

08 August 2022

Mr. Bill Edge  
Chair  
Auditing and Assurance Standards Board  
PO Box 204  
Collins Street West  
Victoria 8007  
AUSTRALIA

By email: [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au)

Dear Bill

### **Consultation Paper – AUASB Agenda Consultation 2022-23**

As one of the largest professional accounting bodies in the world, CPA Australia represents the diverse interests of more than 170,000 members working in over 100 countries and regions around the world. We thank you for the opportunity to comment on the above Consultation Paper (CP) and make this submission on behalf of our members and in the broader public interest.

CPA Australia conducted a member survey on the proposals detailed in the AUASB Agenda Consultation and our submission reflects the feedback received. We support the proposed strategic priorities and projects the AUASB intends to focus on for its work plan for the next few years. In particular, the AUASB will need to play an important role in implementing international assurance requirements for sustainability reporting in Australia and develop and provide additional guidance that the Australian market may require.

We provide some further overall comments below and detailed responses to the questions set out in the CP in the **Attachment** to this letter.

The CP states the projects identified as part of this consultation will form part of the AUASB work program for the “next few years”. We suggest the AUASB provides some clarity around the timeline of the work plan that will be developed as a result of this consultation. This will allow the AUASB and its stakeholders to assess the progress of the projects forming part of the work plan over this period. The timeline will also assist in identifying the appropriate projects to be undertaken as part of the work plan during this period.

In addition to the Guidance Statements (GS) identified in the CP as part of the current and inactive/yet to commence projects, we believe the following Guidance Statements should also be considered for update as part of the work plan being developed:

- GS 002 *Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities* – Prudential Standard SPS 310 *Audit and Related Matters* has been updated and the amendments commence for financial years ending 30 June 2023.
- GS 004 *Audit Implications of Prudential Reporting Requirements for General Insurers and Insurance Groups* – The GS references AASB 1031 *Materiality* which has now been withdrawn. Consideration may also need to be given to whether AASB 17 *Insurance Contracts* should be referenced in the GS.

In the private not-for-profit (NFP) sector, although statutory assurance requirements allow limited assurance (review) engagements to be undertaken for smaller not-for-profit entities, we understand the uptake of such limited assurance

engagements remains low. We suggest the AUASB undertakes a research study to better understand the reasons for such low uptake. We highlight some potential benefits that could arise from undertaking research on this topic:

- Lawmakers include limited assurance engagements, such as reviews, within statutory requirements as a proportional assurance solution to assist smaller NFPs to avoid unnecessary burden and potential higher costs associated with audits. Empirical evidence gathered through research can assist in identifying whether the assurance standards currently available for undertaking limited assurance engagements remain fit for purpose.
- Such research may assist in the policy decisions made by lawmakers when deciding to include limited assurance engagements as part of statutory assurance requirements.
- The research will be timely, given the ongoing development by the Australian Accounting Standards Board (AASB) of a new simpler (Tier 3) financial reporting framework to replace Special Purpose Financial Reporting by smaller not-for-profit entities.
- The research could examine the role of alternatives to limited assurance engagements including the proposed auditing standard for Less Complex Entities (LCEs) currently being developed by the International Auditing and Assurance Standards Board (IAASB).

If you have any queries about this submission, contact Ram Subramanian, Senior Manager – Reporting and Audit Policy, on 03 9606 9755 or [ram.subramanian@cpaaustralia.com.au](mailto:ram.subramanian@cpaaustralia.com.au).

Yours sincerely,

Dr Gary Pflugrath FCPA  
Executive General Manager,  
Policy and Advocacy

## Question 1 – Current AUASB Strategic Priorities and Projects

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 (i.e., High, Medium or Low)?

Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.

