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AUDITING AND ASSURANCE STANDARDS BOARD CHAIR WELCOMES ASIC'S AUDIT INSPECTION REPORT FOR 2018-19

Melbourne, Australia, 13/12/2019 — The Chair of the *Auditing and Assurance Standards Board* (AUASB), Professor Roger Simnett AO, welcomes the release of the Australian Securities and Investment Commission's (ASIC) [Audit inspection report for 2018–19](#).

Professor Simnett said, *"The AUASB is committed to producing high quality auditing standards and working proactively with ASIC to address any matters identified through their Audit Inspection Program where auditors are having difficulty interpreting or applying our standards. As articulated in our response to the current Parliamentary Joint Committee on Corporations and Financial Services inquiry into the regulation of auditing in Australia, the AUASB welcomes increased engagement with ASIC and the major audit firms on the interpretation of our standards. It is only with an understanding of where common issues arise that we can identify where additional enhancements to the auditing standards or guidance are required to assist with auditor's application"*.

The AUASB works closely with ASIC and the Financial Reporting Council (FRC) in several areas to improve audit quality. As part of this commitment the AUASB are:

- Working with ASIC and audit firms to better understand the root causes of these inspection findings, and how the AUASB can better support the consistent application of auditing standards.
- Working with the FRC in the execution of its Audit Quality Action Plan. This has included conducting surveys of Audit Committee Chairs (ACCs) and Investors to assess and analyse their views on audit quality. These surveys have indicated ACCs and Investors are, overall, very satisfied with the quality of their auditors.
- Monitoring audit quality matters and initiatives in other jurisdictions in order to identify best practices which may be considered and adopted to improve audit quality in Australia.

The 2019-20 AUASB Technical Work Program includes a number of projects to develop new standards or guidance materials that will assist auditors to address many of the matters raised as findings in ASIC's latest inspection report. Specifically, the auditing of accounting estimates is an area ASIC has identified where improvement is necessary. The AUASB has recently released a revised version of ASA 540 *Auditing Accounting Estimates and Related Disclosures* which will improve the quality of auditing of management estimates (including the impairment of financial and non-financial assets such as intangibles) in this complex area. This standard is operative for financial reporting periods commencing on or after 15 December 2019.

Professor Simnett also commented that *"regulatory inspection findings are only one indicator of audit quality and it is necessary to look holistically when measuring and assessing audit quality. The AUASB supports ASIC's report on [Audit quality measures, indicators and other information: 2018–19](#) which highlights a wider range of audit quality indicators which may be monitored over time. Measuring and monitoring the right indicators will provide further insights about audit quality and facilitate a more informed and enhanced discussion of the purpose and value of audit. We encourage ASIC to further consider whether these are the right indicators, and also who should be responsible for reporting these in future"*.

For more information, please contact Communications Manager, Anthony Karakai, on +61 3 8080 7440, or akarakai@asb.gov.au

About the Auditing and Assurance Standards Board: 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*.