approved. *Regulation Impact Statements* and *Annual Regulatory Plans* are published on the AUASB website.

Legislative Instruments

33. Auditing Standards made by the AUASB under section 336 of the *Corporations Act 2001* are legislative instruments under the *Legislative Instruments Act 2003* (LIA). As soon as practicable after an Auditing Standard is approved by the AUASB, the standard is registered on the Federal Register of Legislative Instruments (FRLI). Auditing Standards are then tabled in both Houses of Parliament and therefore, are subject to the parliamentary scrutiny and disallowance provisions of the LIA. The date of commencement of an Auditing Standard is the date specified by the AUASB.

C. Completion Stage

34. AUASB exposure drafts, pronouncements and other publications are approved for publication in accordance with the AUASB's approvals protocols – effectively that is by way of a prescribed majority vote.
35. Publication involves placing the approved AUASB document on the AUASB website and notifying constituents. In limited cases, additional methods of publication may follow, such as hard-copy printing.

Guidance Statements and other Publications

36. The due process detailed above applies equally to the development and issuance of AUASB Guidance Statements and other publications, with the exception of public exposure.
37. Following AUASB consideration of a draft Guidance Statement or other publication, the draft is amended, as appropriate, and presented to the AUASB for final approval. Approval by the AUASB of the Guidance Statement or other publication is subject to the AUASB voting protocols described above.