



Australian Government

Auditing and Assurance Standards Board

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AUDITING AND ASSURANCE STANDARDS BOARD CHAIR WELCOMES ASIC'S AUDIT INSPECTION REPORT

Melbourne, Australia, — The Chair of the Auditing and Assurance Standards Board (AUASB), Mr. Bill Edge, today welcomed the release of the Australian Securities and Investment Commission's (ASIC) Audit Inspection Report for 2020-21.

"In conjunction with the Financial Reporting Council (FRC), the AUASB is constantly monitoring and proactively identifying initiatives designed to enhance audit quality in Australia. This involves working with all stakeholders within the financial reporting eco-system, including ASIC," Mr Edge said.

The AUASB's mission is to develop, issue and maintain in the public interest, best practice auditing standards and guidance that meet user needs and enhance audit consistency and quality. High quality auditing standards which can be consistently applied are an important foundation supporting audit quality.

"ASIC's inspection findings are an important indicator of audit quality however it is necessary to look holistically when measuring and assessing audit quality. Also, as ASIC acknowledges in their report their inspection program focuses on a limited number of the more complex and challenging audits and higher risk key areas of audits, and purely random selection of audit files could produce a higher or lower level of negative findings. The AUASB particularly supports ASIC's reporting on a wider range of audit quality indicators which may be monitored over time.

In addition, it is important to acknowledge that the COVID-19 pandemic resulted in an extremely challenging period for auditors due to the uncertainty and increased difficulty in obtaining evidence to support professional judgements related to matters such as asset values, liabilities, going concern and adequacy of disclosures. In recognition of these challenges the AUASB issued extensive guidance to assist auditors and conducted a review of auditor's reports through this period," Mr Edge said.

The AUASB has been working with the FRC in the execution of the [FRC Audit Quality Action Plan](#) which has included conducting a survey of [Audit Committee Chairs \(ACCs\)](#) and [Professional Investors](#) to assess and analyse their views on audit quality. The surveys have indicated that overall, they are very satisfied with the quality of auditors in Australia.

The AUASB closely monitors ASIC's inspection findings and engages with ASIC to identify areas where our current auditing standards could more effectively contribute to enhanced audit quality, or where guidance is required to assist with consistent interpretation and application.

"The AUASB has issued an [AUASB Bulletin Supporting Auditors in Enhancing Audit Quality](#) which details a number of specific actions including issuing revised standards and other guidance materials to clarify and drive improved compliance with the requirements in the auditing standards. In particular this includes revised Quality Management Standards which aim to improve the system of quality management adopted by firms and quality on individual audits," Mr Edge said.

The AUASB will continue to work with all stakeholders within the financial reporting eco-system including ASIC, in the common goal of enhancing audit quality.

About the Auditing and Assurance Standards Board: The Auditing and Assurance Standards Board (AUASB) is an independent, non-corporate Commonwealth entity of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards. Sound public interest-oriented auditing and assurance standards are necessary to reinforce the credibility of the auditing and assurance processes for those who use financial and other information. The AUASB standards are legally enforceable for audits or reviews of financial reports required under the *Corporations Act 2001.2*