

September 2021

Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications

Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Document

This publication is available on the Auditing and Assurance Standards Board (AUASB) website:
www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level
Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204
Collins Street West
Melbourne Victoria 8007
AUSTRALIA

COPYRIGHT

© 2021 Auditing and Assurance Standards Board (AUASB). The text, graphics and layout of this document are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source. Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne Victoria 8007. Otherwise, no part of the document may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

CONTENTS

Paragraphs

I.	Introduction	1-7
-----------	---------------------------	------------

PART A

PRINCIPLES

II.	AUASB Mandate and Strategic Directive	8-14
III.	Due Process Principles	15
IV.	Categories of Pronouncements and Other Materials issued by the AUASB.....	16-34
V.	International Cooperation and Engagement	35-49
VI.	Appropriate Consultation	50-75
VII.	Protocols for Perceived Breaches of Due Process	76-81

PART B

PROCESSES FOR PRONOUNCEMENTS AND OTHER MATERIALS ISSUED BY THE AUASB

VIII.	Standard-Setting Processes	82-87
	Process 1: Standards based on Equivalent International Standards issued by the IAASB (including comprehensive revisions to IAASB Standards).	88-138
	Process 2: Domestic AUASB Standards (including comprehensive revisions to Domestic Standards)	139-173
	Amendments to Existing Standards	174-211
	AUASB Approval and Legislative Process	212-237
	Basis for Conclusions	238-240
	Implementation Support Materials	241-243
	Education, Awareness and Outreach	244
	Withdrawals (Repeal) of Standards	245-249
	Post-Implementation Reviews	250-254
IX.	AUASB Guidance Statements	255-265
X.	Non-Authoritative Materials	266-273

Appendix 1:	Public Interest Framework for the Development of AUASB Pronouncements
Appendix 2:	Categories of Pronouncements and Other Materials issued by the AUASB
Appendix 3:	Diagram depicting the Process for Developing AUASB Standards based on Equivalent IAASB Standards (Process 1)
Appendix 4:	Diagram depicting the Process for Developing Domestic AUASB Standards (Process 2)
Appendix 5:	Summary of Due Process Considerations requiring Approval by the AUASB

Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications

I Introduction

Purpose of Due Process Framework

1. The Auditing and Assurance Standards Board (AUASB) is an independent standard-setting body that serves the public interest by setting high-quality standards for audit, review, other assurance and related services engagements, and including standards on quality management for those engagements. In doing so, the AUASB contributes to enhanced engagement quality and consistency of practice nationally and throughout the world and strengthened public confidence in the auditing and assurance profession.

The AUASB's mission, strategic objectives and the framework within which it operates, are set out in the [*AUASB Strategy and Corporate Plan*](#).

2. This Due Process Framework document sets out the principles for how pronouncements and other materials issued by the AUASB are created and updated. The Due Process Framework is designed to ensure that, consistent with the AUASB's functions set out in the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act), and in line with the AUASB Strategy, these documents are developed, issued and maintained with proper regard to the public interest, are principles-based, of a high quality, clearly stated and concise, and meet the needs of stakeholders¹.
3. It is in the public interest that stakeholders have confidence in both the quality of pronouncements and other materials issued by the AUASB, as well as the credibility of the process by which these pronouncements and materials are developed. The Due Process Framework is designed to ensure that pronouncements and other materials issued by the AUASB are developed in accordance with the principles of the 'Public Interest Framework for the Development of AUASB Pronouncements' (Public Interest Framework), set out in Appendix 1 of this document. The Public Interest Framework is intended to expand upon what the "public interest" means to the AUASB and provides a useful frame of reference for the AUASB to assess whether its standard-setting process is appropriate and responsive to the public interest. The Public Interest Framework, together with due process, articulate the public interest responsiveness of AUASB audit-related standard-setting.
4. The [*AUASB Evidence-Informed Standards-Setting Strategy*](#) (AUASB EISS Strategy) is integral to the AUASB achieving its strategic objectives and, in particular, to ensure pronouncements and other materials issued by the AUASB are developed through an evidence-informed process and are responsive to the public interest. The EISS Strategy consists of three components:
 - (a) the knowledge and experience of informed parties; including AUASB members;
 - (b) research activities; and
 - (c) information collection through stakeholder engagement.

The EISS Strategy directs AUASB activities to ensure the deliberations and decisions of the AUASB are informed by relevant and reliable evidence.

¹ Appendix 1, paragraphs 8-11, identifies the groups of stakeholders that may have an interest in the quality and adequacy of pronouncements and materials issued by the AUASB.

5. This document provides a framework to guide the AUASB and AUASB technical staff (technical staff) in performing the required due process activities to ensure transparency and consistency in the development and review of pronouncements and other materials issued by the AUASB, and informs stakeholders on how they can participate in the process.
6. The AUASB Due Process Framework operates in conjunction with the:
 - (a) [*AASB and AUASB Board Charter*](#) (Board Charter)

The Board Charter outlines the main corporate governance principles that apply to the AUASB, including meeting and voting procedures.
 - (b) [*Foreword to AUASB Pronouncements*](#) (Foreword)

The Foreword sets out an overview of the range and hierarchy of pronouncements and other materials issued by the AUASB. The Foreword includes high level principles to determine the purpose, authority, legal status and content of pronouncements and materials issued by the AUASB.
 - (c) [*Auditing Standard ASA 101 Preamble to AUASB Standards*](#) (Preamble)

The Preamble explains the authority and legal status of AUASB Standards and how standards are to be understood, interpreted and applied.

Structure of Due Process Framework

7. This framework document comprises two parts:
 - (a) Part A – outlines the principles underlying the due process requirements for developing, issuing and maintaining pronouncements and other materials issued by the AUASB. Part A also provides the necessary background and explanatory material to provide context to the processes and procedures set out in Part B; and
 - (b) Part B – outlines specific matters of due process and the working procedures adopted by the AUASB to achieve the principles outlined in Part A for developing, issuing and maintaining (as applicable):
 - (i) AUASB Standards (Section VIII);
 - (ii) AUASB Guidance Statements (Section IX); and
 - (iii) other non-authoritative publications and guidance materials (Section X).

PART A — PRINCIPLES

II AUASB Mandate and Strategic Directive

8. The AUASB operates within a framework set out in Part 12 of the ASIC Act. The ASIC Act sets out the core objectives for auditing and assurance standard setting in Australia.
9. Under section 227B of the ASIC Act, the AUASB's functions are to:
 - (a) make auditing standards under section 336 of the *Corporations Act 2001* as amended (Corporations Act);
 - (b) formulate auditing and assurance standards for other purposes;
 - (c) formulate guidance on auditing and assurance matters;
 - (d) participate in and contribute to the development of a single set of auditing standards for world-wide use; and
 - (e) advance and promote the main objectives of Part 12 of the ASIC Act.
10. The ASIC Act² requires the AUASB, when making and formulating auditing and assurance standards and related guidance on auditing and assurance matters, to:
 - (a) comply with the broad strategic direction of the Financial Reporting Council (FRC);
 - (b) comply with a Ministerial direction about the role of international auditing standards in the Australian auditing standard-setting system; and
 - (c) where appropriate, make or formulate auditing standards by issuing the text of an international auditing standard which may be modified to the extent necessary to take account of the Australian legal or institutional environment.
11. The FRC provides broad strategic direction and advice to the AUASB and has oversight of the process for setting auditing and assurance standards in Australia. Under the ASIC Act, the AUASB may determine its own procedural rules, but must have regard to the advice and feedback of the FRC.³
12. In April 2005, the FRC directed the AUASB to:
 - (a) develop Australian Auditing Standards that have a clear public interest focus and are of the highest quality;
 - (b) use, as appropriate, International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop Australian Auditing Standards;
 - (c) make such amendments to ISAs as necessary to accommodate and ensure that Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements, including amendments as necessary for Australian Auditing Standards to be legally enforceable under the requirements of the Corporations Act;
 - (d) monitor and review auditing and assurance standards issued by other standard-setting bodies in other national jurisdictions and consider other matters relevant to achieving the objectives of Part 12 of the ASIC Act. Consequently, where appropriate and considered to be in the public interest and necessary to produce standards of the highest quality, the AUASB should incorporate additional requirements in its Australian Auditing Standards; and
 - (e) continue to develop auditing and assurance standards other than for historical financial information as well as develop and issue other guidance on auditing and assurance

² See ASIC Act, sections 227B, 234C and 234D. Also refer to section 4 of the AUASB Board Charter.

³ See ASIC Act, sections 234C, 236E and 236EA.

matters, and participate in audit research that is conducive to, and which significantly benefits, the standard-setting activities of the AUASB and its stakeholders.

13. Although funded by the government, the AUASB is an independent standard-setter as the ASIC Act expressly limits the FRC's and the relevant Minister's ability to direct the AUASB in relation to the development, or making, of a particular standard. The FRC and Minister do not have the power to veto a standard made, formulated or recommended by the AUASB and neither the FRC nor the Minister can direct a particular technical outcome.⁴
14. In Australia, the Accounting Professional & Ethical Standards Board (APESB), an independent national body funded by the professional accounting bodies⁵, has responsibility for developing and issuing professional and ethical standards, including independence requirements, for audit and assurance practitioners through its Code of Ethics⁶. Pronouncements and other materials issued by the AUASB should have regard to and incorporate relevant APESB standards and guidance where appropriate.

III Due Process Principles

15. The AUASB's due process requirements are built on the following principles:
 - (a) *Public interest focus*⁷ – ensuring due process in setting standards and developing guidance is followed effectively with proper regard for the public interest.
 - (b) *Transparency*⁸ – conducting the standard-setting process in a transparent manner and making public the information on which the AUASB bases its decisions at the earliest opportunity, including public board papers and meetings, timely notification of tentative and final decisions and, for new and revised AUASB Standards, publishing a Basis for Conclusions⁹ that indicates how decisions were reached and public comments responded to.
 - (c) *Evidence-informed*¹⁰ – directing AUASB activities to ensure that standard-setting deliberations and decisions are informed by relevant and reliable evidence.
 - (d) *Independence (both real and perceived)* – putting mechanisms in place to reinforce the importance of objectivity in the standard-setting process, benefitting from deep technical expertise and a diversity of perspectives but without undue influences or bias towards special interest groups, political pressures or personal interests.
 - (e) *International cooperation and engagement*¹¹ – maximising Australian input and influence with the IAASB and, when relevant, other national and international standard-setters.
 - (f) *Convergence to international standards and harmonisation with New Zealand standards*¹² – setting the framework for the standard setting process of the AUASB.
 - (g) *Appropriate consultation*¹³ – consulting in a genuine and timely manner with interested and affected parties, to enhance the quality of standards and guidance and to be satisfied that the standard-setting process is appropriate and responsive to the public interest.

⁴ See section 4 of the [Board Charter](#) and section 225 of the ASIC Act.

⁵ Chartered Accountants Australia and New Zealand (CA ANZ), CPA Australia and the Institute of Public Accountants (IPA).

⁶ See [APES 110 Code of Ethics for Professional Accountants \(including Independence Standards\)](#) which has the force of law in Australia through the auditing standards. The APESB uses relevant international standards and guidance issued by the International Ethics Standards Board for Accountants (IESBA) as basis for the development of local APESB professional and ethical standards.

⁷ Refer to details of the AUASB's Public Interest Framework in Appendix 1.

⁸ Also refer to the [Board Charter](#) which sets out processes to achieve this principle.

⁹ See paragraphs 22 and 238-240 of this document.

¹⁰ See [AUASB EISS Strategy](#).

¹¹ See [AUASB International Strategy](#).

¹² See [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#).

¹³ See Section VI of this document.

- (h) *Accountability* – analysing the potential impact of its proposals on affected parties and explaining the rationale for decisions made.

IV Categories of Pronouncements and Other Materials issued by the AUASB

16. AUASB Standards, framework pronouncements, guidance and other materials issued by the AUASB adhere to a hierarchy of authority and will fall into one of the categories below.

The diagram in Appendix 2 to this document provides an outline of the range and hierarchy of pronouncements and other materials issued by the AUASB. For further detail, refer to the [Foreword](#), which includes the high-level principles to determine the purpose, authority, legal status and enforceability of pronouncements and other materials issued by the AUASB.

Authoritative AUASB Pronouncements

17. The AUASB issues the following types of authoritative pronouncements pursuant to its mandate under section 227B of the ASIC Act:

Pronouncements	Authority and Legal Status¹⁴
AUASB Standards¹⁵	
<p>The AUASB issues the following types of standards:</p> <ul style="list-style-type: none"> (a) Australian Standards on Quality Management (ASQMs)¹⁶; (b) Australian Auditing Standards (ASAs); (c) Standards on Review Engagements (ASREs); (d) Standards on Assurance Engagements (ASAEs); and (e) Standards on Related Services (ASRSs). <p>Standards made by the AUASB establish mandatory requirements and also include related application and other explanatory material essential for a proper understanding of a standard and application of its requirements.</p>	<p>AUASB Standards are not legally binding in all contexts. However:</p> <ul style="list-style-type: none"> – Standards made and issued under section 336 of the Corporations Act for the purposes of the corporations legislation have the status of law.¹⁷ Where engagements covered by these standards are undertaken for the purposes of complying with the Corporations Act, full compliance is required as a matter of law.¹⁸ – Auditing and assurance standards may also be issued or used for other purposes.¹⁹ Where auditing and assurance standards are used for purposes other than complying with the Corporations Act, compliance with those standards may not be required as a matter of law. However, there are circumstances in which compliance is required by other legislation, regulatory or contractual arrangements.

¹⁴ See paragraphs 18-19 of this document.

¹⁵ See [Foreword](#), paragraphs 17-19. AUASB Standards are to be read and applied in conjunction with the [Preamble](#). The Preamble explains in greater detail the authority and legal status of AUASB Standards and how AUASB Standards are to be understood, interpreted and applied.

¹⁶ For legislative purposes, Australian Standards on Quality Management are included in corporations legislation as “Auditing Standards”. The terms “Auditing Standards” and “Australian Auditing Standards” are further explained in paragraph 10 of the [Preamble](#).

¹⁷ Pursuant to section 227B(1)(a) of the ASIC Act.

¹⁸ For further detail, refer to paragraphs A7-A10 of the [Preamble](#).

¹⁹ Pursuant to section 227B(1)(b) of the ASIC Act.

AUASB Pronouncements other than Standards²⁰	
<p>(a) Framework Pronouncements²¹</p> <p>Provide information, structure and context to pronouncements and other materials that the AUASB issues.</p> <p>Framework pronouncements comprise of:</p> <p>(i) Foreword to AUASB Pronouncements</p> <p>(ii) Framework for Assurance Engagements</p> <p>(iii) AUASB Glossary</p>	<p>AUASB framework pronouncements are formally approved and issued by the AUASB.</p> <p>Framework pronouncements do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and are not legally enforceable.</p>
<p>(b) AUASB Guidance Statements²²</p> <p>Guidance Statements provide guidance to auditors and assurance practitioners on the application of AUASB Standards and assist auditors and assurance providers to comply with Standards. Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard(s) of general application to particular circumstances or specialised industries/sectors.²³</p> <p>Accordingly, Guidance Statements refer to, and are written in the context of:</p> <p>(i) specified AUASB Standards; and</p> <p>(ii) where relevant, legislation, regulation or other authoritative publication.</p>	<p>Whilst formally approved and issued by the AUASB, Guidance Statements do not establish new principles or amend existing standards.</p> <p>Guidance Statements do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and are not legally enforceable.</p>

18. The term “authoritative” is used to refer to AUASB pronouncements that are formally approved and issued by the AUASB. AUASB pronouncements are developed, issued and maintained in accordance with the AUASB’s due process framework.
19. As outlined in the table above, not all authoritative pronouncements issued by the AUASB are legally binding. The [Preamble](#) explains in greater detail the authority and legal status of AUASB Standards, how standards are to be understood, interpreted and applied, and identifies the mandatory and non-mandatory components of standards. Each pronouncement explains the status of the material it contains.

²⁰ Pursuant to section 227B(1)(c) of the ASIC Act.

²¹ See [Foreword](#), paragraphs 15-16.

²² See [Foreword](#), paragraphs 20-23.

²³ See paragraphs 256-257 of this document for further information on circumstances that may lead to the AUASB issuing guidance and factors the AUASB will consider in determining whether it is appropriate to issue a Guidance Statement in the specific circumstances.

20. AUASB Standards will be developed, issued and maintained in accordance with the processes outlined in Section VIII of this document. The process for developing AUASB Guidance Statements and AUASB framework pronouncements are described in Section IX.

