

29 July 2022

Mr Bill Edge
Chair
Australian Auditing and Assurance Standards Board
PO Box 204, Collins Street West
VICTORIA 8007

Dear Mr Edge

Consultation Paper *AUASB Agenda Consultation 2022-23*

Thank you for the opportunity to comment on Australian Auditing and Assurance Standards Board's (AUASB) Consultation Paper *AUASB Agenda Consultation 2022-23* and input into the AUASB work program for the next few years.

IPA's overall comment is that the immediate priority for the next few years will be on disclosing sustainability-related financial information (SRFI) that is globally consistent and comparable. The success of this depends on the disclosed information being verifiable and regulated. The AUASB therefore, has a significant role in developing a framework for assuring SRFI. The AUASB in developing this framework needs to address the following matters:

- The disclosures of SRFI proposed in the International Sustainability Standards Board's (ISSB) draft Standards¹ relate to predictive information that are broad in nature, complex and on subject matters that are outside traditional accounting. Consequently, accountants would need to rely on non-accounting experts and specialists to provide the information for their disclosures and assurance.
- Auditors will need time to learn and apply the auditing frameworks. Given the pace of the development of sustainability Standards and the International Auditing and Assurance Standards Board (IAASB) in developing a sustainability assurance standard, this poses challenges for audit firms, especially the smaller firms.
- The assurance framework developed by the AUASB should:
 - align with those developed by the IAASB so as to meet the Australian constituents 'demand' for globally consistent and comparative reporting on SRFI and
 - take into account the limited resources and experiences that smaller practitioners have in assuring SRFI. This is particularly pertinent for IPA as, most if not all our members operate in the small-to-medium enterprise (SME) sector that would not currently be involved in assuring SRFI. These smaller audit firms would have less resources to pivot to the AUASB's assurance framework. IPA recommends the AUASB develop, in the short term (ie when the ISSB's standards are effective), a practical assurance framework that

¹ [Draft] IFRS S1 *General Requirements for disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*

takes into account the differences in capabilities and resources of audit firms and fine tune the framework over the medium to long term.

Our response to the specific questions in the Consultation Paper are in Attachment 1.

If you have any queries with respect to our comments or require further information, please contact me at vicki.stylianou@publicaccountants.org.au or on mobile 0419 942 733.

Yours sincerely



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About the IPA

The IPA is one of the professional accounting bodies in Australia with over 47,000 members and students across 80 countries. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors. Since merging with the Institute of Financial Accountants UK, the IPA Group has become the largest SME and SMP focused accounting body in the world.

ATTACHMENT 1 – IPA’s responses to AUASB Consultation Paper questions

Question 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?

IPA agrees with strategic priorities and projects which are currently included on the AUASB’s Work Program and rank the priority of the projects as follows:

Sustainability Reporting and Assurance considerations – High priority

IPA is of the view that the priority over the coming years will be on disclosing sustainability-related financial information (SRFI) that is globally consistent and comparable. The success of this is dependent on the disclosed information being verifiable and regulated. Accordingly, the AUASB has a significant role in developing a framework for assuring SRFI. To assist the AUASB in developing this framework, IPA offers the following comments:

- The disclosures of SRFI proposed in the International Sustainability Standards Board’s (ISSB) draft Standards² relate to predictive information that are broad in nature, complex and on subject matters that are outside traditional accounting. Consequently, accountants would need to draw on non-accounting experts and specialists to provide the information for their disclosures. The assurance on the disclosed information would also require the use of such experts and specialists and the development of revised and/or new auditing frameworks to verify the disclosed information. Auditors will need time to learn and apply the revised and/or new auditing frameworks. Given the pace of the development of sustainability Standards and the International Auditing and Assurance Standards Board (IAASB)’s July 2022 announcement of its initiative to develop a sustainability assurance standard, the AUASB must progress, as a high priority, in developing an assurance framework for application in Australia.
- The assurance framework developed by the AUASB should:
 - align with those developed by the IAASB so as to meet the Australian constituents ‘demand’ for globally consistent and comparative reporting on SRFI and
 - take into account the limited resources and experiences that smaller practitioners have in assuring SRFI. IPA is of the view that, in Australia, entities that are already reporting SRFI are larger entities that would have likely engaged the larger audit firms in providing some form of assurance on the disclosed information. Consequently, the larger audit firms would have the resources to adapt to the AUASB’s assurance framework. However, most if not all IPA members who operate in the small-to-medium enterprise (SME) sector would not currently be involved in assuring SRFI. Additionally, these smaller audit firms would have less resources to pivot to the AUASB’s assurance framework. IPA recommends the AUASB develop, in the short term (ie when the ISSB’s standards are effective), a practical assurance framework that takes into account the differences in capabilities and resources of audit firms and fine tune the framework over the medium to long term.

IPA ranks as medium priority all other projects listed in Table 1 (as listed below) with preference for the “Audits of Less Complex Entities” project, which is particularly relevant to IPA’s members who operate in the SME sectors.

- FRC Audit Quality Action Plan
- Quality Management Standards - Implementation
- Update of AUASB Digital Standards Portal
- Technology Project Advisory Group
- *ASA 315 Identifying and Assessing the Risks of Material Misstatement* – Implementation.

² [Draft] IFRS S1 *General Requirements for disclosure of Sustainability-related Financial Information* and [Draft] IFRS S2 *Climate-related Disclosures*

Question 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?

IPA considers the inactive or yet commence projects should only progress where AUASB has the resources to undertake them and ranks the projects as follows:

- Medium priority projects:
 - *ASA 701 Communicating Key Audit Matters in the Independent Auditor’s Report*
 - *GS 003 Assurance Relating to Australian Financial Services Licences issued under the Corporations Act 2001*
 - *GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services*
 - *GS 008 The Auditor’s Report on a Remuneration Report Under Section 300A of the Corporations Act 2001*
 - *GS 019 Auditing Fundraising Revenue of Not-for-Profit Entities*

- Low priority projects:
 - *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*
 - *ASAE 3500 Performance Engagements – Post Implementation Review*

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

a) Scalability

IPA supports the AUASB continuing to explore avenues of scaling existing auditing standards and auditing regulation, either through the application of a revised Less Complex Entities (LCEs) audit standard or other changes to current audit requirements, including legislative or regulatory reform. IPA notes the IAASB has yet to finalise its position on a proposed standalone LCE standard. This is an opportunity for the AUASB to influence the IAASB in incorporating Australia’s views in the finalisation of the IAASB’s position and proposed standard, in an area that is important to IPA members.

b) Fraud and Going Concern

IPA supports the AUASB’s approach of ,where possible, to continue with its existing implementation efforts in the reporting and assurance requirements on Fraud and Going Concern that were highlighted as a recommendation in final report of the Parliamentary Joint Committee on Corporations and Financial Services (PJC) inquiry into the regulation of auditing in Australia. IPA is of the view that AUASB can undertake this whilst actively monitoring the government’s response to the PJC inquiry.

c) Sustainability Assurance

IPA is of the view that it is imperative that the AUASB work closely with the IAASB in aligning the sustainability assurance framework along with the AASB to ensure that the assurance framework is appropriate for the Australian environment.

Question 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?

IPA has no additional comments to those already provided in the above questions.

Question 5 – Do you have any additional comments on the AUASB’s current or future activities and Work Program?

IPA has no other comments on the AUASB’s current or future activities and work program.