December 2022

Feedback Statement

2022-2023
Agenda Consultation

Australian Government

Auditing and Assurance Standards Board

About the AUASB

The Auditing and Assurance Standards Board (AUASB) is an independent, Non-corporate Commonwealth entity of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards.

Sound public interest-oriented auditing and assurance standards are necessary to reinforce the credibility of the auditing and assurance processes for those who use financial and other information. The AUASB standards are legally enforceable for audits or reviews of financial reports required under the *Corporations Act 2001*. For more information about the AUASB see the AUASB Website.

Disclaimer

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The views expressed in this publication are those of the author(s) and those views do not necessarily coincide with the views of the Auditing and Assurance Standards Board. Any errors or omissions remain the responsibility of the principal authors.

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1. Introduction

The Auditing and Assurance Standards Board (AUASB) is an independent, non-corporate Commonwealth entity of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards.

As outlined in the AUASB's *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications* the AUASB undertakes a formal agenda consultation process with stakeholders at least once every five years to identify issues that need resolution. This process complements the AUASB's regular consultations with stakeholders to obtain timely feedback on current and emerging auditing and assurance issues, and helps the Board fulfil its strategic objectives, particularly allocating its limited resources appropriately to address the highest priority topics identified by its stakeholders.

The AUASB uses, as appropriate, the standards of the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop Australian Auditing and Assurance Standards. Nonetheless, a local agenda consultation process is necessary to identify Australian auditing and assurance issues not covered by the IAASB that the AUASB could address. The AUASB's previous local agenda consultation was undertaken in late 2017.

In May 2022, the AUASB issued a Consultation Paper on the *AUASB Agenda Consultation 2022-23* for comment by 29 July 2022. The objective of the Consultation Paper was to gather views from Australian stakeholders on the projects the AUASB should address in the next few years and to identify other emerging Australian auditing and assurance issues the AUASB should include in its future Work Programs.

Agenda Consultation questions

The AUASB Agenda Consultation paper included the following questions for stakeholder feedback:

1. Do you agree with the strategic priorities and projects which are currently included on the AUASB's Work Program and what priority would you give to each of these projects?

2. Are there any inactive or yet to commence projects you think should be retained on the AUASB's upcoming Work Program and what priority would you give to each of these projects?

3. Are there any additional projects not included on the AUASB's Work Program that you consider to be a priority?

4. How would you like the AUASB to address current International Auditing and Assurance Standards Board (IAASB) projects and what priority would you like the AUASB to give to these projects?

5. Do you have any additional comments on the AUASB's current or future activities and Work Program?

What is the purpose of this feedback statement?

This feedback statement summarises the feedback received on the AUASB Agenda Consultation and the AUASB's decisions to address this feedback on its 2022–2023 technical work program.

2. Summary of outreach and responses

Feedback was received from more than 60 stakeholders from all sectors, including:

- Auditors
- Users
- Preparers
- Regulators/ policymakers
- Academics; and
- Professional Bodies.

The AUASB received four comment letters in response to the Consultation Paper from:

- Institute of Public Accountants (IPA)
- Accounting Professional & Ethical Standards Board (APESB);
- Chartered Accountants Australia and New Zealand (CA ANZ); and
- CPA Australia.

The AUASB Staff held five roundtable sessions throughout the consultation period, comprised of:

- two in-person roundtables (in Melbourne, which was held part of the June 2022 AUASB meeting, and in Perth. Planned sessions in Brisbane and Sydney were not held due to a lack of registrations); and
- three online roundtables (one roundtable with the CA ANZ Audit and Assurance Advisory Panel, one targeted at representatives from Mid Tier audit firms and one general roundtable open to all members of the public).

3. Feedback received

At the September 2022 meeting, the AUASB Board discussed the feedback received on the AUASB Agenda Consultation process.

The following key themes were evident in the feedback received from stakeholders:

1. All stakeholders provided broad support for the AUASB to progress, as a high priority, with the development of a sustainability assurance framework for local application which is aligned with the IAASB, but also fit for purpose in Australia. Stakeholders also noted that, in relation to sustainability assurance, it will be important for the AUASB to consider:

    (a) the role of experts/specialists and new/revised frameworks to verify information;

    (b) the need for different levels of assurance of such information; and

    (c) the limited resources and expertise available to smaller practitioners.

2. Many stakeholders noted that issues in relation to audit quality are primarily driven by the application of auditing standards and linked to a growing skill gap and the challenges of remote working. As such, stakeholders provided support for further implementation resources, the identification of different audit quality targets and the removal of the inconsistent requirements between legislation/regulation and the AUASB Standards.

3. Several stakeholders indicated that, although a standalone <u>LCE Audit Standard</u> will be beneficial to audit quality, the current proposals in the IAASB's Exposure Draft are not fit for purpose and add to the growing burden on auditors. Stakeholders provided support for thethis outreach it has been widely acknowledged that the addition of KAMs has been an improvement in the communicative value of the auditor's report for listed entities.

4. In relation to <u>Technology</u>, some stakeholders gave feedback that was supportive of the role the Technology PAG currently has incorporating new technologies into the audit function, but noted that the AUASB should consider further guidance on how the current auditing standards can be applied to new and emerging areas such as blockchain and digital assets.

5. A few stakeholders gave feedback that the AUASB should update certain <u>AUASB Guidance Statements</u>, including**:**

    (a) GS 007 (Outsourced Investment Management) – Several implementation issues were noted, which should be addressed through guidance as a priority due to the increased regulatory focus.

    (b) GS 003 (AFSLs) – As this is a complicated area of practice, the guidance statement should be updated regularly to reflect developments and provide clarity and alignment with AASB Standards and ASIC financial reporting changes.