Non-Authoritative Materials

21. The AUASB may also issue non-authoritative materials if it considers that doing so would improve audit and assurance quality and consistency in application, or to raise awareness of the auditing and assurance implications of new or emerging issues in the public interest. Such non-authoritative materials do not have the status of AUASB Standards or Guidance Statements. Non-authoritative materials do not establish or extend requirements for the performance of engagements under the AUASB Standards.
22. Non-authoritative materials include:

AUASB publications and guidance materials
For example: <ul style="list-style-type: none">• Explanatory Guides• Basis for Conclusions• AUASB Bulletins• AUASB Consultative Documents
Technical staff guidance and other materials
For example: <ul style="list-style-type: none">• Frequently Asked Questions (FAQs)• Newsletters and news alerts• Implementation support materials• Other contextual, supportive and educational materials including webcasts, podcasts, articles, presentations and training materials• Research reports

23. The Foreword explains the purpose of each of the above categories of non-authoritative materials.²⁴ Non-authoritative materials will be developed and issued in accordance with Section X of this document.

Choice of Pronouncement or Non-Authoritative Material

24. Circumstances that may lead to the AUASB introducing, amending or withdrawing an AUASB Standard, Guidance Statement or related non-authoritative materials include:
- (a) the IAASB (or other national standard setter) has issued materials on a particular matter;
 - (b) a gap has been identified in the existing AUASB framework;
 - (c) stakeholders have requested action and the AUASB considers it appropriate to respond; or
 - (d) the relevant subject matter has been superseded or is no longer fit for purpose.

²⁴ See [Foreword](#), paragraphs 24-34.

25. Where a gap has been identified in the AUASB's existing framework, the AUASB considers which of the following responses will be most appropriate in the circumstances:
- (a) develop a new, or amend an existing, AUASB Standard;
 - (b) develop a new, or amend an existing, AUASB Guidance Statement; or
 - (c) issue non-authoritative materials.
26. The AUASB's choice of pronouncement and/or other non-authoritative material for addressing an identified issue will be influenced by a range of factors. The factors outlined below are intended to inform standard-setting, not set limits to the AUASB's activities. The AUASB will apply appropriate judgement to determine the most suitable response in the circumstances, having regard to the principles outlined in Section III.
27. In determining whether a standard-setting solution will be the appropriate response in the circumstances, the AUASB considers whether one or more of the following factors are relevant:
- (a) a permanent solution is needed to address an ongoing auditing and/or assurance issue;
 - (b) a change is necessary to comply or align with a legal requirement;
 - (c) the desired outcome of the new or revised standard will address relevant compliance obligations and/or promote significant improvements in audit/assurance quality in the Australian environment;
 - (d) it will create significant additional benefits in the public interest and the anticipated benefits of the change or new material will outweigh the costs; and
 - (e) the risk to the public interest of not acting is significant.
28. A further consideration is whether the issue being addressed in a proposed standard has general application or is specific to a particular stakeholder group or sector. The AUASB should target the development of new or revised standards where the impact is considered systemically important to the Australian economy and aligned with stakeholder needs.
29. Where the factors listed in paragraph 27 are not met (for example, if the desired outcome is to encourage a change of behaviour or promote the use of judgement, or relates to a temporary scenario rather than a permanent situation), then a new or revised standard may not be required and the AUASB considers whether an AUASB Guidance Statement or non-authoritative materials may be more relevant.
30. In deciding on the form of guidance to be issued, the AUASB considers the level of authority required to meet the informational need. Where there is a need for authoritative guidance, the AUASB has the option to include the guidance in the standard as new/amended application and explanatory material, or to issue a separate Guidance Statement.
31. In choosing whether to amend and/or develop new application material for inclusion in a standard or to issue guidance in another form, the AUASB uses professional judgement, taking into consideration the nature and extent of all prevailing circumstances. Factors the AUASB may take into consideration when deciding on whether to amend application and explanatory material in a standard include:
- (a) Whether inclusion of the guidance within the standard itself is essential for a proper understanding of the standard and application of its requirements.²⁵
 - (b) How promptly the guidance needs to be made available. As the development processes for Guidance Statements and non-authoritative materials are more flexible than the due process for AUASB Standards, issuing guidance using these formats may offer a timelier response in circumstances where a delay in issuing a standard may not be in the public interest.

²⁵ See [Preamble](#), paragraph 13 and, more specifically, paragraphs A51-A53.

- (c) Whether the additional material impacts international or only local requirements. Due to the AUASB's mandate to adopt international standards, and application of the 'Compelling Reason Test' for modification of international standards for adoption in Australia,²⁶ it may be more appropriate to issue additional guidance in the form of a Guidance Statement/non-authoritative materials instead of amending the application material in AUASB Standards based on international standards.
 - (d) Whether there is a need to educate and/or inform stakeholders when developing the additional material. As Guidance Statements/non-authoritative materials offer more flexibility in their content, it may be possible to include educational and background material appropriate to the issue being addressed.
 - (e) Whether the additional material draws upon requirements from just one or multiple AUASB Standards. If the additional material is specific to one standard then it may be more appropriate to develop new application material and include it in a Standard; however, Guidance Statements and non-authoritative materials make it possible to provide guidance on issues that affect several standards within a single document.
32. In the following circumstances, instead of developing a new standard or modifying an existing standard, it may be more appropriate to develop a new, or update an existing, AUASB Guidance Statement, or to issue non-authoritative materials:
- (a) it is only necessary to provide clarification, explanation or interpretation of a standard;
 - (b) existing material is sufficient to lead practitioners to the right outcome provided it is applied appropriately;
 - (c) there is a need to issue a swift response to a development in the market; and
 - (d) a non-regulatory response is viable and offers a potentially effective response.
33. Additionally, the AUASB may determine that development of an AUASB Guidance Statement may not be appropriate but that instead other non-authoritative materials may be more suitable, for example, where:
- (a) urgent guidance is necessary to address a significant issue or support the implementation of a new/revised standard, and this can be developed and issued more promptly than the development/revision of an authoritative Guidance Statement; or
 - (b) further guidance is desired to clarify, explain or interpret the requirements of a new/revised Standard or Guidance Statement for a particular industry or sub-sector.
34. Refer to Sections IX and X of this document for matters the AUASB will take into consideration in determining whether an AUASB Guidance Statement or other non-authoritative materials will be appropriate in the circumstances.

V International Cooperation and Engagement

35. The AUASB is required, by virtue of its legislative mandate and under its directive from the FRC, to be actively engaged in international auditing and assurance matters.²⁷ This includes:
- (a) a requirement to participate in and contribute to the development of a single set of auditing standards for world-wide use; and
 - (b) to use auditing and assurance standards issued by the IAASB as a base from which to develop local auditing and assurance standards.

²⁶ See paragraph 43 of this document.

²⁷ See Section II of this document.

36. The AUASB's interaction with relevant international bodies is carried out in accordance with the following AUASB strategies and protocols:
- (a) [*AUASB International Strategy*](#);
 - (b) [*Protocol for Co-operation between the Australian Accounting Standards Board, the Australian Auditing and Assurance Standards Board, the Australian Financial Reporting Council and the New Zealand External Reporting Board*](#); and
 - (c) [*AUASB Policy and Process for International Conformance and Harmonisation of Standards*](#).
37. The key national and international bodies the AUASB cooperates and engages with include international and national auditing and assurance standard setters,²⁸ such as:
- (a) the IAASB²⁹;
 - (b) the New Zealand Auditing and Assurance Standards Board (NZAuASB);
 - (c) the IAASB National Standard Setters Group (IAASB NSS); and
 - (d) where appropriate, other national auditing standard setters.
38. One of the strategic objectives of the AUASB is to maximise Australian input and influence of international standards and guidance to achieve public interest outcomes and also to serve as the most effective base possible for Australian auditing and assurance standards. The [*AUASB International Strategy*](#) outlines the methods the AUASB applies to participate in, contribute to, and influence the international standard-setting agenda.³⁰ This involves:
- (a) regular international activities by AUASB members and technical staff to ensure adequate analysis of, and input to, regular IAASB activities; and
 - (b) other operational or strategic tasks that support the AUASB's engagement on international standard-setting issues.

Engagement with the IAASB

39. The IAASB develops international audit, assurance and audit-related standards and guidance for use by all professional accountants under a shared standard-setting process overseen by the Public Interest Oversight Board (PIOB). This is done in consultation with the IAASB Consultative Advisory Group, which provides public interest input into the development of standards and guidance. Participation in, and contribution to, the work of the IAASB is considered integral to the ability of the AUASB to continue as an effective national standard-setter and is important to the AUASB maintaining, and further developing, the audit, assurance and audit-related standards and guidance used in Australia.
40. The AUASB participates in, and contributes to, global standard-setting by communicating the Board's views (taking into account the views of Australian stakeholders), on consultation papers, invitations to comment and exposure drafts issued by the IAASB, through written submissions; and through meeting and liaising with the IAASB and other national standard setters.

²⁸ For strategies and methods used by the AUASB to cooperate and engage with these and other international bodies and international stakeholder groups, refer to the [*AUASB International Strategy*](#).

²⁹ The work of the IAASB and IESBA is overseen by the Public Interest Oversight Board (PIOB) and the Monitoring Group (MG).

- The PIOB is an independent oversight body with responsibility to ensure that standard-setting at international level follows due process and is responsive to the public interest.
- The MG is a group of international financial institutions and regulatory bodies (see footnote 79) committed to advancing the public interest in areas related to international audit-related standard-setting and audit quality. The MG is responsible for the overall governance of the international audit and ethics standard-setting process and the review of its effectiveness. The MG's responsibilities include monitoring the PIOB's public interest oversight role.

³⁰ For further details, including an outline of the guiding principles which underpin the responsibilities of AUASB members and technical staff when considering and implementing the AUASB's international influencing activities, refer to the [*AUASB International Strategy*](#).

41. In conjunction with the FRC, the AUASB identifies and promotes the appointment of high-quality Australian representatives on relevant international auditing and assurance standards committees and working groups and, once appointed, supports them in their roles, and aligns the AUASB's activities wherever possible to increase the AUASB's global input and influence.
42. From time to time, a member of the AUASB may also serve as a member of the IAASB. In these circumstances, the Board member is encouraged to utilise their experience relating to both roles to share knowledge and support the objectives of both Boards. However, it is important to note that any AUASB member who is also an IAASB member is appointed to the IAASB in their individual capacity and not as a representative of the AUASB.
43. Where appropriate, the AUASB adopts pronouncements issued by the IAASB. Under the AUASB's convergence policy³¹, international standards adopted in Australia are modified only if there are compelling reasons to do so, referred to as the 'Compelling Reasons Test'. The convergence policy explains the limited circumstances where such modifications are acceptable, provided they consider the public interest and do not conflict with, or result in lesser requirements than, the international standards.

For details, refer to the policy document which:

- (a) identifies factors the AUASB considers when assessing whether modifications to the international standards are in the public interest;
- (b) identifies the circumstances that would trigger application of the Compelling Reasons Test for modifications;
- (c) identifies the criteria that have to be met before an international standard is modified for adoption in Australia; and
- (d) includes a diagram which illustrates the AUASB's approach to achieve its objective of convergence to international standards, including how the Compelling Reasons Test for modifications in the public interest is applied.

Engagement with the NZAuASB

44. The AUASB and the NZAuASB have established broad strategies and initiatives aimed at the establishment of harmonised standards based on international standards. For example, the Chair of each Board is allocated membership on the Board of the other standard-setter.
45. The AUASB and the NZAuASB, as well their respective oversight bodies (the FRC and the NZ XRB) have agreed to reciprocal policies on:
 - (a) the principles of convergence to IAASB Standards;
 - (b) the principles of harmonisation with the standards of the respective Boards; and
 - (c) communications protocols.

These shared policies are set out in the [*AUASB Policy and Process for International Conformance and Harmonisation of Standards*](#).

46. In accordance with these reciprocal policies and protocols for co-operation between the AUASB and NZAuASB, the two standard-setting bodies have agreed to use their best endeavours to minimise differences between auditing and assurance standards issued in Australia and New Zealand. All AUASB Standards are therefore developed and issued in accordance with the principles of harmonisation policy with New Zealand Standards and AUASB/NZAuASB communication protocols. In most cases, harmonisation will follow as a result of the Boards' respective policies of converging to international standards.

³¹ See [*AUASB Policy and Process for International Conformance and Harmonisation of Standards*](#).

47. Under the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) both the AUASB and NZAuASB agree to adopt IAASB Standards and only consider making modifications to the IAASB Standards if modifications are in the public interest and do not conflict with, or result in lesser requirements than, the international standards. Harmonisation is therefore ideally achieved by adopting modifications made to an IAASB standard by one country that have relevance and application in the other country. However, both standard-setters acknowledge that each of the Boards act autonomously and independently and there may be instances where standards may differ because of country specific requirements and public interest considerations in each jurisdiction.
48. For further details on the AUASB's harmonisation policy, refer to [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#). This policy document also includes a diagram which shows how the Compelling Reasons Test is applied in harmonising Australian and New Zealand standards.
49. The AUASB communicates any Trans-Tasman issues identified, including any potential compelling reasons modifications, for consideration by the NZAuASB, in accordance with AUASB/NZAuASB communication protocols.

VI Appropriate Consultation

50. The AUASB's due process is iterative in nature, with a strong emphasis on consultation at all stages of the process to ensure that:
- (a) all interested parties are given ample opportunity to express their views; and
 - (b) pronouncements and other materials issued by the AUASB are relevant, consistent and logically derived.
51. To ensure pronouncements and other materials issued by the AUASB are responsive to the public interest, due process includes processes to collaborate and engage in a timely manner with a broad range of interested and affected stakeholders considered to represent the public interest on identified issues. This may include active solicitation of feedback, where appropriate. These activities provide essential evidence as regards the views of, and impact on, stakeholders of audit-related standard-setting activities.³²
52. The AUASB's Public Interest Framework identifies the different classes of stakeholders that may have a legitimate interest in the adequacy of pronouncements and other materials issued by the AUASB - that is, the AUASB's 'public'.³³ This framework also outlines the steps the AUASB will follow to assess whether its actions, decisions or policies are in the public interest.
53. In order to address stakeholder interests, it is essential that the AUASB's consultation process:
- (a) considers all stakeholder input and identifies the different stakeholder interests that affect the public interest;
 - (b) defines relevant public interest criteria to consider how to appropriately weigh the input received in terms of the public interest impact of the relative interests; and
 - (c) appropriately balances alternative outcomes and interests in terms of their expected responsiveness to the public interest.
54. Public interest responsiveness cannot be ensured through a mere aggregation of all stakeholder interests, as such interests may be mutually inconsistent. Assessing public interest therefore

³² Refer to the [AUASB EISS Strategy](#) which directs AUASB activities to ensure the deliberations and decisions of the AUASB are informed by relevant and reliable evidence, including information collection through stakeholder engagement. See paragraph 4 of this document.

³³ Refer to the AUASB's Public Interest Framework in Appendix 1. As explained in Appendix 1, although the standard-setting process endeavours to recognise and consider the views of all stakeholders, the interests of "users" will take prominence. The term "users" refers to the users of information subject to an audit or other assurance engagement. For financial reports, this group includes mainly investors (present and potential), lenders and other creditors, who rely on the audited financial report to make resource allocation decisions.

requires careful application of judgement. Judgement is best informed when the process and consultation elicits views from all interested stakeholders and balances the merits of the views, irrespective of whether a minority or majority view. Stakeholder input is weighted based on the merit of the viewpoints presented rather than the volume of comments received.

55. An important consideration is to safeguard against undue and dominant influences, and to be alert for any activities that might be perceived as primarily protecting or serving the self-interest of one stakeholder at the expense of another.

Types of Consultation

56. The AUASB undertakes the following types of public consultation:
- (a) undertaking a formal agenda consultation process with stakeholders at least once every five years to identify issues that need resolution;
 - (b) exposing for public comment a draft of any proposals;
 - (c) making wider appeals to stakeholders generally, including the use of surveys; and
 - (d) meeting with interested individuals and representatives of organisations on technical and public interest issues.
57. In addition, the AUASB may undertake the following types of targeted consultation:
- (a) establishing Project Advisory Groups (see paragraphs 60-63) or other types of specialist Project Advisory Panels comprising subject matter experts to advise the Board on topics requiring specialist input (see paragraphs 64-67);
 - (b) roundtable discussion groups and information sessions, including educative webinars, to seek specific engagement with, and comment from, stakeholders on selected topics; and
 - (c) direct consultation with stakeholders, either through regularly scheduled stakeholder meetings, site visits or presentations at AUASB meetings.
58. The AUASB also encourages stakeholders to participate actively throughout the process by:
- (a) issuing media and information releases relating to its activities, including an alert ('AUASB Meeting Highlights') the day after the completion of each Board meeting to keep stakeholders informed of significant matters discussed and agreed during the meeting, and a periodic newsletter reporting on the AUASB's activities and recent developments;
 - (b) maintaining a [website](#) on which the AUASB publishes exposure drafts and other consultative documents, standards and guidance, approved minutes of its meetings and selected Board agenda papers; and
 - (c) publishing on its [website](#) its strategy, corporate plan, work program and priorities, and other key policy documents such as its International Strategy, Principles of Convergence and Harmonisation Policy, and EISS Strategy.
59. Where appropriate, the AUASB arranges for IAASB Board members and/or staff to participate in Australian outreach events.