Project	Priority
<b>Audits of Less Complex Entities (LCE)</b>	<b>Medium</b>
<p>We recommend that the AUASB continues to monitor the development of the LCE standard by the IAASB. We suggest that the AUASB adds this project to its work plan as a <b>medium</b> priority project. We note that the audit profession in Australia is generally well equipped to apply the full suite of Australian Auditing Standards (ASAs) in auditing LCEs. However, we believe there may be a role for an LCE standard in the Australian market in some instances such as the audit of Self-Managed Superannuation Funds (SMSFs) or smaller not-for-profit entities (see our comments on limited assurance engagements in our cover letter). However, we acknowledge the reservations expressed by Australian constituents (including the <a href="#">AUASB</a> and <a href="#">CPA Australia</a>) to the IAASB on its proposed LCE standard that was previously subject to consultation. We expect many of the comments provided by Australian constituents will need to be addressed to ensure the final LCE standard is fit for purpose for the Australian market.</p>	
Project	Priority
<b>FRC Audit Quality Action Plan</b>	<b>High</b>
<p>We consider this project as a <b>high</b> priority. Whilst we await a response from the government to the recommendations made by the Parliamentary Joint Committee (PJC) Inquiry into the regulation of auditing in Australia, it is clear from the inquiry recommendations that any improvements to audit quality will need to be achieved through a collaborative effort between the government, audit regulators, standard-setters, and the profession.</p> <p>In our <a href="#">submission</a> to the PJC inquiry, we made the following broad recommendations to improve audit quality in Australia, which we believe is relevant to this project:</p> <ul style="list-style-type: none"> <li>• Enhance the role of audit committees</li> <li>• Identify benchmarks for reliable measure of audit quality</li> <li>• Consider the need for enhancement of the Operating and Financial Review (OFR) as the value of audit is entwined with the value of corporate reporting.</li> <li>• Remove inconsistency of audit requirements between legislation and regulation at the Commonwealth and State level and the AUASB standards, which professional accountants in Australia are required to follow.</li> </ul>	
Project	Priority
<b>Quality Management Standards - Implementation</b>	<b>Low</b>
<p>CPA Australia has developed extensive interactive tools and resources to assist assurance (and non-assurance) practitioners implement the new quality management standards that come into effect on 15 December 2022. We also note that a range of similar tools and resources have been made available through a dedicated AUASB <a href="#">web page</a>. Accordingly, we suggest the AUASB allocates a <b>low</b> priority to this project to monitor progress of the implementation in order to develop more targeted resources or guidance if required.</p>	
Project	Priority
<b>GS 023 Special Considerations - Public Sector Engagements</b>	<b>N/A - Completed</b>
<p>We note that the project on GS 023 <i>Special Considerations - Public Sector Engagements</i> is completed at the time of this submission.</p>	

Project	Priority
<b>Sustainability Reporting and Assurance considerations (with AASB)</b>	<b>High</b>
<p>As noted in our cover letter, the AUASB will need to play an important role in implementing international assurance requirements for sustainability reporting in Australia and develop and provide additional guidance that the Australian market may require. Accordingly, we recommend that the AUASB includes this as a <b>high</b> priority project. We are supportive of the AUASB's proposal to work closely with AASB to ensure a coordinated approach to sustainability reporting and assurance as the project develops. We expect the two Boards will also continue to engage with the Australian government, the Financial Reporting Council, Australian Treasury, professional bodies, and other stakeholders to develop a suitable adoption mechanism for sustainability reporting and assurance in Australia and to develop appropriate training and guidance.</p> <p>We note that at the IAASB's June 2022 meeting, the Board has initiated the development of a stand-alone assurance standard consistent with ISAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> (Revised) for assurance on sustainability reporting. The IAASB has also committed to developing an outline of the project plan, a draft structure of the standard, requirements to be brought in from ISAE 3000 (Revised) and ISAE 3410 <i>Assurance Engagements on Greenhouse Gas Statements</i> (Revised) to its September 2022 Board meeting.</p> <p>In New Zealand, the External Reporting Board (XRB) is also developing both reporting and assurance standards for mandated climate reporting commencing soon for some New Zealand entities.</p> <p>We suggest that the AUASB monitors the international developments in assurance standard-setting as these may inform the direction for sustainability assurance in Australia.</p>	
Project	Priority
<b>Update of AUASB Digital Standards Portal</b>	<b>Low</b>
<p>We suggest this project is assigned a <b>low</b> priority. The digital standards portal has been a greatly beneficial resource to stakeholders. We note that this project is now complete, and we expect any resources committed will be in regard to maintenance and monitoring the development of new assurance standards that may require updating on the portal.</p>	
Project	Priority
<b>Technology Project Advisory Group (PAG)</b>	<b>High</b>
<p>As the use of technological tools in audit is becoming more prevalent, we consider this project to be of <b>high</b> priority. The PAG will play an important role in identifying how the AUASB can assist with the incorporation of new technologies into the audit function. We also suggest monitoring the development of the IAASB's ISA modernisation project and how developments from this project may be incorporated into the Australian auditing framework.</p>	
Project	Priority
<b>GS 016 Bank Confirmation Requests</b>	<b>N/A - Completed</b>
<p>We note that the project on GS 016 <i>Bank Confirmation Requests</i> is completed at the time of this submission.</p>	
Project	Priority
<b>ASA 315 Identifying and Assessing the Risks of Material Misstatement - Implementation</b>	<b>Low</b>
<p>We suggest that the AUASB assigns a <b>low</b> priority to this project. One of the concerns raised with the new standard has been with respect to the complexity and length which may inhibit scalability and necessitate additional documentation to justify why some of the requirements in the standard may not be applicable in some instances, including LCEs. We welcome the AUASB's initiatives in addressing some of these practical implementation issues by developing and issuing the following guidance:</p> <ul style="list-style-type: none"> <li>• <a href="#">Staff Paper to address ASA 315</a>: Scalability considerations for audits of less complex entities; and</li> <li>• <a href="#">AUASB Bulletin</a>: ASA 315 and the Auditor's Responsibilities for General IT Controls.</li> </ul> <p>We also note the IAASB has recently issued a <a href="#">new implementation guide</a> to assist stakeholders understand apply the revised standard.</p>	

## Question 2 – Other AUASB Projects

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 (i.e., High, Medium or Low)?

Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.

Project	Priority
<b>ASA 701 Communicating Key Audit Matters (KAM) in the Independent Auditor's Report</b>	<b>Retain, Low</b>
We consider this to be a <b>low</b> priority project given ASA 701 <i>Communicating Key Audit Matters in the Independent Auditor's Report</i> is primarily mandated for listed companies only in Australia. However, there is scope for monitoring the implementation of the standard to ensure that KAM disclosures remain entity and audit-engagement specific.	
Project	Priority
<b>ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information</b>	<b>Leave for now</b>
Although the New Zealand XRB is currently seeking feedback on the <a href="#">proposed SAE 3450</a> , <i>Assurance Over Financial Information Prepared in Connection with a Capital Raising</i> , we have not identified any feedback that indicates that there is a need to initiate a similar project in Australia. Unless there are changes to the Australian regulations and/or listing rules, we believe AUASB should monitor and act accordingly when the need arises.	
Project	Priority
<b>ASAE 3500 Performance Engagements – Post Implementation Review</b>	<b>Leave for now</b>
We have not identified any feedback that indicates a need to include a project on this topic.	
Project	Priority
<b>GS 003 Assurance Relating to Australian Financial Services Licences issued under the Corporations Act 2001</b>	<b>Retain, High</b>
There is an urgent need for revisions to GS 003, specifically to reflect the changes to the Reporting Framework under the Australian Accounting Standard AASB 2020-2 <i>Amendments to Australian Accounting Standards-Removal of Special Purpose Financial Statements for certain For-Profit Private Sector Entities</i> and consequential financial reporting changes made by the Australian Securities and Investments Commission (ASIC) affecting Australian Financial Services Licensees (AFSLs). We suggest, at a minimum, the revision should involve narrow scope amendments to provide clarity and alignment with the AASB standards and ASIC financial reporting changes for AFSLs.	
We note that the AUASB has initiated an informal consultation on GS 003 inviting feedback on the above and any other matters that may be important to include in a narrow-scope amendment. CPA Australia intends to provide a more detailed response in due course.	
Project	Priority
<b>GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services</b>	<b>Retain, Medium</b>
There have been recent changes made to the Australian Prudential Regulation Authority (APRA) forms relevant to this topic which may have consequential implications for GS 007. We recommend a narrow scope review of GS 007 to consider the implication of the changes to APRA forms on GS 007 with any necessary updates being made.	
Project	Priority
<b>GS 008 The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001</b>	<b>Leave for now</b>
Although GS 008 was issued more than a decade ago, we believe it is working relatively well. We have not received any feedback to the contrary.	

Project	Priority
<b>GS 019 Auditing Fundraising Revenue of Not-for-Profit Entities</b>	<b>Retain, Medium</b>
<p>We believe there is scope to review and modernise GS 019 given changes to fundraising legislation since the GS was published and the significant increase in online fundraising activities. A review of GS 019 should consider the impact of ASA 315 (Revised), especially on general IT control and auditors' responsibility in accessing IT security risks such as the potential breach of Privacy laws, for example, when donations are collected via credit cards.</p> <p>There have been significant calls for the reform of fundraising laws which is now also reflected in the current government's agenda. If the reforms go ahead, there may be an impact on the statutory reporting and assurance requirements. We recommend monitoring developments in this space to better inform the timing and allocation of work effort in undertaking any necessary updates to GS 019.</p>	

### Question 3 – Potential new AUASB projects

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

**In particular, the AUASB requests respondents to provide input on three specific emerging auditing and assurance issues (Scalability, Fraud and Going Concern, Sustainability Assurance) where they have specific feedback on these topics.**

**Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.**

We provide the following comments in respect of the potential new AUASB projects identified in the CP:

#### Scalability

We consider the projects on scalability, the LCE standard and IAASB's project on Complexity, Understandability, Scalability and Proportionality (CUSP) as being intertwined. Whilst we believe all ISAs should be designed and developed using the CUSP drafting principles, given the expected long lead time for this to occur, we support the AUASB including a focused project to identify suitable scalability solutions for the Australian audit market. As noted in the CP, and in our response to Q1 on the IAASB's proposed LCE standard, this may provide a suitable solution on this topic.

We believe the work on scalability should initially focus on the following areas:

- What constitutes sufficient audit evidence and documentation in the context of less complex entities.
- Application examples on how to proportionately apply the suite of ISAs. The application examples should not only focus on scalability but also address other the CUSP principles of complexity, understandability and proportionality.

