



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO.	5.3.7
Meeting Date:	10-11 September
Subject:	Less Complex Entities – Taking the Project Forward in Australia
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Date Prepared:	3 September 2019

Overview

1. The AUASB Technical Group (ATG) in consultation with the AUASB LCE Subject Matter Expert has developed this paper. The overall objective is to facilitate a discussion amongst the AUASB Members on how to support Australian auditors of less complex entities. AUASB Members are asked to respond to Questions 1-4 below.
2. As outlined in Part B of **Agenda Item 5.3.1**, whilst the submission to the IAASB discussion paper is an important step in moving the LCE project forward, the volume of feedback and the variation in responses received globally by the IAASB will likely result in solutions from the IAASB not being produced in the short-medium term.
3. The AUASB, through the AUASB LCE survey and comment letters, has collected a list of the key challenges that LCE auditors in Australia face. The challenges can split broadly into the following categories:
 - (a) Not specifically auditing standards focussed (for example audit fee pressure, legislation requiring audits, staffing); but include the following matters that the AUASB can contribute assistance towards:
 - (i) Expectation gap between auditors and users;
 - (ii) Value of the audit; and
 - (iii) Complexity of the accounting standards.
 - (b) Audit standards focussed:
 - (i) Overall scalability of the standards;
 - (ii) Onerous documentation requirements;
 - (iii) Lack of implementation guidance and support;
 - (iv) Not enough material in the standards which is specific to auditing LCEs; and
 - (v) Overall size of the standards leading to checklist approach.

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Considerations for the AUASB

4. The ATG is seeking initial feedback from the AUASB on how to respond to each of these broad challenges. Considerations for the AUASB include:
 - (a) What can the AUASB do domestically in the interim to support Australian stakeholders?
 - (b) Are there other groups who the ATG should work with?
 - (c) Initial AUASB considerations if an IAASB solution is not forthcoming within the next few years?
 - (d) The AUASB is requested to provide commentary into Questions 1-4 below, to enable the ATG to consider a project proposal to assist practitioners domestically.

What can the AUASB do domestically?

5. Considerations for the AUASB to address challenges that are not specifically audit standards focussed (linked to paragraph 3(a)):
 - (a) AUASB publications aimed at addressing the audit expectation gap and value of the audit (links with Assurance Framework **Agenda Item 5.2**).
 - (b) Education sessions through webinars and workshops.

Question 1: AUASB views on considerations of paragraph 5 above.

6. Considerations for the AUASB to address challenges that are audit standards focussed :
 - (a) Guides for specific standards for auditors of LCEs, topics could include risk assessment, auditing accounting estimates.
 - (b) Preparing LCE implementation packs for all future standards as and when they are approved.
 - (c) Addressing navigational challenges through:
 - (i) Progressing work around presentation of the standards on the AUASB's website (technology solution).
 - (ii) Consideration of splitting application material from the requirements (non-technology solution).

Question 2: AUASB views on considerations of paragraph 6 above.

Other groups that the ATG should work with?

7. The ATG considers that the professional bodies and the NZAuASB are the key stakeholder to work with in this area. Whilst other groups can provide important input into any of the proposed solutions there needs to be a balance between obtaining feedback from a wide range of groups and how quickly any solution is developed and issued. Other groups the ATG has considered include:
 - (a) Regulators (ASIC and ACNC);
 - (b) Other NSS (excluding NZAuASB);
 - (c) Firms;

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- (d) Investor groups;
- (e) Any other bodies?

Question 3: AUASB views on considerations of paragraph 7 above.

IAASB solution is not forthcoming?

8. Whilst it is unlikely that an IAASB solution will not be forthcoming based on the strong global push for a solution to be developed, the ATG considers it important for the AUASB to raise some initial thoughts about what a domestic approach could look like. Some initial thoughts include considering:
- (a) Separate micro-audit standards – either for specific standards or full suite;
 - (b) Sector specific standards;
 - (c) Other assurance options for LCEs (limited assurance).

Question 4: Initial AUASB views on the matters outlined in paragraph 8 above.

The Way Forward

9. As outlined in **Agenda Item 5.3.1**, the overall objective of this paper is to facilitate a discussion amongst AUASB Members and begin to develop a formal action plan. Based on the feedback received from AUASB Members, the ATG plans to prepare a formal project plan for AUASB approval at the December 2019 AUASB Meeting.

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