Project Advisory Groups (PAGs)

60. A PAG is a temporary working group appointed for topics requiring specialist practitioner and/or industry input. A PAG's primary objective is to provide the AUASB with expertise and advice on a specialised topic, and assist technical staff on the development of AUASB pronouncements and guidance. A PAG is disbanded once its objectives have been achieved.

61. Although a PAG may be used in the development of a pronouncement, the AUASB retains all responsibility, including for independence, quality, documentation and archiving, and maintaining the public interest. The discussions and papers of a PAG are confidential and the AUASB owns the intellectual property in the PAG's work.
62. The decision on whether to establish a PAG, is considered by the AUASB as part of the process of approving the Project Plan, which is further described in Section VIII of this document. The role of PAG Chair (who generally is also an AUASB member) and individual PAG members are appointed by the AUASB Chair. When determining the composition of a PAG, every effort is taken to secure a good cross-section of participants to reflect the public interest, including auditors and assurance practitioners who have practical experience in the field, as well as other interested stakeholders.
63. The PAG Chair and relevant project manager plan the involvement of PAG members, including the review of drafted material. Planning also includes scheduling a series of meetings, as well as setting the broad objectives and expected outcomes of each meeting.

Project Advisory Panels (PAPs)

64. The AUASB may decide to set up a PAP to provide a forum for the AUASB to consult experts on particularly complex issues. A PAP is an informal consultative group only, not a formal decision-making group.
65. PAP members act in an advisory capacity to the AUASB, providing specific and industry technical expertise, as well as the perspective(s) of the PAP Member and their organisation. Panel members are encouraged to bring ideas and share information; however, their contributions are not binding or authoritative on the AUASB.
66. Members will be expected from time to time to contribute to issues papers or other documents and review draft versions of pronouncements for the purpose of providing feedback to the AUASB, including identifying any practical implementation issues. Members may also be requested to identify other key stakeholder groups or individuals that the AUASB staff and Board should consult with.
67. The AUASB Chair determines when a PAP should be established, who should be the Chair of the Panel and the selection of PAP Members.

Types of Consultative Documents

68. The typical consultative documents issued by the AUASB include:
 - (a) *Exposure Draft* – An Exposure Draft (ED) typically is a draft of a proposed Standard (or other pronouncement) or a draft amendment to a Standard.³⁴
 - (b) *Discussion Papers and other Consultation Papers* – Discussion Papers (DP) and Consultation Papers (CP) are documents used to set out the details of the matters on which the AUASB is consulting and seeking input from stakeholders prior to making decisions.
 - A DP usually outlines a wide range of possible positions based on appropriate research and consultation, and is typically used to stimulate debate and refine the number of options being considered as the solution to an issue.
 - A CP is used to solicit views on matters under consideration and assist the AUASB in developing a draft of a proposed standard (or other pronouncement).

The AUASB may issue its own DP/CP or, alternatively, issue a DP/CP that has been published internationally by the IAASB or another standard setter, sometimes with an

³⁴ A fatal-flaw review draft is a form of ED.

Australian Preface added to explain the context and focus stakeholders' attention on Australian specific matters.³⁵

- (c) *Invitation to Comment* – An Invitation to Comment (ITC) precede or accompany a DP, CP or ED and set out matters on which the AUASB is seeking feedback.
- (d) *Request for information* – A request for information is used to consult on a specific aspect of one of the AUASB's projects, for example, to help the AUASB to prepare an ED or finalise a pronouncement.
- (e) *Draft AUASB Guidance Statement* – A Draft Guidance Statement is a draft of a proposed Guidance Statement and is the equivalent of an ED for a Standard.

Due process for Public Consultation and Exposure of AUASB Standards

69. To ensure appropriate consultation is undertaken for all major projects undertaken by the AUASB, such as the development of a new standard or comprehensive revisions to an existing standard, the following due process is applied:³⁶
- (a) Obtain stakeholder input to identify issues to be addressed, the scope of the issues and the rationale for needing a 'standard-setting' solution.
 - (b) Conduct initial outreach and information gathering in accordance with the [AUASB EISS Strategy](#).
 - (c) Determine the appropriate response required by the AUASB via the completion and approval of an AUASB Project Plan.³⁷
 - (d) Debate proposals in one or more public meetings.
 - (e) Use an evidence-informed approach to standard-setting to ensure action is warranted and that all necessary regulatory requirements are complied with. This will include:
 - (i) information collection through stakeholder engagement;³⁸ and
 - (ii) establishing a PAG or other type of specialist advisory group to advise on the proposed standard (if necessary);
 - (f) Expose for public comment a draft of any proposals.
 - (g) Make public submissions received (unless marked as confidential), as well as summaries of outreach events and other targeted consultations.
 - (h) Consider in a timely manner feedback received from comment letters and other outreach events.
 - (i) Hold additional meetings with the AUASB (or AUASB members) to review preliminary findings from consultation with stakeholders over the course of the exposure or consultation period, to determine what additional consultation activities may be in the public interest.
 - (j) Make public the information on which the AUASB bases its decisions at the earliest opportunity, including any analysis of stakeholder feedback, timely notification of

³⁵ For example, when the IAASB issues an ED, the AUASB concurrently issues the unmodified IAASB ED in Australia along with Australian-specific commentary in the form of an AUASB CP 'wrapped around' the IAASB ED. See paragraphs 106-114 of this document.

³⁶ The AUASB has adopted a simplified due process for addressing changes to existing standards that are considered to be narrow in scope – see paragraphs 176-197.

³⁷ Formal Project Plans (using the *AUASB Project Plan Template*) are a requirement for all major projects such as the development of a new standard or comprehensive revision of an existing standard. See paragraphs 95-96 and 151-153 for due process considerations relevant to the development and approval of AUASB Project Plans.

³⁸ For example, by publishing a DP, or hosting a public forum or roundtable, to solicit feedback in advance of a proposed standard being exposed. The AUASB may also consider undertaking fieldwork or pilot testing of proposed standards in conjunction with relevant stakeholders.

tentative and final board decisions, and, for new and revised AUASB Standards, publish a Basis for Conclusions that indicates how decisions were reached and public comments responded to.

- (k) Consider whether any proposals require re-exposure (see paragraphs 72-74).
 - (l) Consider whether the final standard was developed in accordance with due process and with proper regard for the public interest.
 - (m) Report to the FRC on the due process followed.
70. The AUASB may elect to alter this due process for consultation in certain circumstances. However, any variances from the usual due process must be approved by the AUASB and communicated to stakeholders in the Explanatory Memorandum accompanying the proposed AUASB pronouncement.
71. Although the views of all interested and affected parties are carefully considered by the AUASB, the ultimate content of standards and related guidance must be determined by the AUASB after balancing all the evidence from research, consultation and careful deliberation about the benefits and costs of proposals.

Criteria for Re-exposure of AUASB Standards

72. Circumstances may exist where the AUASB considers it would be in the public interest to re-expose the original ED. In considering whether there is a need for re-exposure of the proposed standard, or parts thereof, the AUASB applies the following criteria:
- (a) the nature and extent of changes to the original proposals in the ED, and whether the substance of the proposed standard has changed (see paragraph 73);
 - (b) the nature and extent of new substantive issues not considered during the initial consultation;
 - (c) for international equivalent standards, whether there are unique factors in Australia driving re-exposure (ensuring that any re-exposure does not conflict with the AUASB's policy of convergence to international standards);
 - (d) the nature and extent of input from stakeholders and whether:
 - (i) further consultation with those stakeholders is required; or
 - (ii) additional consultation is necessary with key stakeholders who have not had the opportunity to provide feedback on the proposed standard; and
 - (e) whether any persuasive or significant new evidence has been identified which may impact recommended changes to the proposed standard.
73. To determine whether the ED has changed substantially, the Board considers whether the objectives of the project have changed or if significant new requirements or recommended practices, that would cause a major change in practice, have been introduced. Additionally:
- (a) changes impacting on potential compelling reasons modifications to international standards adopted in Australia, are generally considered to be significant changes³⁹;
 - (b) where key elements of the exposed standard have been modified in response to comments received on exposure to clarify and enhance understanding, re-exposure is generally not required as long as the Board considers the key elements of the ED have been retained; and

³⁹ See paragraph 43 of this document.

- (c) matters relating to the structure or presentation of a standard will typically not warrant re-exposure.

The more extensive and/or fundamental the changes to the original ED and current practice are, the more likely it is that the revisions to the ED will have a significant impact on Australian stakeholders and that the proposals therefore should be exposed for a second time.

74. When evaluating if re-exposure is required, the AUASB assesses the impact of delaying implementation due to re-exposure against the relative urgency and importance of any additional changes to a proposed standard. The Board considers the additional steps it has taken to consult with stakeholders since issuing the ED and whether using committees or targeted consultation could provide the Board with information to support a decision to finalise a revised draft without re-exposure. The Board considers whether any implementation support, for example, the issuance of additional non-authoritative implementation guidance material or staff FAQs would address concerns.

*Comment Periods for Public Exposure of Proposed New or Revised AUASB Standards*⁴⁰

75. Comment periods for the public exposure of proposed new AUASB Standards, or proposed amendments to standards, are as follows:

Pronouncement	Consultation Document	Comment period
AUASB Standard based on a new or revised IAASB-equivalent Standard (including IAASB Amending Standards)	IAASB ED, accompanied by AUASB CP	The standard comment period for a standard issued by the IAASB is 120 days. However, this may be varied on a case by case approach, taking into account the complexity or urgency of the standard and other relevant factors. ⁴¹ AUASB EDs based on IAASB-equivalent Standards are normally exposed for a minimum period of 60 days. This period may be varied by the AUASB when considered appropriate but is never less than 30 days. The AUASB's comment period usually ends four weeks before the IAASB's due date, to enable the AUASB time to consider stakeholder submissions and to finalise its own submission to the IAASB.
New Domestic AUASB Standard Revised Domestic AUASB Standard (comprehensive revision) AUASB Amending Standard (comprehensive revision)	AUASB ED	Generally, a 90-day comment period; but if narrow in scope and urgent a shorter comment period may be approved by the AUASB but is never less than 30 days.

⁴⁰ AUASB Guidance Statements and other AUASB pronouncements are generally not subject to public exposure; however, the AUASB may determine in some cases that targeted consultation or a more formal consultation and exposure process (similar to that for an AUASB Standard) may be necessary.

⁴¹ A longer comment period may be necessary where complex or pervasive changes require wider consultation. A shorter comment period may be set where, for example, it is in the public interest to conclude on a matter more quickly, where the ED is relatively simple or short, or where the AUASB decides to re-expose all or part of a draft pronouncement that has been previously exposed.

Narrow-scope amendments to AUASB Standards.	AUASB ED (where appropriate)	The comment period may vary depending on the nature and urgency of the amendments but is never less than 30 days.
---	------------------------------	---

VII Protocols for Perceived Breaches of Due Process

76. Where a formal complaint regarding a breach of due process is advised to either the AUASB Chair or the FRC Chair, the alleged breach will be assessed via the reporting process set out in this section.
77. A formal complaint, together with the name and affiliation of the complainant, is posted on the AUASB's website.
78. Technical staff investigate the complaint and prepare a report in response to the complaint. The report is provided to the FRC Chair and the AUASB members and is posted on the AUASB's website. The FRC's response to the report, typically in the form of a letter to the complainant, is also posted on the AUASB website.
79. A breach of due process does not invalidate a pronouncement issued by the AUASB.
80. If the FRC considers that the AUASB has breached its due process, the FRC will request that the AUASB takes action to remedy the breach either within the current phase of the project to which the breach relates or by taking some additional steps in a future phase of that project, such as the post-implementation review.
81. The FRC is not permitted under the ASIC Act to raise technical auditing and assurance considerations as evidence of a breach of due process.⁴²

⁴² Under ASIC Act s225(7), the FRC does not have the power to direct the AUASB in relation to the development, or making, of a particular standard.

PART B — PROCESSES FOR PRONOUNCEMENTS AND OTHER MATERIALS ISSUED BY THE AUASB

VIII Standard-Setting Processes

82. The AUASB standard-setting processes used to achieve the principles identified in Part A, are set out below.
83. In broad terms, the AUASB issues two types of standards:
- (a) standards based on equivalent international standards developed and issued by the IAASB;⁴³ or
 - (b) domestic standards may be developed where international standards do not cover a topic of importance.
84. The AUASB therefore uses two different processes to develop and revise standards. For standards based on an equivalent international standard, see Process 1 below; for a standard developed domestically, see Process 2 below.
85. Processes 1 and 2, as described below, have been designed and are intended to apply primarily to the development of new standards and subsequent comprehensive revisions to such standards. For narrow-scope amendments to standards, the AUASB has adopted a simplified due process, which is outlined in paragraphs 176-197 below.
86. Processes that may apply to the development of all new AUASB Standards and amendments to AUASB Standards, are outlined in paragraphs 212-254.
87. In line with the AUASB's policy to work collaboratively with the NZAuASB, all AUASB Standards are developed and revised in accordance with the principles of harmonisation with New Zealand standards.⁴⁴

⁴³ See Section V of this document.

⁴⁴ See Section V of this document.

Process 1: Standards based on Equivalent International Standards issued by the IAASB (including comprehensive revisions to IAASB Standards)

88. Refer to Appendix 3 for a diagram that outlines the process the AUASB follows for developing standards based on international standards issued by the IAASB.

A. International Due Process

89. The IAASB follows a rigorous due process for developing international standards.⁴⁵ The process the AUASB follows in developing standards based on international standards issued by the IAASB is aligned with the IAASB's due process for setting international standards and the 'Public Interest Framework for the Development of International Audit-Related Standards' issued by the Monitoring Group⁴⁶ in their *Strengthening the International Audit and Ethics Standard-Setting System* paper in July 2020.
90. When the AUASB adopts an international standard, certain aspects of due process would have been completed internationally. Much of the AUASB's efforts, and related processes, are focused on providing input to the IAASB processes and determining, through stakeholder consultation, whether there are any compelling reasons for modification of a standard for application in Australia and, if so, what that modification should be.⁴⁷
91. While the international due process is a critical aspect of the overall standard-setting process in Australia, and is observed and attested to by the PIOB and relied on by the AUASB, the description of Process 1 in this section of the framework focuses on the steps the AUASB takes when issuing standards based on IAASB Standards.
92. The AUASB should remain alert throughout the standard-setting process that what is considered to be in the public interest at an international level, might not necessarily be in the public interest in Australia. The ultimate content of AUASB Standards must be determined by the AUASB after balancing all the evidence from research, public consultation and careful deliberation by the Board about the benefits and costs of any proposals, to assess whether it is appropriate and responsive to the public interest in Australia.

Participate in, and contribute to, the development of international standards in accordance with the AUASB International Strategy

93. The AUASB actively monitors the development of an international ED and raises issues with the IAASB in accordance with the [AUASB International Strategy](#). The aim of influencing the international standard-setting process is to promote convergence of local and international standards, maximising Australian input and influence into the international standard-setting process to ensure the IAASB standards act as the most effective base for their Australian equivalent standards.
94. The [AUASB International Strategy](#) outlines guiding principles and identifies methods the AUASB and technical staff apply to participate in, contribute to, and maximise its influence on the international standard-setting agenda. Refer to Section V of this document for further information.

⁴⁵ The IAASB follows due process as approved by the PIOB and subject to Monitoring Group oversight. Adherence to, and oversight of, due process by the IAASB (see [IAASB Factsheet An Overview of the IAASB's Role and Standard-setting Process \(January 2017\)](#)), ensures that all necessary procedures for the development of high-quality international standards have been executed, thereby enabling the appropriate evaluation, balancing and weighing of evidence and diverse stakeholder viewpoints.

⁴⁶ See footnotes 29 and 79.

⁴⁷ See paragraph 43 of this document.

Develop and approve a Project Plan

95. When the IAASB initiates a project, technical staff analyse and research the issues underlying the project. Based on this research and any consultation deemed necessary, staff prepare a *Project Plan* for AUASB approval, which sets out:
- the AUASB sponsor (an AUASB member who is a subject matter expert) and responsible technical staff member(s) with the appropriate knowledge, expertise and capacity;
 - recommended activities to best input into and influence the direction of the IAASB at each stage of the project;
 - nature, timing and extent of input to be obtained from Australian stakeholders.
 - opportunities to collaborate with the NZAuASB and other national standard setters to maximise the contribution to, and influence on, the IAASB;
 - potential need for appointment of an AUASB PAG to provide input in developing the Australian equivalent standard;
 - a preliminary assessment of the ‘compelling reasons’ that may exist when developing the Australian equivalent standard;
 - significant issues likely to be encountered in adopting the standard;
 - recommended actions to respond to these issues; and
 - estimated timing of each stage of the project.
96. Project Plans are developed using the standard *AUASB Project Plan Template*. All Project Plans must be approved by the Technical Director, AUASB Chair and the AUASB.
97. Technical staff develop a project *Stakeholder Engagement and Communication Plan*, which will include a ‘Project Summary’. This Plan is included in the relevant AUASB Board Papers published on the AUASB website and updated by technical staff as the project progresses.

