



<b>Project:</b>	<b>Parliamentary Inquiry into Regulation of Auditing</b>	<b>Meeting</b>	AASB September 2019 (M172)
<b>Topic:</b>	<b>Possible AASB submission</b>	<b>Agenda Item:</b>	11.1
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		<b>Project Priority:</b>	n/a
		<b>Decision-Making:</b>	n/a
		<b>Project Status:</b>	n/a

## Objective of this paper

- 1 The objective of this agenda item is to advise Board members of a Parliamentary Inquiry into the Regulation of Auditing in Australia, to identify matters that could be included in a submission from the Board, and for Board members to decide whether to make a submission to the Inquiry.

## Reasons for bringing this paper to the Board

- 2 Although the inquiry is directed at auditing matters, there are a number of items listed in the terms of reference that could reflect upon the Australian Accounting Standards. The Board therefore might wish to make a submission to put its view on those matters to the Inquiry, rather than potentially waiting for questions to be put to the Board.

## Summary of staff recommendations

- 3 Staff recommend that the Board make a submission to the Inquiry.

## Attachments

Agenda paper 11.2 Draft points for a possible AASB submission

Agenda paper 11.3 Terms of reference for the Inquiry

## Background

- 4 On 1 August, the Senate referred an inquiry into the regulation of auditing in Australia to the Parliamentary Joint Committee on Corporations and Financial Services. The Committee is to report by 1 March 2020, and has called for submissions by 28 October 2019.

- 5 The Committee has invited submissions from the Financial Reporting Council (FRC) and the Auditing and Assurance Standards Board (AUASB), amongst others. The AASB has not been asked to provide a submission.
- 6 The FRC discussed the issues and views that it might put in its submission at its recent meeting. Representatives of the AUASB, ASIC and Treasury at that meeting indicated that their organisations would be lodging submissions with the Committee. The government agencies represented at the meeting agreed to share their draft submissions so that they could complement one another. The AASB Chair noted at the meeting that the AASB would consider at the forthcoming meeting whether to make a submission.

### **A submission in respect of accounting standards?**

- 7 Staff consider that it would be beneficial for the Board to make a submission to the Inquiry. This would allow the Board to address some matters that might be helpful to the Committee, such as the importance of global, principle-based accounting Standards, which require professional judgement both in their application by preparers of financial statements and in the audit of those financial statements, and consideration of auditing issues in developing accounting standards.
- 8 Staff consider it is unlikely that a submission from the Board would draw unnecessary attention from the Committee to the role of the Board and the accounting standards in affecting audit quality and other auditing matters.
- 9 There are 12 items listed in the terms of reference for the Inquiry (see agenda paper 11.3). Two of those items appear directly relevant to the Board and its Standards:
- Item 4 – audit quality, including valuations of intangible assets; and
  - Item 10 – the adequacy and performance of regulatory, standards, disciplinary and other bodies.
- 10 Possible AASB comments in respect of those items are set out in agenda paper 11.2 for members' consideration and discussion.
- 11 Staff recommend that a submission from the Board could be finalised by the Chair, unless members wanted to form a sub-committee for that purpose.
- 12 Staff have learned that the International Auditing and Assurance Standards Board (IAASB) has been invited to make a submission. The IAASB might collaborate with the International Ethics Standards Board for Accountants (IESBA) to provide a submission. It may be appropriate for the AASB to advise the International Accounting Standards Board (IASB) of the inquiry and encourage it to make a submission.

### **Questions to the Board**

- Q1 Do Board members wish to make a submission to the Inquiry and to encourage the IASB to consider making a submission as well?

- Q2 If so, are there different views of the points raised in agenda paper 11.2 or additional matters that should be included in the Board's submission?
- Q3 Do Board members support the Chair finalising a submission?