#### Fraud and going concern

Whilst fraud and going concern remain topical matters in Australia, as noted in the CP, the IAASB has commenced projects on both topics in 2021, with exposure drafts expected to be made public in March 2023 (Going Concern) and June 2023 (Fraud). For noting, CPA Australia has also provided feedback on the previous [IAASB Public Consultation on Fraud and Going Concern in an Audit of the Financial Statements: Expectation Gap](#).

As noted in the CP, the PJC Inquiry into the [Regulation of Auditing in Australia](#) has also recommended a formal review of the sufficiency and effectiveness of reporting requirements under Australian Auditing Standards in relation to the prevention and detection of fraud, and management's assessment of going concern. Any review arising from this recommendation will no doubt encompass, but not be limited to, the Australian auditing and assurance standards, which conform with the IAASB's auditing standards.

Therefore, we recommend the AUASB awaits any government action in response to the above noted (and other) PJC inquiry recommendations and continues to monitor the development of fraud and going concern projects at the IAASB.

## Sustainability assurance

Please refer to our response on this topic under Question 1. In time, the need may arise to review existing ASAs and GSs such as ASA 620 *Using the Work of an Auditor's Expert* and GS 005 *Evaluating the Appropriateness of a Management's Expert's Work* in the context of sustainability Assurance.

### Question 4 – Current international projects

**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 (i.e., High, Medium or Low)?**

**Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.**

Project	Priority
<b>Audit Evidence</b>	<b>High</b>
We consider the project on audit evidence project to be a <b>high</b> priority. We note that the IAASB is currently in the process of developing an exposure draft (ED) for ISA 500 <i>Audit Evidence</i> expected to be published in September 2022. As part of AUASB's strategy to influence international standard-setting, the AUASB could continue to provide feedback to the IAASB staff as the iterations of the ED on this topic are being developed. We also believe all new revisions to ISAs including ISA 500 need to be drafted with the CUSP principle in mind, to avoid practical application and implementation issues, particularly for LCEs.	
<b>Project</b>	<b>Priority</b>
<b>Fraud and Going Concern</b>	<b>High</b>
We consider both the fraud and going concern projects to be a <b>high</b> priority. Please refer to our response on this topic under Q3.	
<b>Project</b>	<b>Priority</b>
<b>Audits of Less Complex Entities – Development of a Separate Standard</b>	<b>Medium</b>
Please refer to our response on this topic under Q1.	
<b>Complexity, Understandability, Scalability and Proportionality (CUSP)</b>	<b>Medium</b>
Please refer to our response on the "scalability" topic under Q1.	
<b>Implications of IESBA Listed Entity and PIE Project</b>	<b>Medium</b>
We note that this project is currently under way, and we have no further comments.	
<b>Assurance on Sustainability / ESG Reporting</b>	<b>High</b>
Please refer to our comments in the cover letter and our response on this topic under Q1.	

### Question 5 – Other comments

**Do you have other comments on the AUASB's activities and work program?**

**Please provide reasons explaining your views and any other relevant information.**

As noted in our cover letter, we believe the AUASB should undertake the following additional projects:

#### Guidance Statements

In addition to the Guidance Statements (GS) identified in the CP as part of the current and inactive/yet to commence projects, we believe the following Guidance Statements should also be considered for update as part of the work plan being developed:

- GS 002 *Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities* – Prudential Standard SPS 310 *Audit and Related Matters*, has been updated and the amendments commence for financial years ending 30 June 2023.
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### Limited assurance/review engagements

In the private not-for-profit (NFP) sector, although statutory assurance requirements allow limited assurance (review) engagements to be undertaken for smaller not-for-profit entities, we understand the uptake of such limited assurance engagements remains low. We suggest that the AUASB undertakes a research study to better understand the reasons for such low uptake. We highlight some potential benefits that could arise from undertaking research on this topic:

- Lawmakers include limited assurance engagements, such as reviews, within statutory requirements as a proportional assurance solution to assist smaller NFPs avoid potential higher costs associated with audits. Empirical evidence gathered through research can assist in identifying whether the assurance standards currently available for undertaking limited assurance engagements remain fit for purpose.
- Such research may assist in the policy decisions made by lawmakers when deciding to include limited assurance engagements as part of statutory assurance requirements.
- The research will be timely, given the ongoing development by the Australian Accounting Standards Board (AASB) of a new simpler (Tier 3) financial reporting framework to replace Special Purpose Financial Reporting by smaller not-for-profit entities.
- The research could examine the role of alternatives to limited assurance engagements including the proposed auditing standard for Less Complex Entities (LCEs) currently being developed by the International Auditing and Assurance Standards Board (IAASB).