Review material presented at IAASB meetings

98. Commenting on IAASB documents such as DPs, CPs and any ITC, as well as contributing to the development of those documents as taskforce members, is important to support the work of the IAASB and to ensure that the final standard issued internationally will be appropriate for use as a base for the equivalent AUASB Standard adopted in Australia.
99. The AUASB exposes relevant consultation documents issued by the IAASB concurrently in Australia⁴⁸. The AUASB provides comment to the IAASB throughout the cycle of the proposed standard’s development, following deliberation at AUASB meetings and considering Australian stakeholder feedback.
100. The designated technical staff member for the project analyses relevant material (including the proposed draft standard) to be discussed at IAASB meetings, collaborating with the AUASB sponsor for the project, in accordance with procedures set out in the [*AUASB International Strategy*](#). As a minimum, for each major IAASB project an *IAASB Project Summary Template* will be updated prior to, and included in the board papers for, each AUASB meeting that precedes an IAASB meeting.
101. A summary of the technical staff member’s analysis of the IAASB material and deliberations by AUASB members on the IAASB project at each AUASB meeting, is prepared and supplied to any Australasian representative(s) on the IAASB, for consideration at IAASB meetings.

⁴⁸ The AUASB concurrently issues the unmodified IAASB document in Australia along with Australian-specific commentary (if necessary) in the form of an AUASB CP ‘wrapped around’ the IAASB ED. Alternatively, the AUASB may refer to the IAASB document and request consultation with Australian stakeholders using the international document.

However, it is noted that matters considered and raised by these representatives at IAASB meetings are at their discretion.⁴⁹

102. A technical staff member will attend IAASB meetings (either physically or virtually) and report back to the AUASB on developments, discussions and decisions made at IAASB meetings and whether comments provided in briefing notes supplied to Australian representatives on the IAASB are reflected in subsequent IAASB materials (tracking of issues).

Consider potential compelling reasons for modification of the international standard

103. The AUASB monitors the development of the international standard progressively and considers, throughout the standard-setting process, whether potential compelling reasons may exist to modify the international standard for adoption in Australia⁵⁰ – acknowledging that these may be varied depending on revisions made to the proposed international standard to address feedback related to these issues.
104. The AUASB communicates with the NZAuASB at key points during the standard-setting processes, to discuss potential modifications to the international standard which may arise in either Australia or New Zealand. Under the AUASB/NZAuASB communication protocols, the key points for sharing information are:
- (a) when the IAASB ED is released for exposure internationally;
 - (b) at the close of the comment period for the international ED, and before finalising submissions by each Board to the IAASB; and
 - (c) as soon as the IAASB standard is finalised, and before finalising the Australian and New Zealand standards.

B. AUASB Concurrent Due Process

105. Through active monitoring of the development of the proposed IAASB standard and the raising of issues by the Australasian IAASB members throughout the development phase of the IAASB project, in accordance with the [AUASB International Strategy](#), the proposed standard would have been informed by the continual feedback of the AUASB. Therefore, many of the issues that the AUASB has tracked and raised would have been considered and, if appropriate, actioned by the IAASB by the time the IAASB exposes its proposed standard.

The next steps in the process will focus on identifying any residual issues to be addressed by the IAASB/AUASB.

AUASB concurrently exposes the IAASB ED in Australia for public comment

106. When the IAASB issues an ED, the AUASB concurrently issues the IAASB ED in Australia along with Australian-specific commentary, if necessary, in the form of an AUASB CP ‘wrapped around’ the IAASB ED (“wrap around CP”). The AUASB typically issues the IAASB ED for comment in Australia without any modification. The IAASB’s Explanatory Memorandum, which accompanies the IAASB ED, is provided as part of the unmodified IAASB ED.

⁴⁹ See paragraph 42 of this document.

⁵⁰ Refer to the *AUASB Policy and Process for International Conformance and Harmonisation of Standards* for details of the circumstances that will trigger application of the ‘Compelling Reasons Test’ for modification of international standards, and the criteria that have to be met before a standard is modified.

107. The AUASB considers this approach of issuing an Australian CP wrapped around the unmodified IAASB ED:
- (a) provides the best opportunity to obtain robust feedback from Australian stakeholders about significant matters at the optimal stage in the AUASB standard-setting process (which is dependent on a high quality IAASB standard). This feedback will feed into the AUASB's formal response to the IAASB, which will be used to finalise the IAASB standard;
 - (b) results in an Australian exposure process which closely follows the IAASB release and maximises stakeholders' time to consider proposed changes;
 - (c) focusses Australian stakeholders' attention on the significant matters relevant to achieving a fit-for-purpose standard in Australia identified by the AUASB over the course of the proposed standard's development by the IAASB;
 - (d) means the AUASB can create targeted questions or commentary that directs stakeholders to specific elements of the proposed IAASB standard, for example where the AUASB considers there is a high possibility that compelling reasons may exist to modify the international standard, or to elicit feedback on Australian specific practices and how they impact the proposed standard; and
 - (e) allows for the final Australian standard to be issued on a timely basis after the international standard, with the advantage being that Australian entities have the same adoption response time as international entities.
108. Although the Compelling Reasons Test has not yet formally been applied by the AUASB at this stage of the process, the AUASB highlights in the CP any identified potential compelling reason modifications to the IAASB standard that it considers may be necessary in the final Australian standard.
109. The AUASB communicates with the NZAuASB to identify and discuss Trans-Tasman issues and potential compelling reasons modifications, in accordance with AUASB/NZAuASB communication protocols.
110. The AUASB wrap around CP is formally considered and approved for issue in Australia by the AUASB.
111. The AUASB wrap around CP includes:
- (a) an outline of how the IAASB ED is being exposed by the AUASB;
 - (b) an outline of significant changes between the extant standard (if any) and the proposed ED;
 - (c) a summary of AUASB identified areas of concern raised with the IAASB throughout the development of the proposed standard and how such matters may or may not have been addressed by the IAASB in the final international ED. The purpose of this summary is to clearly articulate to stakeholders where the AUASB's focus of attention has been on the progression of the development of the proposed international standard and to identify any potential compelling reasons to amend the proposed IAASB Standard or other residual issues;
 - (d) information about the AUASB's proposed approach to implement the proposed IAASB standard in Australia, once finalised and issued; and
 - (e) the international questions on exposure and, if deemed appropriate, additional Australian specific questions requesting input from Australian stakeholders (including, where relevant, questions about potential compelling reasons).

112. Australian stakeholders' comments will generally be sought on:
- (a) the benefits and associated costs of the proposals set out in the IAASB ED;
 - (b) any legal and regulatory arrangements that could affect implementation of the proposals in Australia; and
 - (c) whether there are any compelling reasons for the proposals to be modified for application in Australia and, if so, what those modifications should be.
113. The IAASB's international due process comment period varies depending on the complexity of the standard but is ordinarily 120 days. The concurrent comment period in Australia is shorter to enable technical staff to collate all feedback and for the AUASB to consider and approve the AUASB submission to the IAASB. Proposed changes that result in only minor modification of an issued international standard may be progressed more quickly.
114. AUASB stakeholders and other interested parties have the option to provide comment directly to the IAASB and/or to the AUASB. The AUASB will request local stakeholders provide a copy (or the proposed submission) of comments made directly to the IAASB, so it can take these comments into account when developing its own submission to the IAASB, enabling the AUASB to understand the full suite of Australian stakeholders' views.

Consider stakeholder feedback and prepare a formal submission to the IAASB

115. At the completion of the Australian comment period, technical staff accumulate stakeholder submissions and prepare an analysis that summarises the significant issues raised by respondents. Stakeholder submissions are published on the AUASB website unless marked as confidential.
116. Technical staff consider all comments received from stakeholders, in whatever form, to identify and assess the importance of any residual concerns of the AUASB that have not been addressed by the IAASB in the ED. Feedback is also used to highlight areas where stakeholders believe compelling reasons exist that may require Australian-specific enhancements to be made to the final standard when adopted in Australia.
117. Technical staff finalise a draft submission to the IAASB, which is presented to the AUASB for formal consideration and approval at a public meeting or 'out-of-session', if necessary, before being sent to the IAASB.
118. Although the views of all stakeholders are carefully considered by the AUASB in its deliberations to finalise its submission to the IAASB, the AUASB decides on the final response to the IAASB ED, after balancing all the evidence from research, the consultation process, and careful deliberation of the potential benefits and costs of proposals.
119. The AUASB communicates any Trans-Tasman issues identified, including any potential compelling reasons modifications, for consideration by the NZAuASB, in accordance with AUASB/NZAuASB communication protocols.

C. Finalisation and Approval of Australian Equivalent Standard

120. Once the international standard has been approved by the IAASB and PIOB, technical staff review the final international standard, and consider how issues raised by Australian stakeholders have been addressed by the IAASB. Residual issues are identified for further Board deliberation.

Consider compelling reasons for modification of the international standard

121. Technical staff review feedback from respondents to the AUASB's wrap around CP and identify whether any potential compelling reasons exist to modify the international standard for adoption in Australia.

122. Where potential compelling reasons for modification of the final issued IAASB standard are identified for Australia, the AUASB technical staff communicates and discusses these issues with the NZAuASB, in accordance with AUASB/NZAuASB communication protocols.
123. Where the AUASB and the NZAuASB have different views on compelling reasons for modifications to standards, the Boards work collaboratively in an effort to understand, address, and, where possible, resolve any differences, in accordance with AUASB/NZAuASB harmonisation principles and AUASB/NZAuASB communication protocols.

If Applicable: Exposure process for proposed Australian compelling reasons modifications (AUASB ED)

124. In cases where potential compelling reasons modifications have been identified for Australia, technical staff include the proposed requirements and guidance that are in addition to, or a clarification of, the equivalent international standard. Any proposed deletions from the international standard are clearly noted, and any proposed additions or modifications clearly marked as Australian paragraphs or additional appendices commencing with an 'Aus' prefix.
125. The AUASB may, if it considers appropriate, make the proposed Australian modifications to the international standard subject to a separate targeted exposure process. This exposure process will apply only to the Australian compelling reasons modifications and stakeholders will be asked to comment only on the additions, deletions or modifications to the international standard, which are clearly identified as noted above. Also, the comment period may be for a shorter period than the usual period of exposure (a minimum of 30 days).
126. At the end of the comment period, technical staff accumulate and consider all comments received from stakeholders, and amend the proposed standard as appropriate.

Finalise standard to be issued

127. Technical staff may make format and terminology changes to the international standard to comply with domestic requirements (relating primarily to legislative instruments). Such changes are mechanical in nature and do not change the meaning of the equivalent international standard (that is, do not need to be identified as compelling reasons modifications).
128. Minor wording and spelling changes (as opposed to changes reflecting the use of significant terminology which may trigger the Compelling Reasons Test), where the intent remains the same, need not be identified in the Australian standard as compelling reasons modifications.
129. Technical staff also prepare a draft Basis for Conclusions⁵¹ to accompany the proposed standard.

Consider the need for re-exposure

130. Technical staff present the proposed Australian standard and accompanying draft Basis for Conclusions to the AUASB for its consideration at a public meeting. For compelling reasons modifications, in the rare and exceptional cases where applicable, staff also include: a collation of stakeholder feedback received in response to the AUASB's targeted exposure of compelling reasons modifications, an analysis of these comments, and how these comments have been addressed in the final standard.
131. Where the original IAASB ED has been subject to changes arising from the international and local public exposure processes, and/or new/revised evidence, technical staff prepare a summary comparative analysis for the AUASB's consideration. This analysis shows the differences between the original international ED and the proposed final standard to be issued in Australia, distinguishing clearly between changes made at the international level, and the Australian compelling reasons modifications which have been exposed separately.

⁵¹ See paragraphs 22 and 238-240 of this document.

132. The AUASB reviews the final Australian standard and supporting Board papers, taking into consideration how issues raised by Australian stakeholders have been addressed in the final standard. The AUASB satisfies itself that there are no other unidentified compelling reasons which may require Australia-specific enhancements to be made to the final international standard adopted in Australia.
133. If applicable, the AUASB applies the re-exposure criteria outlined in paragraphs 72-74 of this document, to determine whether to re-expose the proposed standard, or parts thereof, for further comment. This will generally be based on one of three scenarios:
- (a) The IAASB decides to re-expose the proposed international standard, or parts thereof - see paragraph 136(a).
 - (b) The IAASB decides not to issue a re-exposure draft but the AUASB determines that re-exposure of the international standard, or parts thereof, is warranted in Australia – see paragraph 136(b). Re-exposure for this reason will only be considered under limited circumstances where there is a high likelihood of identifying additional compelling reasons for modification of the international standard for adoption in Australia.⁵²
 - (c) The AUASB decides that re-exposure of previously exposed proposed Australian compelling reasons modifications (AUASB ED) is appropriate – see paragraph 136(b).
134. The AUASB decides on whether to re-expose a proposed standard, or parts thereof, by formal vote.⁵³ The basis of the AUASB's decisions with respect to re-exposure is recorded in the minutes of the meeting. Where the IAASB and/or AUASB decide not to issue a re-exposure draft for any substantial changes made to the original ED(s), those reasons are described in the Basis for Conclusions⁵⁴.
135. Where the AUASB is satisfied changes to previously exposed proposals are not substantial, or where it is unlikely that re-exposure will result in new information or reveal any new concerns that have not been aired already through comment letters or subsequent outreach and consultation activities, the AUASB proceeds to vote on the approval of the final standard to be issued (see paragraphs 212-237).

If Applicable: Process for re-exposure of previously exposed proposals

136. Re-exposed EDs are subject to the same general principles regarding comment periods, submission processes and voting requirements as applicable to ordinary EDs:
- (a) Where the IAASB decides to re-expose material, the AUASB concurrently issues, without modification, the IAASB re-exposed draft, together with the accompanying IAASB Explanatory Memorandum, in Australia for further comment. The IAASB's Explanatory Memorandum includes information to explain the changes made as a result of the earlier exposure (as well as the rationale behind changes), and/or the reasons for re-exposure. Australian-specific commentary and questions, if necessary, are included in an AUASB wrap-around CP.
 - (b) Where the IAASB decides not to issue a re-exposure draft but the AUASB determines that re-exposure of the international standard, or parts thereof, is warranted in Australia, or where the AUASB decides that re-exposure of previously exposed proposed compelling reasons modifications (AUASB ED) is appropriate, the AUASB issues an AUASB re-exposure draft for further targeted comment.

The Australian ED will be accompanied by an Explanatory Memorandum to outline changes (as well as the rationale behind changes) and/or the reasons for re-exposure.

⁵² The AUASB has more freedom to accommodate stakeholder perspectives in a second exposure round for Process 2 (domestic AUASB Standards), as there is no international standard to conform to.

⁵³ The decision to re-expose requires a two-thirds majority of all AUASB members with voting rights (not just members present). Refer to Appendix 5 of this document.

⁵⁴ See paragraphs 22 and 238-240 of this document.

The AUASB asks stakeholders to comment only on potential additions, deletions or amendments of the Australian compelling reasons modifications.

137. At the end of the re-exposure comment period, technical staff consider and accumulate all comments received from stakeholders responding to the re-exposed draft and prepare an analysis for Board consideration. Staff amend the proposed standard and accompanying Basis for Conclusions, as appropriate.
138. The proposed final AUASB Standard and accompanying Basis for Conclusions, together with a collation of all stakeholder comments and technical staff analysis of comments received (including how these comments were addressed in the final standard), are presented to the AUASB for its consideration, direction and final approval to issue. See paragraphs 212-237 of this document.

Process 2: Domestic AUASB Standards (including comprehensive revisions to Domestic Standards)

139. Refer to Appendix 4 for a diagram depicting the process the AUASB follows for developing and issuing domestic standards.
140. In accordance with its mandate and strategic direction, the AUASB may develop domestic standards and/or guidance to address matters specific to Australia, or which are important to Australia, but which are not addressed by the IAASB. Domestic standards and/or guidance may be based on other standard-setter pronouncements or original material.
141. Where possible, in accordance with its strategic objectives, the AUASB will coordinate the development of its domestic standards jointly with the NZAuASB. Where an equivalent or similar NZAuASB standard on a topic exists, the AUASB will aim to develop the Australian standard using the NZAuASB as a base in accordance with both Boards' harmonisation policies, where applicable. However, differences may arise where different regulatory requirements apply and/or different practices are considered appropriate, and there is no requirement to fully align AUASB and NZAuASB standards.

Obtain stakeholder input to identify and prioritise possible projects

142. The AUASB periodically develops and approves, based on appropriate consultation⁵⁵, its strategy (covering a five-year period) and annual technical work program, that identifies specific standard-setting projects and other activities aimed at achieving the AUASB's strategic objectives.
143. The AUASB identifies potential new projects based on:
- (a) monitoring the activities of international and national standard setters;
 - (b) scanning the environment to identify relevant emerging issues;
 - (c) examining research findings; and
 - (d) considering feedback and suggestions from stakeholders and other interested parties.
144. The AUASB seeks input from stakeholders through, for example, its formal agenda consultation process (at least every five years) and through periodic stakeholder surveys. Stakeholders may bring matters to the attention of technical staff on an ad hoc basis. Technical staff, through relevant monitoring activities, and AUASB members, through their professional activities, may also identify possible projects.