    (c) GS 019 (Charity Fundraising) – This Guidance Statement should be revised and modernised, as it is out-of-date.

6. Some stakeholders indicated that the knowledge gap in relation to the auditors work on <u>Going Concern</u> continues to be an issue, and that AUASB should work with the AASB, FRC and other relevant bodies to address this. Many of the same stakeholders also indicated that a more robust framework is needed for assessing and documenting <u>Fraud Risk</u>, particularly for the audits of smaller entities.

7. Other relevant points included feedback to the AUASB on the following topic areas:

    (a) Streamlining audit requirements for <u>Not-for-Profit entities</u> and the consideration of the impacts of digital reporting in NFPs, including digital fundraisings.

    (b) The low number of <u>Review Engagements</u> being undertaken and the need for additional research in this area to determine whether the AUASB Standards on limited assurance engagements remain fit for purpose.

    (c) A request for more guidance on the sufficiency of <u>Audit Evidence</u> due to misunderstanding around the quantity versus quality of evidence (specifically in connection to the upcoming revisions to ASA 500).

4. AUASB Decisions

The AUASB assessed the value and resourcing requirements of potential projects arising from feedback received from the AUASB Agenda Consultation process against the AUASB strategic directions and existing strategic priority areas after considering various factors, including:

- the importance of the issue to stakeholders;

- the urgency of addressing the issue, considering the input of other relevant regulators and evidence of the impact of not addressing the issue;

- interactions with other current or possible projects;

- the complexity and breadth of the problem to be resolved, and the feasibility of potential solutions;

- stakeholder capacity to respond to proposals, both as individual proposals and across the work program as a whole;

- the overall balance of the AUASB work plan (i.e., ensuring a balance of priorities across different sectors and stakeholder groups); and

- the availability of sufficient AUASB staff resources.

All of the current project and priority areas promoted in the AUASB's Consultation Paper were either endorsed or not objected to by stakeholders who responded to our request for feedback. Accordingly, the following AUASB Priority Areas have been retained as key areas of focus in the 2022-23 AUASB Technical Work Program:
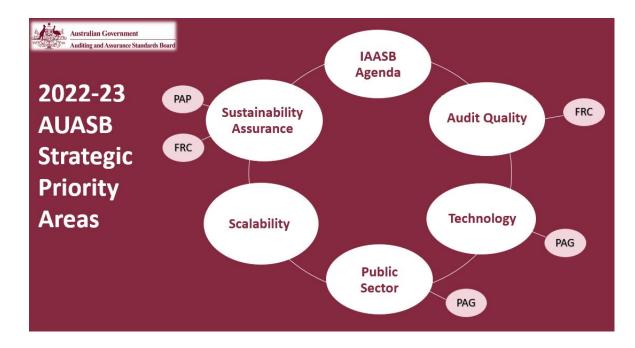
Priority Area	Details	What we've done	What we will do
IAASB Agenda	Continuing focus on monitoring and responding to current IAASB Projects	• Group Audits • LCE • QM Amendments	• Audit Evidence • Going Concern • Fraud
Sustainability Assurance	Influence local and global Sustainability Reporting and Assurance developments	• AASB/AUASB Project Advisory Panel • IAASB EER Guidance • FRC/AASB/AUASB Position Statement • AASB and AUASB Joint Staff Article	• IAASB Sustainability Proposals • Local interim guidance before IAASB standards
Audit Quality	Work with the FRC and others to drive audit quality improvements	• PJC Inquiry Responses • FRC Audit Quality Action Plan • ASIC Inspection and Quality Management Standards Bulletins • Audit Committee Chairs Surveys	• Reviews of ASIC Inspection Process and Findings • FRC Audit Quality Action Plan • Audit Committee Chair Interviews • Joint AICD Publication
Technology	Identify how existing AUASB standards can be effectively applied on Technology matters	• Technology Project Advisory Group • Data Integrity & Cyber Guidance Bulletins • ISA 315 GITC FAQs	• Complete Data Reliability publication • Revised PAG membership • New guidance on non-audit assurance

Public Sector	Develop specific guidance on public sector audit issues	• Public Sector Project Advisory Group
		• New Guidance Statement
		  o Framework
		  o Engagement Letters
		  o Going Concern
			• Update Guidance Statement to also include:
			  o Engagement Leader responsibilities
			  o Quality Management
			• Post Implementation Review of Performance Audit Standards

In addition to the above priority areas the AUASB agreed to add a new Priority Area covering 'Scalability' which will incorporate:

(a)   all current LCE activities and any future IAASB developments relating to the proposed LCE Standard, including outreach to assess if an LCE standard should be applied in Australia;

(b)   our current and future actions to improve the legislative drafting of audit and assurance requirements (referred to as 'Prescribed Reporting'); and

(c)   a specific focus on audit issues associated with Not for Profit (NFP) entities, particularly as the AASB increases their activity on reporting issues that impact the NFP Sector.

Implementation activities associated with the Quality Management Standards is no longer considered a specific Priority Area by the AUASB, noting that the implementation timetable for these standards has moved to a more operational phase. The AUASB Technical Group will monitor developments related to the implementation of the Quality Management Standards, but don't plan to commence any specific projects on this issue.

The following graphic summarises the revised AUASB Strategic Priority Areas for 2022-23.

5. Next Steps

A detailed 2022-23 AUASB Technical Work Program addressing all the priority areas and projects described in this feedback statement has been developed by the AUASB Technical Director under the supervision and approval of the AUASB Chair.

The detailed 2022-23 AUASB Technical Work Program is monitored fortnightly by staff, is reported against each quarter to the AUASB and FRC, and published regularly on the AUASB Website here.

Contact enquiries@auasb.gov.au for any queries.