

6 June 2022

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

Dear Mr Edge,

Explanatory Memorandum: *Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards – Exposure Draft 01/22.*

Thank you for the opportunity to comment on AUASB's Exposure Draft ED 01/22.

IPA is supportive of the changes proposed in the Exposure Draft which are necessary to ensure the language and terminology used throughout AUASB pronouncements are consistent to facilitate achieving the main objectives of Part 12 of the *Australian Securities and Investments Commission Act 2001*.

Our response to the specific questions in the Explanatory Memorandum are in Attachment 1.
Editorial comments are in Attachment 2.

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



Vicki Stylianou
Group Executive, Advocacy & Policy
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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 Exposure Draft questions

Question 1

Do respondents believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the Australian-specific AUASB Standards and the new and revised QM standards?

IPA is of the view that the proposed changes are sufficient.

Question 2

Do respondents support the proposed effective date?

IPA generally supports the proposed operative date of 15 December 2022, however, notes this potentially creates an early adoption anomaly. We note ASQM 1 requires a system of quality management to be designed and implemented by 15 December 2022. Where an auditor has ‘early adopted’ ASQM 1, the effect of the proposed conforming and consequential amendments is technically out of alignment with ASQM 1. The AUASB should consider if this can be overcome by enabling early adoption of the conforming and consequential amendments.

Question 3

Have applicable laws and regulations been appropriately addressed in the proposed conforming and consequential amendments to the Australian-specific AUASB Standards? Are there any references to relevant laws or regulations that have been omitted?

IPA is of the view that applicable laws and regulations have been appropriately addressed and we are not aware of any laws or regulations that have been omitted.

Question 4

Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed conforming and consequential amendments to the Australian-specific AUASB Standards, or may conflict with the proposed conforming and consequential amendments to the Australian-specific AUASB Standards?

IPA are not aware of any impediments or any legislative conflicts which may conflict with the proposed conforming and consequential amendments.

Question 5

Whether there are any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed conforming and consequential amendments to the Australian-specific AUASB Standards, or may conflict with the proposed conforming and consequential amendments to the Australian-specific AUASB Standards?

IPA are not aware of any principles and practices that prevent or act as an impediment to applying the proposed conforming and consequential amendments.

Question 6

What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed conforming and consequential amendments to the Australian-specific AUASB Standards? If significant costs are expected, the AUASB would like to understand:

- (i) Where those costs are likely to occur;**
- (ii) The estimated extent of costs, in percentage terms (relative to audit fees); and**
- (iii) Whether expected costs outweigh the benefits to the users of audit services?**

IPA's view is that the benefit of adopting the proposed conforming and consequential amendments would outweigh the costs of firms needing to update their policies and procedures to bring them into alignment with the changes. Changes made to AUASB pronouncements and the legislative framework regulating audit and assurance engagements has a cost which is ultimately born by the practitioner and their clients. Any additional costs from adopting the proposed conforming and consequential amendments are not considered to be significant.

Question 7

Are there any other significant public interest matters that stakeholders wish to raise?

IPA does not have any other significant public interest matters to raise.

Editorial comments are provided in Attachment 2.

ATTACHMENT 2 – IPA’s editorial comments

Suggestion 1

ASAE 3100 Appendix 6 Example 1, Example 2, Example 2 (p13)

AUASB may consider adding the word “the” before “fundamental principles” to read:

We have complied with the independence and ~~other~~ relevant ethical requirements ~~relating to assurance engagements, and apply Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement,*~~ which are founded on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Suggestion 2

ASRE 2405 paragraph 11 (pp17-18)

We would prefer to see a closer alignment with the words used in paragraph 6 of ASQM 1.

AUASB may consider changing the following:

- (a) The firm’s risk assessment process leadership responsibilities for quality ~~on the assurance engagement;~~
- (e) ~~assignment of engagement teams~~ Resources ~~Engagement performance;~~
- (f) ~~Eengagement performance~~ Resources;