Conduct initial outreach and information gathering in accordance with the AUASB EISS Strategy

145. Technical staff undertakes any necessary research and consultation on the issues underlying suggested projects to assess the need for, and usefulness, practicality and cost of developing standards and/or guidance that address the underlying issues, and provide the AUASB with a list of projects that may have merit.
146. Initial outreach and information gathering will be undertaken in accordance with the [AUASB EISS Strategy](#).

Identify projects for which Project Plans should be prepared and determine priorities

147. In deciding on projects to include in the AUASB's work program, the Board takes into consideration public interest concerns, the impact of emerging auditing and assurance issues and whether the project is likely to effectively address the underlying issues that have been identified.

⁵⁵ See Section VI of this document.

148. Based on the initial assessment undertaken by technical staff and Board debate, the AUASB identifies the projects for which formal Project Plans should be prepared for Board consideration and approval.

Determine whether a standard-setting solution is the most appropriate response to address identified issues and serve the public interest

149. Where a gap is identified in the AUASB's existing framework, the AUASB considers which of the following responses will be most appropriate in the circumstances, taking into account the factors outlined in paragraphs 24-34 of this document:
- (d) develop a new, or amend an existing, AUASB Standard;
 - (e) develop a new, or amend an existing, AUASB Guidance Statement; or
 - (f) issue non-authoritative materials.
150. Discussion and analysis of the considerations underlying the decision in paragraph 149 is included in the Project Plan.

Develop and approve a Project Plan

151. AUASB technical staff prepare formal Project Plans for all major projects, such as the development of new AUASB Standards (as well as subsequent comprehensive revisions of such standards), new AUASB Guidance Statements (and subsequent comprehensive revisions of such Guidance Statements), and other significant AUASB issued publications and guidance materials. Project Plans are developed using the standard *AUASB Project Plan Template*.
152. The Project Plan identifies, for example:
- the objective(s) and scope of the project;
 - the underlying issues to be addressed by the project (and issues excluded from the scope);
 - justification for the project, including:
 - evidence that there is a problem to address;
 - activities undertaken by technical staff to understand the problem;
 - an indication of how pervasive the problem is;
 - the stakeholder groups impacted;
 - whether the project is likely to effectively address the underlying issue(s) and how achievement of project objectives would serve the public interest;
 - the costs and benefits of the anticipated output of the proposed project; and
 - consideration of whether the AUASB is the appropriate body to respond to the issue or whether other parties in the financial ecosystem, such as the professional accounting bodies and/or regulators (such as APRA and ASIC), are in a better position to respond, or should share responsibility, especially given the scarcity of AUASB resources;
 - planning and communication issues related to the project;
 - opportunities to collaborate with the NZAuASB and other national standard setters;
 - potential need for appointment of a PAG to provide input;
 - estimated staff hours and timing for achievement of specific project milestones;
 - nature, timing and extent of input to be obtained from Australian stakeholders; and
 - the desired project output (for example, a standard or some form of guidance).

153. All Project Plans must be approved by the AUASB Technical Director, AUASB Chair and the AUASB.
154. Depending on whether specialised knowledge is required for the project, or the complexity of the project, the AUASB considers whether a PAG⁵⁶ needs to be formed. PAG members will be consulted on the issues underlying the project and will assist the technical staff project manager in developing the project output. These volunteers are recruited by technical staff, typically with the assistance of AUASB members.

Develop the proposed draft standard (in conjunction with the NZAuASB where appropriate)

155. Technical staff develop AUASB domestic standards by⁵⁷:
 - (a) accessing or developing relevant research;
 - (b) obtaining input from a PAG, where relevant;
 - (c) obtaining input from stakeholders;
 - (d) preparing detailed issues papers, which identify the principal issues to be resolved by the AUASB; and
 - (e) drafting EDs of proposed standards, together with accompanying documentation.
156. Throughout the life of a project, technical staff prepare and present technical papers to the AUASB for its progressive consideration, decisions and approvals. Ordinarily, this process occurs at formal public meetings of the Board but, in rare and unusual circumstances (such as when the AUASB has to consider an urgent proposal and there is some time before the next AUASB meeting), may also be conducted by out-of-session exchanges if agreed by a majority of AUASB members.
157. Through its on-going reviews and decisions, the AUASB directs the development of AUASB documents, including the public exposure of proposed standards.
158. Proposed standards are released for public comment in the form of EDs prior to issuance as an AUASB pronouncement. For some projects, the AUASB may issue a CP or DP identifying matters that the AUASB is considering and options for those matters. Interested parties are notified of the issue of all discussion documents and EDs.
159. Where appropriate, the AUASB also considers obtaining input from stakeholders through public forums or roundtable discussion groups, direct communication with specific individuals and/or organisations, and stakeholder surveys.

Refer to Section VI of this document for information on the AUASB's consultation process, types of consultation and typical consultative documents that may be used to encourage further discussion and exchanges of opinion.
160. Using the methods above, 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. The decision to apply one or more of these methods may be made at any stage before or after a draft standard is issued for public exposure and the rationale for the decision is recorded in Board meeting minutes.

Approve and issue an ED for public exposure

161. The proposed ED is presented to the AUASB for consideration, deliberation and approval prior to being issued.

⁵⁶ Refer to paragraphs 60-63 of this document.

⁵⁷ Refer also to the [AUASB EISS Strategy](#).

162. Each ED is accompanied by an Explanatory Memorandum that highlights the reason for its development, explains key aspects of the proposed standard and focusses attention on important matters for stakeholder consideration. Stakeholders' comments will generally be sought on the proposed requirements and the need for any further additional requirements.
163. The ED comment period will vary depending on the complexity of the topic but is typically 90 days. Shorter comment periods are only used for minor matters or where the proposed standard is narrow in scope and urgent but is never less than 30 days.

Consider feedback from public consultation and finalise the proposed standard

164. At the completion of the public comment period, technical staff accumulate all stakeholder feedback and prepare an analysis to facilitate the Board deliberation process. This analysis summarises the significant issues raised by respondents, outlines how these comments are proposed to be addressed in the final standard and, as appropriate, explains the reason(s) significant changes recommended by a respondent(s) are, or are not, to be accepted. Stakeholder submissions are published on the AUASB website unless marked as confidential.
165. Technical staff consider all stakeholder feedback, in whatever form, and, where appropriate, make recommended changes to the proposed standard for the AUASB to consider. A draft Basis for Conclusions⁵⁸ is prepared at the time of finalising the proposed standard.

Consider the need for re-exposure and approve the standard

166. AUASB technical staff present the proposed standard and accompanying draft Basis for Conclusions, together with a collation of all stakeholder comments and technical staff analysis of comments received, to the AUASB for its consideration at a public meeting.
167. The AUASB considers the public views expressed in submissions and how issues raised by stakeholders have been addressed in the proposed standard. The AUASB may further amend the draft standard prior to its final approval. Any further significant changes will prompt a consequential change to the Basis for Conclusions.
168. Where the original ED has been subject to changes arising from the public exposure process, and/or new/revised evidence, technical staff prepare a summary comparative analysis for the AUASB's consideration, which shows the differences between the original ED and the proposed final standard.
169. If applicable, the AUASB applies the criteria outlined in paragraphs 72-74 of this document to determine whether potential grounds exist for a decision to re-expose the proposed standard, or parts thereof, for further comment.
170. The AUASB decides on whether to re-expose a proposed standard, or parts thereof, by formal vote.⁵⁹ The basis of the AUASB's decisions with respect to re-exposure is recorded in the minutes of the meeting. Where the AUASB decides not to issue a re-exposure draft for any substantial changes made to the original ED, those reasons are described in the Basis for Conclusions.
171. Where the AUASB is satisfied changes to previously exposed proposals are not substantial, or where it is unlikely that re-exposure will result in new information or reveal any new concerns that have not been aired already through comment letters or subsequent outreach and consultation activities, the AUASB proceeds to vote on the approval of the final standard to be issued (see paragraphs 212-237).

⁵⁸ See paragraphs 22 and 238-240 of this document.

⁵⁹ The decision to re-expose requires a two-thirds majority of all AUASB members with voting rights (not just members present). Refer to Appendix 5 of this document.

If applicable: Process for re-exposure of previously exposed proposals

172. The principles and due process detailed above for the original ED generally applies equally to the development and public exposure of the re-exposure draft. However, where narrow in scope and urgent, targeted consultation and a shortened comment period may be acceptable. Approval of a re-exposure draft follows the same voting requirements as the approval of the original ED.
173. The Explanatory Memorandum accompanying the re-exposure draft includes the rationale for the re-exposure and sufficient information to enable stakeholders to understand the changes made to the original ED as a result of the original exposure.

Amendments to Existing Standards

174. AUASB Standards may require amendment for a variety of reasons, such as consequential and conforming amendments from other new or revised AUASB Standards⁶⁰, improvements or clarifications identified through post-implementation reviews⁶¹, updates to account for changes in legislation, updating references to other external documents that are not legislative instruments⁶², or amendments required as part of the process of harmonisation with New Zealand standards⁶³.

Projects to Comprehensively Revise Existing Standards

175. Any comprehensive revision of a published standard is subject to the same due process (including the same public exposure process) as for a new AUASB Standard. The process adopted will depend on whether the AUASB Standard is based on an equivalent international standard developed and issued by the IAASB⁶⁴ or a domestic AUASB Standard⁶⁵.

Narrow-Scope Projects

176. The AUASB has adopted a simplified due process for addressing changes to existing standards that are considered to be narrow in scope.
177. Narrow-scope projects are intended to achieve a limited number of targeted changes to either a single standard or across multiple standards, and may include replacing unclear wording in existing standards or providing additional requirements and/or explanatory material where a gap in an existing standard has been identified. Narrow-scope projects are not intended for making fundamental changes to the overall scope, purpose, objectives, underlying principles or structure of an existing standard.
178. When assessing the need for a narrow-scope project, the following criteria should be met:
- (a) a standard-setting response (as described in the factors outlined in paragraphs 24-34 of this document) is required to address the matter;
 - (b) it is not in the public interest to wait for a full-scope revision of the standard at a later stage; and
 - (c) all narrow-scope amendments must include consideration of the Compelling Reasons Test⁶⁶.
179. Narrow-scope changes to standards may be required for a variety of reasons including, for example, to:
- address Australian legal and regulatory arrangements;
 - ensure principles and practices are appropriate having regard to the public interest in Australia;
 - promote consistent application of standards in practice;
 - promote significant improvement in audit/assurance quality in the Australia environment;

⁶⁰ For example, to change references to other standards, or to be consistent with new auditing and assurance requirements and/or application and explanatory material.

⁶¹ See paragraphs 250-254 of this document.

⁶² For example, pronouncements issued by the APESB do not have the same legal status as auditing standards made under the Corporations Act (which are legislative instruments). APESB pronouncements are treated as 'external documents' under the *Legislation Act 2003*. A reference in an Auditing Standard to an external document is stationary (that is, fixed to the document in force at the time the standard was made) as opposed to a reference in a standard to a second standard or another legislative instrument, which is ambulatory (that is, automatically moving forward to refer to the most recently issued version).

⁶³ See *AUASB Policy and Process for International Conformance and Harmonisation of Standards*.

⁶⁴ See Process 1 described in paragraphs 88-138.

⁶⁵ See Process 2 described in paragraphs 139-173.

⁶⁶ See *AUASB Policy and Process for International Conformance and Harmonisation of Standards*.

- harmonise standards with equivalent New Zealand standards where the AUASB considers that changes made to the international standards by the NZAuASB are also relevant in Australia⁶⁷; or
- address conforming and/or consequential amendments to standards that do not originate from an active AUASB project⁶⁸.

Simplified Due Process for making Narrow-Scope Amendments to Existing Standards

180. The AUASB has adopted a simplified due process for addressing narrow-scope amendments to standards to ensure due process activities are appropriate and proportionate, weighing up the time and effort of the due process activity and what additional information needs the Board has. Depending on the nature, scope and urgency of the proposed amendments, narrow-scope projects may move quickly through the various stages of the due process.

AUASB members or AUASB technical staff identify potential narrow-scope projects

181. Technical staff, through relevant monitoring activities, and AUASB members, through their professional activities, may identify a need to make narrow-scope amendments to standards, for example, to address recent changes in legislation. Narrow-scope projects may also be initiated in response to, for example, specific requests from stakeholders, performing post-implementation reviews, or as part of the process of harmonisation with New Zealand standards⁶⁹.

Conduct initial outreach and information gathering in accordance with the AUASB EISS Strategy

182. AUASB technical staff undertake any necessary research and stakeholder consultation on the issues underlying the identified narrow-scope project to assess the scope of the issues and the rationale for needing a ‘standard-setting’ solution.⁷⁰
183. Depending on the nature of the issues and the manner in which AUASB technical staff became aware of such issues, it may be possible to transition quickly through the initial research, stakeholder consultation and information gathering stages of the due process. However, technical staff need to be satisfied that the AUASB will have sufficient information to understand the underlying issues and the available solutions to address the issues.
184. Where potential compelling reasons for modification of any issued IAASB Standard are identified for Australia, AUASB technical staff communicate and discuss these issues with the NZAuASB, in accordance with AUASB/NZAuASB communication protocols.

Prepare an Agenda Paper to be presented for AUASB consideration and approval

185. Based on the initial research, stakeholder consultation and information gathering activities, the Technical Director, in consultation with the AUASB Chair, may recommend that the AUASB considers adding a narrow-scope project to its work plan. Whilst the final decision on whether the project meets the criteria to be undertaken as a narrow-scope project is determined by the Chair, the intention to undertake a narrow-scope project is communicated to AUASB members for their input either as part of the regular AUASB Technical Work Program consultation process or via another suitable communication to Board members.
186. AUASB technical staff prepare an Agenda Paper⁷¹ for Board consideration which sets out:
- the objective(s) and scope of the project (and identifying issues out of scope);
 - justification for the project, including:

⁶⁷ After applying the AUASB’s Compelling Reasons Test, having regard to public interest considerations in Australia. Refer to the *AUASB Policy and Process for International Conformance and Harmonisation of Standards* for further detail.

⁶⁸ For example, to make changes to AUASB Standards as a result of changes made to related AASB Standards or APESB Standards.

⁶⁹ See *AUASB Policy and Process for International Conformance and Harmonisation of Standards*.

⁷⁰ See Section IV of this document under the subheading “Choice of Pronouncement or Publication”.

⁷¹ Formal Project Plans (using the *AUASB Project Plan Template*) are a requirement for all major projects such as the development of a new standard and for comprehensive revision of an existing standard.

- information gathering activities undertaken by technical staff to understand the problem, how pervasive the problem is, and the stakeholder groups impacted;
- the rationale for why the project is considered to be ‘narrow-scope’;
- the rationale for why a standard-setting solution is recommended as the most appropriate response to address identified issues having regard to the public interest in Australia and taking account of the factors outlined in paragraphs 24-34 of this document;
- why there is an urgency to make narrow-scope amendments to an existing standard instead of waiting for a full-scope revision of the standard at a later stage; and
- whether the project is likely to effectively address the underlying issues(s) and how achievement of project objectives takes into account the public interest;
- the underlying issues to be addressed by the AUASB, and technical staff recommended actions to respond to issues;
- application of the Compelling Reasons Test, where compelling reasons to modify an issued international standard have been identified;
- collaboration with the NZAuASB, in particular to identify and discuss Trans-Tasman issues and compelling reason modifications; and
- the nature, timing and extent of further input to be obtained from stakeholders.

Develop the proposed amendments (in conjunction with the NZAuASB where appropriate)

187. Narrow-scope amendments to existing AUASB Standards are made through either approving a revised standard or, in the case of standards made under section 336 of the Corporations Act, issuing an Amending Standard (see paragraphs 198-199).
188. Where narrow-scope amendments are made to AUASB Standards that are not legislative instruments:
- the title page of the proposed revised standard indicates the date of original issue and the date of the latest revision; and
 - a revision table is included in the proposed revised standard which details the date of the revision, nature of the amendments and operative date.
189. Some proposed amendments to standards are sufficiently minor or narrow in scope that they can be packaged together in a single Amending Standard for Board deliberation and approval, even though the amendments are unrelated.
190. Where possible, in accordance with its strategic objectives, the AUASB will coordinate the development of proposed narrow-scope amendments jointly with the NZAuASB in accordance with the Board’s harmonisation policy. However, differences may arise where different regulatory requirements apply and/or different practices are considered appropriate. The principles of harmonisation do not require full alignment between the AUASB and NZAuASB Standards.
191. In cases where compelling reasons modifications have been identified for Australia, any proposed deletions from the international standard are clearly noted, and any proposed additions or modifications clearly marked as an Australian paragraph or additional appendices commencing with an ‘Aus’ prefix.

Approve and expose for public comment a draft of the proposed amendments

192. A draft of the proposed amendments is presented to the AUASB at a public meeting for deliberation and approval prior to being issued.
193. The proposed narrow-scope amendments are exposed for public comment. The manner in which narrow-scope amendments are exposed for comment is determined on a case by case

basis by the AUASB. The comment period may vary depending on the nature and urgency of the amendments but is never less than 30 days.⁷²

194. Where the Board issues an ED of the proposed amendments for public comment:
- (a) The Invitation to Comment included in the proposed ED includes targeted commentary and questions that direct stakeholders to specific elements of the existing standard identified for amendment.
 - (b) The ED is accompanied by an Explanatory Memorandum that outlines the proposed narrow-scope amendments, as well as the rationale behind the amendments. Although narrow in scope, the Explanatory Memorandum includes sufficient information to enable stakeholders to understand the proposed amendments.
- The Explanatory Memorandum is prepared by technical staff and reviewed by AUASB members for fatal flaws. The AUASB Chair and Technical Director approve the final wording for the Explanatory Memorandum.

Consider feedback from public consultation and finalise the proposed amendments

195. At the completion of the public comment period, technical staff accumulate and consider all comments received from stakeholders, prepare an analysis of stakeholder feedback for Board consideration, and finalise the proposed amendments. Where appropriate, a draft Basis for Conclusions⁷³ is prepared at the time of finalising the proposed amendments.
196. Technical staff present the proposed final amendments and, where appropriate, accompanying draft Basis for Conclusions, together with a collation of stakeholder comments and technical staff analysis of comments received and how these comments have been addressed, to the AUASB for its consideration at a public meeting.
197. The AUASB reviews the final amendments and supporting Board papers, taking into consideration how issues raised by Australian stakeholders have been addressed and votes on the approval of the final amendments. See paragraphs 212-237 of this document.

Amendment of Standards made under Section 336 of the Corporations Act

198. As standards made under section 336 of the Corporations Act are legislative instruments, they can only be amended by another legislative instrument. An “Amending Standard” is a legislative instrument made by the AUASB for the sole purpose of amending another legislative instrument. Amending Standards provide an efficient way of processing amendments which affect a number of standards without reissuing all the standards affected.
199. A *Preface* is included in the Amending Standard to explain the reasons for the amendments and to identify the standard or standards impacted.

Conforming and Consequential Amendments to Standards

200. Where the AUASB develops a new or revised standard, the AUASB also considers whether conforming and/or consequential amendments to other standards will be necessary, to address inconsistencies between standards and to ensure that the AUASB Standards can continue to be applied together without conflict.
201. Conforming amendments are minor, obvious, straightforward and mostly editorial in nature, and generally involve little or no judgement in preparing them. Conforming amendments do not involve reconsideration of the scope, objectives, requirements and application material of a standard.

⁷² See paragraph 75 of this document.

⁷³ See paragraphs 22 and 238-240 of this document.

202. Consequential amendments are of a more significant nature and require further analysis and application of judgement to resolve inconsistencies between standards so that the overall body of standards can be applied together without conflict.
203. A draft of the proposed conforming and/or consequential amendments is considered and approved by the Board at a public meeting prior to being issued.
204. Proposed conforming and/or consequential amendments are usually exposed for public comment in conjunction with the new or revised standard it relates to; however, where they are being proposed separately, the AUASB may consider the conforming and/or consequential amendments do not require public exposure.

Compilations

205. The compiled version of a standard reflects its content considering all amendments that have become effective since the principal standard was originally made.⁷⁴ Compilations are a requirement of the *Legislation Act 2003* and are required to be lodged with the Office of Parliamentary Counsel for registration on the Federal Register of Legislation. A compilation is not a legislative instrument.
206. Where the AUASB issues a compiled version of a standard:
- (a) the title page of the standard indicates that it is a compiled version of the standard and shows the date of the compilation and the relevant Amending Standards that have been taken into account;
 - (b) a “Compilation Details” section is included in the standard which includes the following information:
 - (i) a “Table of Standards”, which sets out details of both the principal standard and subsequent Amending Standards, including the dates of both the principal and Amending Standards (date made, operative date and date registered on the Federal Register of Legislation);
 - (ii) a “Table of Amendments”, which provides details of amendments to the principal standard (paragraph of standard affected, how affected and a paragraph reference to the relevant Amending Standard); and
 - (iii) a statement that the compilation is not a separate Auditing Standard made by the AUASB but a representation of the relevant Standard which incorporates the original standard and subsequent amendments.
 - (c) The Operative Date paragraph in the standard includes a reference to the Compilations Details section of the standard, for details about the operative dates of paragraphs changed or added by an Amending Standard.
207. Compilations are published periodically (on the AUASB website) as they are developed by technical staff.

Reissue

208. The AUASB may decide to reissue a new principal standard rather than amend a substantially revised standard. The title page of the reissued standard indicates the date of reissue. A *Preface* is included in the reissued standard to explain the reasons for reissuing the standard, to provide details of the revision and to identify the standard it supersedes.

Periodic Improvements and Editorials

209. For standards that are legislative instruments, periodic improvements and editorials must be made through another legislative instrument, that is, an Amending Standard. Some proposed

⁷⁴ For example, a standard might have a principal version issued in 2015 amended by Amending Standards (legislative instruments) that become effective, one each year, from 2016. Therefore, in 2020 the compiled version of the standard will reflect the amendments effective from 2016 through to 2020.

amendments to standards are sufficiently minor or narrow in scope that they can be packaged together in one document, even though the amendments are unrelated.⁷⁵ For example, changes that correct minor editorial issues or resolve conflicts with other AUASB pronouncements (for example, to align definitions or to update references). A draft of the proposed editorial amendments is considered by the Board at a public meeting. Editorial corrections may be approved and issued by the AUASB without formal public exposure.

210. Technical staff may make editorial corrections to pronouncements (other than standards to be registered on the FRL) after approval by the AUASB and prior to publication on the AUASB website to remedy drafting errors, provided the corrections do not alter the technical meaning of the text. Editorial corrections normally fix spelling errors, grammatical mistakes or incorrectly marked consequential amendments.
211. Where corrections to a pronouncement that are not of an editorial nature are identified, the amendments to correct these errors are required to be approved by the AUASB and subject to the same due process that applies to other amendments made to existing standards (see paragraphs 174-211). Corrections must be made through either approving a revised pronouncement or, in the case of standards made under section 336 of the Corporations Act, issuing an Amending Standard.

⁷⁵ Such improvements may be called Annual Improvements.

AUASB Approval and Legislative Process

Approval of standards for issue

212. AUASB pronouncements and EDs are approved for publication in accordance with the AUASB's approvals protocols described in section 6 of the Board Charter, which requires a two-thirds majority vote of all AUASB members. Refer to Appendix 5 for a summary of AUASB approval and voting protocols.
213. Any withdrawn standard is identified as such. The process for withdrawing/repealing standards is explained in paragraphs 245-249 of this document.

Dissenting views

214. The AUASB does not operate as a consensus body in its formal decision-making. AUASB members who disagree with a standard are required to explain why they have a dissenting opinion. This process ensures that rigorous discussion and consideration is given to alternative options in arriving at the best option.
215. While AUASB members may ask that their dissenting views on a particular standard be recorded in the minutes of meetings of the AUASB, such views are not published in the explanatory material accompanying the resultant standard.

Adherence to due process

216. As part of the process of finalising a new or revised principal standard, or amending standard, the AUASB confirms that (which is recorded in the public minutes of the meeting):
- (a) due process has been followed effectively and with proper regard for the public interest; and
 - (b) matters raised by stakeholders have been adequately considered by the Board.
217. Once a principal or amending standard has been approved by the AUASB, a summary of the due process followed is prepared and provided to the FRC Chair and published on the AUASB's website.

Legislative instruments – Auditing Standards made under the Corporations Act

218. Under section 336 of the Corporations Act, the AUASB may, by legislative instrument, make auditing standards for the purposes of the Corporations Act, which are legally enforceable. Legislative instruments are required to be developed in accordance with the *Legislation Act 2003*, which deals with the commencement, interpretation and drafting standards for legislative instruments.
219. As soon as is practicable after an auditing standard is approved (that is, 'made') by the AUASB, the standard is to be lodged for registration on the Federal Register of Legislation (FRL). To be legally enforceable, a standard must be registered.
220. Legislative instruments made by the AUASB are disallowable instruments and are tabled in the Houses of the Parliament for scrutiny and potential disallowance. The *Legislation Act 2003* outlines the process the AUASB must follow where a standard is disallowed.
221. For audits or reviews of financial reports, the operative date of a standard will be stated as either in relation to the commencement or end of a financial reporting period.
222. The legal commencement date of an auditing standard is the day after the legislative instrument is registered on the FRL, unless explicitly stated otherwise. The operative date and legal commencement date of a standard may not align. Where the AUASB chooses to specifically state the legal commencement date of a standard, this is done through a separate section in the standard titled "Commencement of the legislative instrument".

223. When a new version of a standard is issued it repeals the previous version of the standard. Standard wording is included in the *Preface* of the revised standard to acknowledge this. A saving provision will be included in the repeal of the superseded standard to allow the standard to continue to apply under section 336 of the Corporations Act in relation to any reporting period ending before the operative date of the new principal version of the standard.
224. AUASB Standards not made under section 336 of the Corporations Act are not registered on the FRL.

Regulation Impact Assessments

225. Legislative instruments are subject to additional due process requirements imposed by the Australian Government. This includes the requirement to undertake a regulatory impact assessment.
226. 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 regulation, including costs that may be incurred by business and the community. For the purposes of this section, regulation may be defined as "any rule endorsed by government where there is an expectation of compliance", which captures all new or revised auditing and assurance pronouncements.
227. Before issuing new or revised AUASB Standards or Guidance Statements, the AUASB undertakes a preliminary assessment of the impact of the proposed regulation by completing a *Regulation Impact Assessment* (RIA).
228. Where the preliminary assessment indicates that a new or revised pronouncement is likely to have a substantive impact on business or the community, technical staff are 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* (RIS) may be necessary.
229. A RIS involves a more detailed consideration of the various options available to address a stated issue or problem, including both regulatory and non-regulatory options, together with the likely benefits and costs to stakeholders under each option. A RIS 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.
230. Completion of the RIA or RIS documentation and any consultation with the OBPR is undertaken by technical staff.
231. Technical staff confirm that the appropriate regulatory impact assessment relating to each AUASB pronouncement (as applicable) has been obtained (that is, the RIA and, where required, a RIS) before a final AUASB pronouncement is provided to the Board for approval.

Operative dates and early adoption

232. The date of commencement of an AUASB Standard is the date specified by the AUASB in the standard.⁷⁶
233. Unless otherwise stated in an AUASB Standard, a standard can be early adopted. Where an AUASB Standard is early adopted, all relevant conforming and consequential amendments must also be early adopted.⁷⁷
234. The operative date stipulates the date from which the AUASB Standard is to be applied. The AUASB seeks to have the same effective date in Australia as that determined by the IAASB for the equivalent IAASB Standard.

⁷⁶ Also see [Preamble](#), paragraphs A33-A35.

⁷⁷ When early adoption of an AUASB Standard is allowed, a statement to that effect is included in the operative date paragraph of the AUASB Standard.

235. Under Australian legislative practice, AUASB Standards cannot enforce new or revised requirements where the operative date precedes the date on which the Standard is made. The operative date is generally stated in relation to the commencement date of the financial reporting period, although this may be amended by the AUASB where relevant.
236. When determining the operative date of standards, the AUASB seeks to ensure that stakeholders have adequate time to prepare for their implementation. Typically, the AUASB will issue a Standard at least two years before its operative date (that is, a year before the beginning of the comparative reporting period) and generally permits entities to apply those requirements early should they wish to do so.
237. Following approval of a standard, the AUASB formally issues the standard and accompanying Basis for Conclusions by publishing it on the AUASB website and notifying stakeholders.

Basis for Conclusions

238. A Basis for Conclusions is prepared and issued for each AUASB Standard which outlines:
- (a) consultation processes followed;
 - (b) how the AUASB responded to significant comments received from consultation processes;
 - (c) a detailed consideration of the various options available to address the identified issue or problem, including both regulatory and non-regulatory options, together with the likely benefits and costs to stakeholders;
 - (d) evidence and key factors considered in arriving at the decisions;
 - (e) a clear statement of the conclusions reached, the recommended option, a review of that option and the reasons for deciding on that option (including any cost/benefits analysis considerations);
 - (f) a plan for implementation; and
 - (g) dissenting views.
239. For AUASB standards based on IAASB standards, the AUASB's Basis for Conclusions document that accompanies the Australian standard, in addition to matters outlined above:
- (a) refers Australian stakeholders to the IAASB's Basis for Conclusions document that accompanies the international standard, which summarises how the IAASB responded to significant comments received on the ED and the reasons underlying the IAASB's decision on the final wording of a standard;
 - (b) clearly indicates how the more significant issues raised in the AUASB submission to the IAASB have been addressed in the final IAASB standard;
 - (c) explains the AUASB's conclusions on any AUASB compelling reasons modifications to the international standard, including the rationale for decisions not to make any compelling reasons changes; and
 - (d) explains the reasons for any significant differences between the final standard and the original ED and, in circumstances where:
 - (i) the IAASB and/or AUASB decided not to re-expose significant changes, the reasons for that decision(s); or
 - (ii) the IAASB decided not to re-expose significant changes but the AUASB decided that re-exposure was warranted in Australia, the reasons for that decision.

240. The Basis for Conclusions is prepared by technical staff and reviewed by AUASB members for fatal flaws. The AUASB Chair and Technical Director approve the final wording for each Basis for Conclusions.

Implementation Support Materials

241. In the course of finalising and following the release of a standard the AUASB will consider what implementation support materials may be necessary to ensure effective implementation and application of the pronouncement.
242. Where applicable, the AUASB considers what IAASB implementation support materials are going to be made available to support the IAASB equivalent of the AUASB Standard and how these can be adopted for use by AUASB stakeholders. In addition, technical staff will collaborate with other national auditing standard setters to co-develop implementation support materials where applicable.
243. Generally, implementation support materials will be developed and made available on the AUASB website, before the operative date of a standard. The AUASB technical staff monitor the effectiveness of implementation support materials to ensure that any knowledge or performance gaps are identified and addressed as early as possible.

Education, Awareness and Outreach

244. Following the implementation of a standard, the AUASB undertakes education, awareness and outreach activities to facilitate stakeholders' knowledge and compliance with the new requirements, in accordance with its communications strategy. These activities may be specific to the AUASB, co-developed or derived from IAASB materials, or carried out in conjunction with other National Auditing Standard Setters.

Withdrawals (Repeal) of Standards

245. The due process applying to the issue of standards applies equally to their withdrawal or repeal. The repealing of a standard is necessary when the standard is no longer relevant or superseded by another AUASB pronouncement.
246. Before the AUASB repeals a standard, it must take appropriate steps to ensure that parties likely to be affected have been adequately consulted. However, where the standard is repealed by another standard, a separate consultation process is not required, as the replacement standard is already subject to the AUASB's consultation process for new standards.
247. The AUASB develops and issues the proposed repeal, including reasons for the repeal, and notifies interested and affected parties. The comment period for the proposed withdrawal is typically 90 days.
248. Comments are generally sought on the proposed repeal and those comments are taken into account when finalising the repeal. Stakeholder comments are posted on the AUASB website, unless marked as confidential.
249. Following the comment period, the AUASB considers stakeholder feedback, finalises the repeal and then votes on the repeal of the standard⁷⁸, in accordance with the AUASB's approval and legislative process (see paragraphs 212-237).

Post-Implementation Reviews

250. To evaluate the effective and efficient implementation of new standards, the AUASB needs to be informed. The AUASB's EISS Strategy identifies various post-implementation phase activities aimed at understanding the specific implementation issues of Australian stakeholders, understanding the impact/effect of the issued or revised standards, including

⁷⁸ Irrespective of whether the withdrawal is due to the issue of a new or a revised pronouncement that incorporates or replaces the subject matter of the existing standard, or any other reason.

- whether intended benefits have been achieved, and interpreting and communicating findings to contribute to and influence nationally and internationally.
251. The AUASB performs a post-implementation review (PIR) of each new domestic standard or major revision(s) to a standard. A PIR is usually performed after the new requirements have been applied for two to three years.
252. A PIR generally involves:
- (a) review of any relevant evidence including research undertaken by AUASB technical staff, academics, and other stakeholders;
 - (b) collation of any issues notified to, or identified by, the AUASB prior to the PIR commencing;
 - (c) early identification of the questions relating to the introduction of a new standard for which answers are sought;
 - (d) consultation seeking implementation issues and views on the pronouncement;
 - (e) consideration of any feedback received; and
 - (f) publication of the findings of the PIR.
253. The IAASB commences its PIR with a request for input to its PIR, for example, in the form of a survey asking for input on the AUASB's experience with, and providing feedback relating to, an identified standard. This feedback forms part of the IAASB's information gathering activities related to its PIR to determine what possible further actions, if any, may need to be undertaken. The AUASB generally issues the request for information relating to the PIR locally at the same time as the IAASB and contributes to the IAASB's process where the issues are considered significant to Australia.
254. Any recommendations for changes to the pronouncement as a result of the outcomes from the PIR will follow a separate consultation and standard-setting development process in accordance with the AUASB's standard-setting process in Section VIII of this document.

IX AUASB Guidance Statements

255. The purpose, authority and legal status of AUASB Guidance Statements (GSs) are outlined in Section IV of this document.
256. Circumstances that may lead to the AUASB issuing guidance include where:
- (a) it is considered necessary to provide additional guidance on the application of an existing standard(s) of general application to particular circumstances or specialised industries/sectors, to assist auditors and assurance practitioners to comply with the mandatory requirements in an existing standard;
 - (b) the IAASB (or other national standard setter) issues guidance on a particular matter; or
 - (c) stakeholder(s) request guidance to be issued and the AUASB considers it appropriate to do so.
257. Factors the AUASB considers in determining whether it is appropriate to issue a GS (or update an existing GS) in the specific circumstances include but are not limited to:
- (a) How does the development or update of the GS align to the AUASB's Overall Strategy and Strategic Objectives?
 - (b) Is the development of auditing or assurance guidance for the intended subject matter the responsibility of the AUASB or another organisation? In particular, the AUASB considers whether it is appropriate for the AUASB's resources (including Board member time) to be applied to the development or update of the GS.
 - (c) Is the subject matter the GS is designed to address up to date or has it been updated recently? The AUASB should not update a GS in advance of any changes to other regulatory requirements or guidance issued by other organisations.
 - (d) Is there a need to issue a swift response to a development in the market? Is the intended subject matter in the GS related to auditing and/or assurance issues which are likely to be temporary or permanent? If not ongoing or permanent, then the development of a GS may not be appropriate, and another type of non-authoritative material may be more applicable.
 - (e) What level of authority is required to meet the informational need, and could the need be met through another type of non-authoritative material?
 - (f) Who are the stakeholders the subject matter is intended for? Does the development or update of the GS benefit AUASB stakeholders? Generally, a GS is developed primarily to support auditors and/or assurance practitioners. If the main audience of the GS is not auditors and/or assurance practitioners, then another type of non-authoritative material may be more applicable.
 - (g) Does the subject matter in the GS have broad or only limited application? Does the development or update of the GS also benefit other relevant stakeholders, in addition to serving the needs of the intended primary users of the GS? A GS may not be appropriate if there is only a very narrow stakeholder group that it will benefit. However, irrespective of the breadth of application, where there are significant public interest considerations, the development of a GS may be appropriate (for example, where the number of users of the GS are small but the impact may be broad).
 - (h) Is there capacity and the appropriate subject matter expertise (capability) within technical staff to develop or update the GS? If not, the AUASB considers whether this could be addressed through other resourcing methods (for example, contractors and/or working groups).

- (i) For existing GS's, does the original purpose of the GS still apply? If not, the AUASB considers whether the GS requires updating or potentially should be withdrawn.
- 258. Where the AUASB determines a GS is not appropriate and another type of non-authoritative material may be more applicable, this material will be developed in accordance with Section X of this document.
- 259. The due process for AUASB Standards detailed in Section VIII applies equally to the development and issuance of GSs, with the exception of the public exposure process.
- 260. AUASB GSs are generally not subject to public exposure; however, the AUASB may determine in some cases that targeted consultation on a GS, or a more formal consultation and exposure process with greater transparency in development and approval (similar to that undertaken for an AUASB Standard), may be necessary, especially where there is a significant public interest element, and/or if the content of the GS may be considered contentious or result in substantial additional work by practitioners. This consultation may take the form of outreach with specific stakeholders relevant to the GS's subject matter, or a survey of stakeholders by technical staff. Formal exposure of a proposed GS must be approved by the AUASB Chair and subjected to review by the AUASB before commencing.
- 261. Discussion and analysis of the GS considerations in paragraph 257 is contained in a formal Project Plan, which is prepared by technical staff for all new GSs, and subsequent comprehensive revisions of such GSs, in accordance with the same requirements as for AUASB Standards, as described in paragraph 151-153 above.
- 262. Recognising the specific nature of some GSs, the AUASB may set up a PAG to assist in the development or update of a GS.
- 263. Following AUASB consideration of a draft GS, the draft is amended, as appropriate, and presented to the AUASB for further consideration or final approval. Approval by the AUASB of the GS is subject to the AUASB approval protocols described in the Board Charter.
- 264. GSs contain a specific clause indicating their operative date. A GS remains in force until the operative date of any amendment to the GS or until the GS is withdrawn by the AUASB. An operative date is one of the features that differentiates a GS from an Explanatory Guide.
- 265. As GSs do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards, and are not legally enforceable:
 - (a) A formal PIR like that performed for AUASB Standards (as described in paragraphs 250-254 above) is not required. However, the AUASB technical staff are required to periodically review and update the suite of AUASB GSs and assess the currency and relevance of each GSs. As a minimum, each GS should be reviewed to ensure it remains consistent with other AUASB pronouncements and fit for purpose, at least once every three years.
 - (b) A formal process to withdraw or repeal GSs is not required; however, before the withdrawal of a GS the AUASB will publicise the intention to withdraw the GS on the AUASB website and through standard AUASB communication channels, to elicit any objections from stakeholders.

X Non-Authoritative Materials

Non-authoritative AUASB publications and guidance materials

266. The AUASB may issue non-authoritative publications and guidance materials if it considers that doing so would improve audit and assurance quality and consistency in application, or to raise awareness of the auditing and assurance implications of significant new or emerging issues in the public interest. As described in paragraph 33, such non-authoritative materials is likely to be appropriate where the AUASB decides that an AUASB Standard or Guidance Statement may not be appropriate and that another type of AUASB publication or staff guidance may be more suitable. Examples include: Explanatory Guides, Basis for Conclusions documents and AUASB Bulletins. Such materials do not have the same status as authoritative AUASB pronouncements, and do not establish or extend requirements for the performance of engagements under the AUASB Standards.
267. All non-authoritative materials are developed by the AUASB technical staff. As these materials do not need to be developed in public AUASB meetings, such materials are not subject to the same public scrutiny as AUASB pronouncements. However, these materials are subject to internal quality assurance processes to ensure they do not add or change requirements in AUASB pronouncements and are clearly distinguished from AUASB pronouncements. These quality assurance processes may include obtaining input from relevant advisory panels, AUASB members with relevant subject matter expertise, specially formed AUASB subcommittees and/or the AUASB Chair.
268. Similar to AUASB GSs, non-authoritative materials do not require public exposure; however, the AUASB may determine that targeted consultation on some of these materials may be appropriate.
269. These materials do not require formal AUASB approval in accordance with the Board Charter. All non-authoritative materials are subject to review by the AUASB. Board members are sent a 'fatal flaw' draft version of the material prior to finalisation for feedback either at an AUASB meeting or out of session via email.
270. The AUASB Chair and AUASB Technical Director approve the final wording of non-authoritative materials issued by the AUASB.

Staff FAQs, staff articles, presentations, newsletters and other educational materials

271. The AUASB or technical staff may also publish periodic newsletters and other supportive and educational material related to pronouncements on the website, including webcasts, podcasts, articles, presentations for conferences, training materials and staff Frequently Asked Questions (FAQs). These materials do not have authoritative status and cannot add or change requirements in AUASB pronouncements.
272. Such supportive and educational materials are reviewed by the AUASB Technical Director and, where such materials include a significant new example demonstrating how the requirements might apply to a particular fact pattern, are reviewed at a minimum by the AUASB Chair and, if deemed necessary, by the AUASB Chair and at least one other Board member.
273. Final approval of all supportive and educational materials is determined by the AUASB Chair.

Appendix 1

Public Interest Framework for the Development of AUASB Pronouncements

1. The ‘Public Interest Framework for the Development of AUASB Pronouncements’ (Public Interest Framework) is derived from the ‘Public Interest Framework for the Development of International Audit-Related Standards’ issued by the Monitoring Group⁷⁹ in their *Strengthening the International Audit and Ethics Standard-Setting System* Paper in July 2020.
2. The Public Interest Framework does not explicitly define “public interest”. Instead, it provides the framework under which audit related standard-setting activities are undertaken.
3. The framework outlines a series of considerations to provide structure to the AUASB’s consideration of the “public” and “public interest”, and how the AUASB assesses whether its processes are appropriate and responsive to the public interest.

The Framework’s context

4. The AUASB as independent standard-setter serves the public interest by developing, issuing and maintaining high-quality audit-related standards and guidance that enhance audit and assurance quality and consistency, thereby contributing to stakeholder confidence in the Australian economy, including its capital markets, and enhanced credibility in external reporting through independent auditing and assurance.⁸⁰
5. It is in the public interest that stakeholders have confidence in both the quality of such pronouncements as well as the credibility of the process by which those pronouncements are developed.
6. The Public Interest Framework, together with due process, articulate the public interest responsiveness of AUASB audit-related standard-setting.

What is the objective of the Public Interest Framework?

7. The overall objective of the Public Interest Framework is to reinforce consideration of the public interest throughout the process, thereby ensuring that pronouncements are responsive to the public interest. It sets about to achieve this through:
 - (a) reinforcement of the importance of independence in the process benefitting from deep technical expertise and diversity of perspectives;
 - (b) a common understanding by Board members of the meaning of responsiveness to the public interest and the judgements required for achieving this objective;
 - (c) focus by the Board on the public interest in its development of pronouncements; and
 - (d) appropriate accountability of the Board in fulfilling its mandates.

For whom are pronouncements developed (the AUASB’s ‘public’)?

8. In accepting its responsibility to serve the public interest through its audit related standard-setting activities, the AUASB is mindful that the building of trust, economic growth and long-term financial stability are important to the public at large. Therefore, the public at large, even those who do not invest in capital markets, are stakeholders to consider. The broader public, including those who do not hold direct investments in individual companies, are also often stakeholders through investment and superannuation funds and as taxpayers.

⁷⁹ The members of the Monitoring Group are the Basel Committee on Banking Supervision, European Commission, Financial Stability Board, International Association of Insurance Supervisors, International Forum of Independent Audit Regulators, International Organization of Securities Commissions, and the World Bank Group. The Monitoring Group is responsible for the overall governance of the international audit and ethics standard-setting process and the review of its effectiveness.

⁸⁰ See [AUASB Corporate Plan](#).

9. For the purpose of this framework, the following groups of stakeholders may have an interest in the quality and adequacy of AUASB pronouncements:
 - (a) Users of the information that is the subject of an audit or audit-related engagement (“the users”). For financial reports, this group includes mainly investors, lenders, and other creditors, who rely on the audited financial report to make resource allocation decisions.
 - (b) The profession – all auditors and assurance providers, and other professional accountants in public practice and business who apply AUASB Standards.
 - (c) Those in charge of adoption, implementation and enforcement of AUASB Standards as well as monitoring of the capital markets who rely on such standards, including – regulators and audit inspectors, market authorities, public sector bodies, and professional accounting bodies.
 - (d) Preparers – management and professional accountants in business (being members of one of the professional accounting bodies including CA ANZ, CPA Australia, IPA, or bodies based in other jurisdictions), for entities of all sizes, in either the public or private sectors, as well as those charged with governance (for example, audit committees who oversee the audit process), the latter group being relevant to addressing the information asymmetries among different parties involved in the functioning of companies, and who also provide the basis for the auditor’s work.
 - (e) Other users – the reliability of financial and non-financial information affects a very wide range of interests in society, including consumers, taxpayers, employees, competition and prudential authorities, central banks and bodies in charge of financial stability oversight, and those granting public contracts.
10. The public interest, as it relates to audit-related standard setting, cannot be ensured by merely aggregating all stakeholder interests. Such interests may be mutually inconsistent; some will reflect a stakeholder group’s ability and resources to access the information necessary to protect their interests, while others may have limited capacity to do so; and different stakeholders have different capacities to convey their views. Consideration of public interest therefore requires weighing and balancing of all stakeholder views.
11. While this framework recognises the importance of all of the above stakeholders, it focuses primarily on the interests of users, and more specifically the longer-term interests of creditors and investors, and the protection of those interests. Creditor and investor decisions are key to the correct functioning of financial markets, but there are creditors and investors who may not always be equipped to contribute effectively to the standard-setting process. These include direct shareholders, debt holders, and those indirectly holding a company’s equity or debt, for instance through investment funds or pension funds.

What interests need to be served?

12. Audit-related standards and guidance are more likely to respond to users’ needs when developed primarily with the focus on building trust in the financial and non-financial reporting process. The AUASB will therefore carefully consider input from stakeholders seeking standards and guidance that:
 - (a) promote consistent practice and behaviours by auditors and assurance providers;
 - (b) facilitate identification of areas most relevant to the business of an audited entity, and drive effective measures to respond to related risks;
 - (c) reinforce the requirement for assurance practitioners to maintain an attitude of professional scepticism in gathering evidence, challenging assumptions, and developing conclusions; and
 - (d) ensure transparent, independent, rigorous and balanced reporting that prompts the adoption of appropriate measures by those charged with governance, as well as corrective action by oversight bodies including prudential and market authorities, also to address any potential threat to financial stability.

13. In considering the interests of stakeholders, the AUASB remains alert for any given activity that might be perceived as primarily protecting or serving the self-interest of one stakeholder at the expense of another.

How are the interests of users best served?

14. In order to address stakeholder interests, the development of standards and guidance requires:
- (a) A permanent structure committed to pursuing the public interest through:
 - (i) an independent Board making decisions concerning the standards and guidance;
 - (ii) balanced and diverse participation of stakeholder groups while preventing undue and dominant influences;
 - (iii) stable funding, adequate resources, and appropriately skilled and experienced staff;
 - (iv) mechanisms to ensure adherence to sound governance and operating procedures;
 - (v) meaningful accountability; and
 - (vi) appropriately diverse expertise in AUASB members.
 - (b) Audit-related standard-setting processes to ensure that the defined structure:
 - (i) considers all stakeholder input and identifies the different stakeholder interests that affect the public interest;
 - (ii) defines relevant public interest criteria to consider how to appropriately weigh the input received in terms of the public interest impact of the relative interests; and
 - (iii) appropriately balances alternative outcomes and interests in terms of their expected responsiveness to the public interest.

These processes recognise the importance of all relevant stakeholders but with the focus primarily on the interests of users.
 - (c) Independent oversight by the FRC of the AUASB's broad strategic direction and processes for setting audit-related standards and guidance.
15. User needs, and therefore the public interest, are dynamic and may change or evolve over time. Audit-related standard-setting structures and processes therefore need to remain alert and to be flexible to respond to shifting needs and perceptions. However, the system of audit-related standard-setting must also maintain fundamental stability and the long-term validity and credibility of principles-based standards and guidance in order to ensure continuity and inspire public confidence.

What qualitative characteristics should the standards and guidance exhibit?

16. The qualitative characteristics used to assess responsiveness to the public interest includes, but are not limited to:
- (a) Consistency with priorities established in the strategic planning process.
 - (b) Coherence with the overall body of standards, to avoid conflict.
 - (c) Appropriate scope to address key issues, and to specify to whom the standard/guidance applies.
 - (d) Scalability, including proportionality.
 - (e) Timeliness, without sacrificing quality.
 - (f) Relevance in recognising and responding to emerging issues, changes in business environment, developments in accounting practices or technology.

- (g) Completeness, reflecting results of broad consultation and balancing stakeholder priorities.
- (h) Comprehensiveness, by limiting exceptions to the principles.
- (i) Clarity and conciseness.
- (j) Implementability and ability to be consistently applied.
- (k) Enforceable, through clearly stated responsibilities.

How does the AUASB assess the public interest responsiveness of standards and guidance?

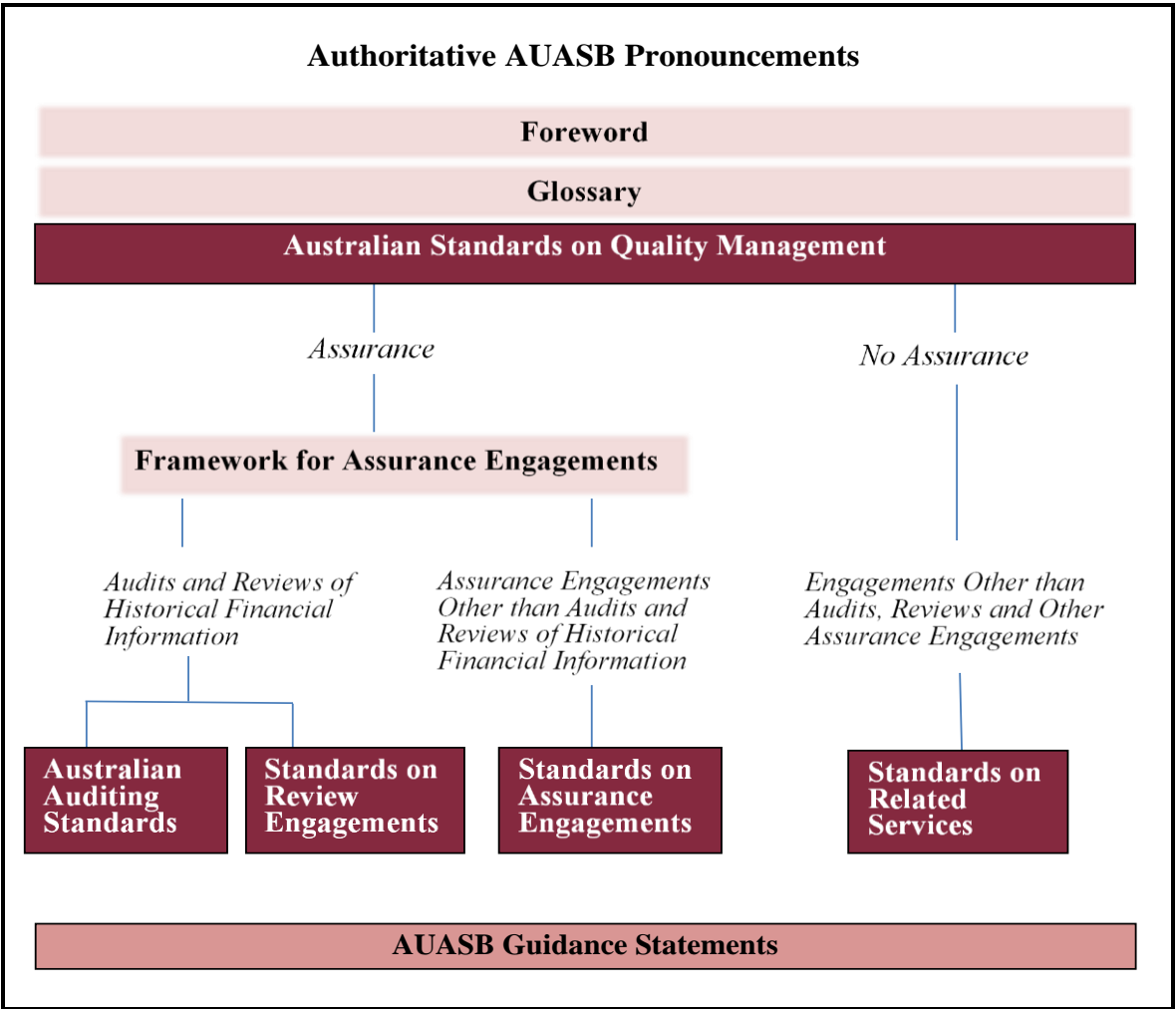
17. The public interest responsiveness of a new or revised standard or guidance is assessed by applying the above qualitative characteristics in the following steps:
- (a) Identify the perspectives and needs of groups with legitimate interests.
 - (b) Define the desired goal that would allow the standard/guidance to best serve user needs.
 - (c) Identify criteria to assess responsiveness to the goal.
 - (d) According to the criteria, reasonably weigh input from different groups.
 - (e) Assess the expected contribution of the standard/guidance to meeting its goal and consider whether it is responsive to the public interest.

Judgement call

18. Assessing public interest requires the application of judgement. Judgement is best informed when the process and consultation elicits views from all interested stakeholders and balances the merits of the views, irrespective of whether a minority or majority view.

Appendix 2

Categories of Pronouncements and Other Materials issued by the AUASB



Non-Authoritative Materials	
<i>AUASB Publications and Guidance Materials</i>	<i>Technical Staff Guidance and Other Materials</i>
Explanatory Guides Basis for Conclusions AUASB Bulletins AUASB Consultative Documents	Frequently Asked Questions Newsletters and news alerts Implementation support materials Other contextual, supportive and education materials, webcasts, podcasts, articles, presentations and training materials Research reports

Framework
Pronouncements



Standards



Guidance Statements

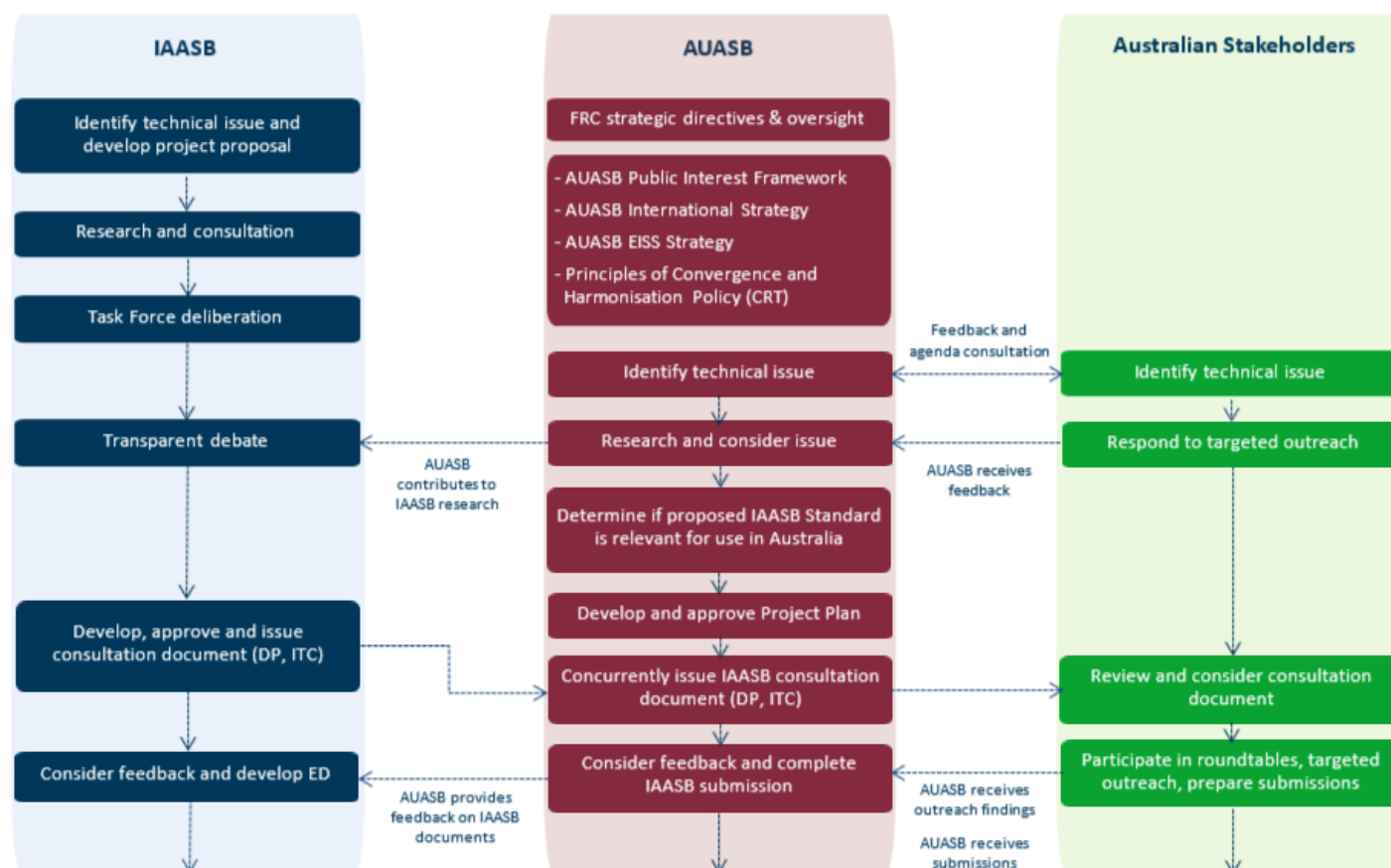


Non-Authoritative
Materials



Diagram depicting the Process for Developing AUASB Standards based on Equivalent IAASB Standards (Process 1)

The following diagram outlines the AUASB's approach to the development of an AUASB standard that is based on an equivalent IAASB standard.



Appendix 3 (continued)

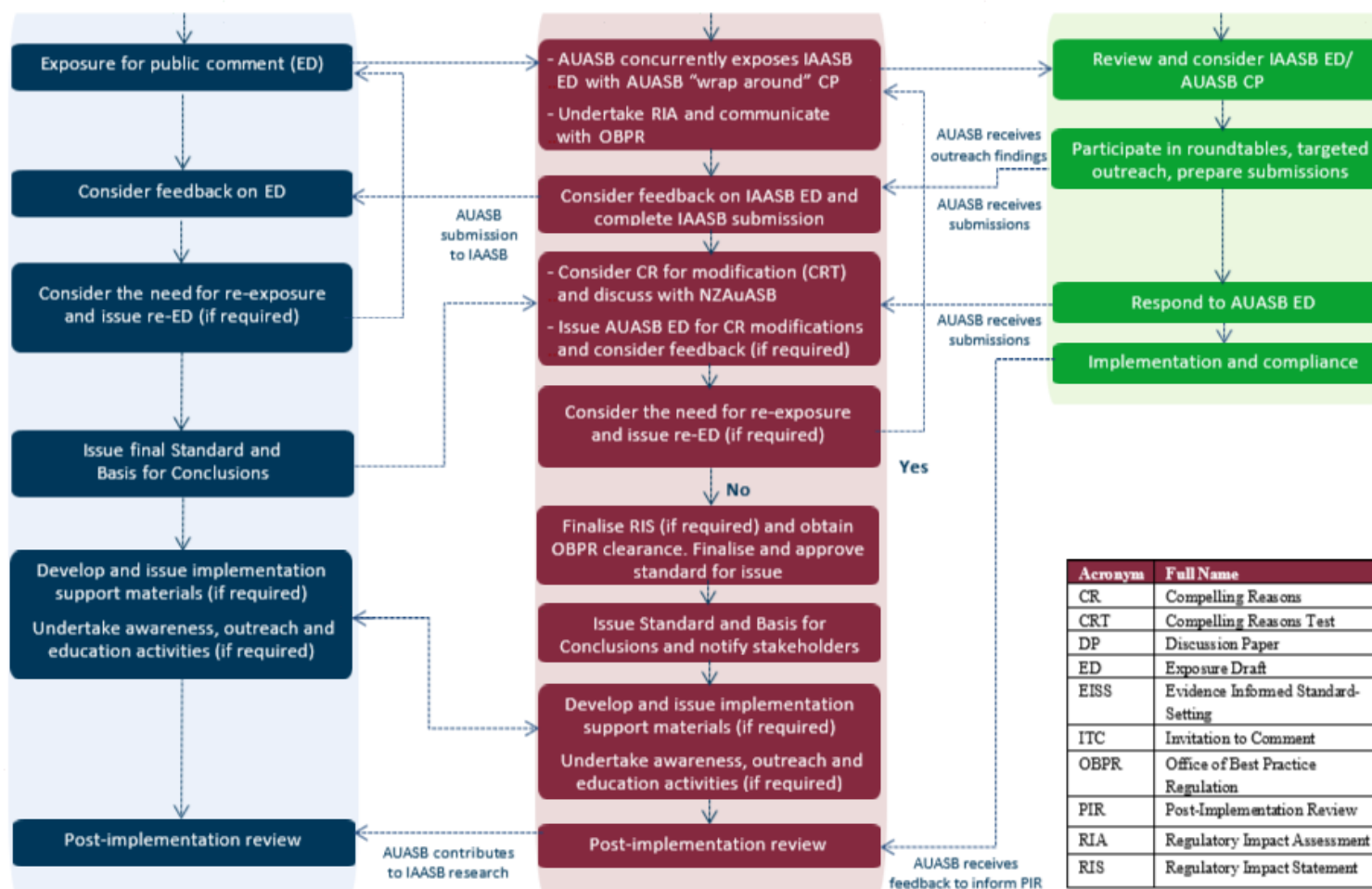
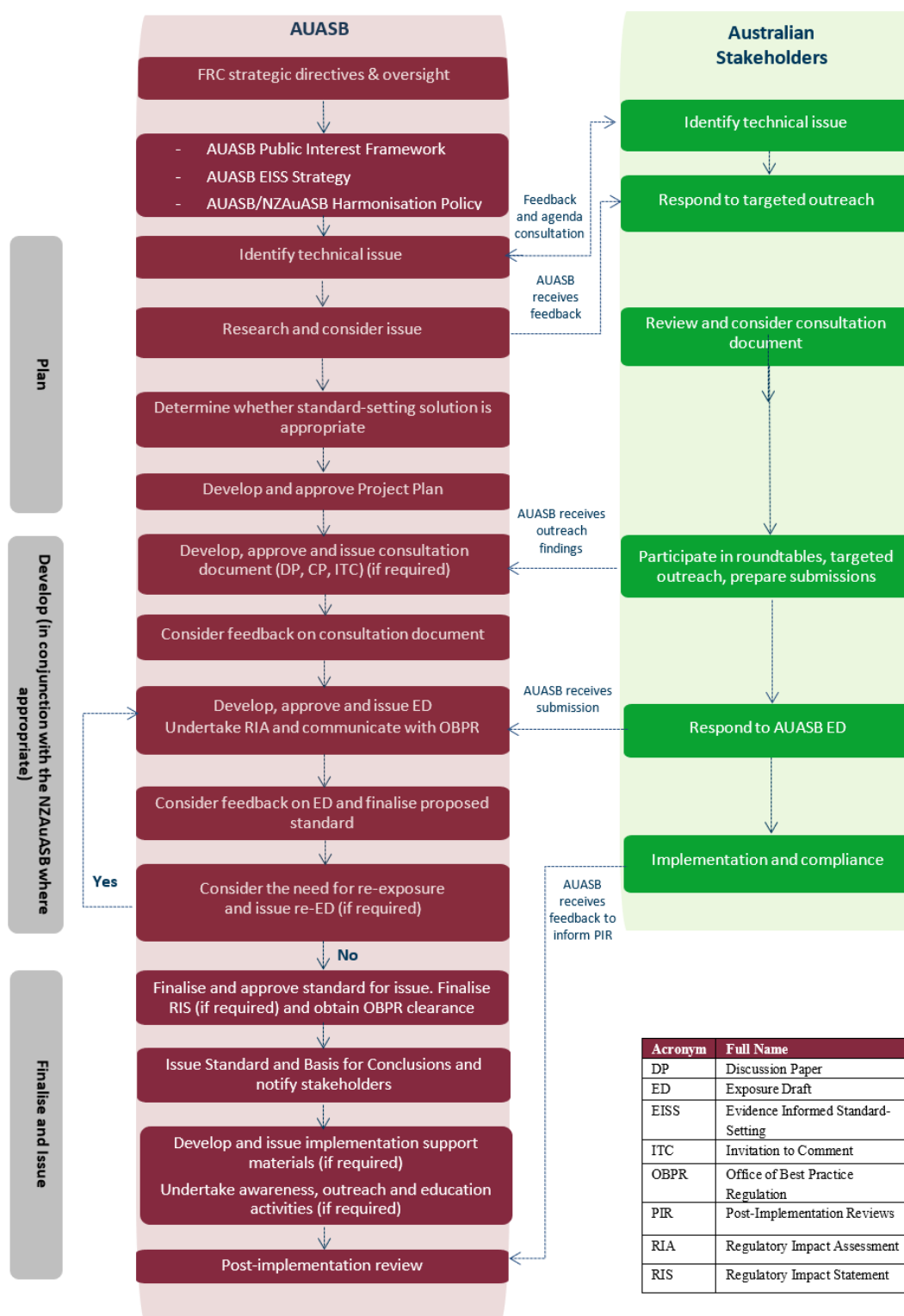


Diagram depicting the Process for Developing Domestic AUASB Standards (Process 2)

The following diagram outlines the AUASB's approach to the development of a domestic AUASB standard.



Summary of Due Process Considerations requiring Approval by the AUASB

AUASB Document	Review/Approval Requirements
Project Plans	AUASB [#]
Exposure Drafts and re-exposure drafts	AUASB [*]
AUASB Standards (including Amending Standards)	AUASB [*]
AUASB Guidance Statements	AUASB [*]
Framework Pronouncements (Foreword, Glossary, Framework for Assurance Engagements)	AUASB [*]
Non-authoritative AUASB publications and guidance materials (including Basis for Conclusions, Explanatory Memorandums, AUASB Bulletins and other AUASB consultation documents)	Reviewed by AUASB members for fatal flaws Final wording and approval by AUASB Chair
AUASB technical staff guidance materials (e.g. FAQs, newsletters, implementation support materials and other contextual and educational materials)	Approved by AUASB Technical Director Significant new guidance materials and FAQs which require interpretation of AUASB Standards must be reviewed by the AUASB Chair and, where deemed necessary, by the AUASB Chair and at least one other AUASB member
AUASB Submissions to the IAASB (or other international standard-setting or oversight bodies)	AUASB review and deliberation at AUASB meeting or out of session Final wording and approval by AUASB Chair

[#] For Project Plans, approval requires a simple majority of those in attendance at the meeting, or of the members with voting rights when voting out of session.

^{*} For AUASB pronouncements, approval requires a two-thirds majority of all AUASB members with voting rights (not just members present).

Note: AUASB approval and voting protocols are derived from Section 6 of the [AUASB Board Charter](#). Voting for the approval of AUASB Pronouncements may be through out-of-session voting, in accordance with the AUASB's approvals protocols set out in the *AUASB Board Charter*.