



**Subject:** Minutes of the 132<sup>nd</sup> Meeting of the Auditing and Assurance Standards Board (AUASB)  
**Venue:** Dexus Place, 385 Bourke Street, Melbourne VIC 3000 and via Zoom Teleconference  
**Date:** Monday 28 November 2022, 10:00am – 5:00pm and Tuesday 29 November 2022, 9:00am – 12:45pm

## Attendance

AUASB Members:

- Mr Bill Edge (Chair)
- Ms Julie Crisp (Deputy Chair)
- Ms Marje Russ (NZAuASB Chair)
- Dr Noel Harding
- Mr Andrew Porter
- Ms Michelle Shafizadeh
- Ms Joanne Lonergan
- Ms Tracey Barker
- Mr Jason Thorne

AUASB Technical Group Staff:

- Mr Matthew Zappulla (Technical Director)
- Ms Rene Herman
- Ms Marina Michaelides
- Ms Anne Waters
- Ms Johanna Foyster
- Ms See Wen Ewe
- Mr James Wake

Observers:

- Mr Terence Jeyaretnam
- Mr Chi Mun Woo
- Mr Doug Niven
- Mr Andrew Mills
- Professor Roger Simnett
- Professor Ken Trotman

Apologies:

- Mr Klynton Hankin

## Minutes

### (Agenda Item 1 – Minute 1550) Agenda and introduction

The Chair welcomed members to the 132<sup>nd</sup> AUASB Meeting.



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### **(Agenda Item 1.2 – Minute 1551) AUASB Chair Update**

The AUASB Chair spoke to several items on the current meeting agenda and other projects currently in progress or recently completed by the AUASB Technical Team. Specific matters raised by the AUASB Chair for the attention of the AUASB were:

- Completion of the AUASB Corporate Plan for 2022-23 and 2021-22 Annual Report.
- Outcomes from the AUASB Stakeholder Forums focusing on Sustainability Assurance and Audit Quality which were held in Sydney and Melbourne in October 2022. The AUASB Chair commented on the success of these sessions and other efforts the AUASB Chair and staff and now engaging in to increasing our public visibility by actively reaching out and consulting stakeholders.
- A summary of the Australian National Centre for Audit & Assurance Research (ANCAAR) AUASB Workshop on Audit Regulation held in September 2022 which is a key initiative of the AUASB to improve the connectivity of auditing and assurance research and policy making.
- The release of the 'Periodic Comprehensive Review of External Auditor' guide with the AICD and other activities to improve our engagement with different stakeholders such as the AICD and ASX.

### **(Agenda Item 1.3 – Minute 1552) NZAUASB Chair Update**

The NZAuASB Chair provided an update to the AUASB on several matters which will be presented at the upcoming December 2022 NZAuASB meeting and other issues the NZAuASB is currently focusing on, including updates on:

- the NZAuASB's development of the proposed NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures* and associated with this the depth of engagement with New Zealand practitioners and organisations using the ISO standards;
- the development of the NZAuASB's new *Assurance over Financial Information Prepared in Connection with a Capital Raising* standard;
- the NZAuASB's activities to release and promote feedback on the IAASB's Exposure Draft on ISA 500 (Revised) *Audit Evidence* and related conforming amendments;
- the exposure draft of NZ AS 1 (Revised) *The Audit of Service Performance Information*; and
- the post implementation reviews of SAE 3100 *Compliance Engagements*.

### **(Agenda Item 2 – Minute 1553) Technical Work Plan Update**

The AUASB Technical Director presented the AUASB with an update of the 2022-23 AUASB Technical Work Program, including an overview of when key projects such as IAASB exposure draft responses were likely to be performed in 2023. There was discussion about how the AUASB should manage outreach activities to maximise the focus on key priorities across the next year, especially Sustainability Assurance matters.

The AUASB also noted the draft AUASB Agenda Consultation Feedback Statement, with no amendments requested to this document. It will be published on the AUASB website in December 2022.

### **(Agenda Item 3 – Minute 1554) Sustainability Update**

The AUASB Chair welcomed the two new AUASB Board Members, Mr Terence Jeyaretnam and Mr Chi Mun Woo, who observed this Agenda Item ahead of them officially joining the AUASB in January 2023. The AUASB Chair gave a short summary of the topics to be covered under this agenda item and the key activities undertaken on behalf of the AUASB in relation to the sustainability assurance since the last AUASB meeting.

The AUASB received a sustainability reporting update from AASB staff, including a brief on the AASB's planned timeline to develop Australian sustainability reporting standards going forward. The AUASB discussed the pressing need for legislative direction in this area from both a reporting and assurance perspective. The AUASB noted the urgency around entities having certainty on the reporting and assurance frameworks that will be legislated by Government, as well as which entities would be captured by reporting regulation, and who would be the responsible assurance practitioner.

The AUASB received a progress report on the IAASB's new Sustainability Assurance standard, including a briefing on the drafting principles underpinning the standard particularly relating to aggregation and



disaggregation of sustainability information. The AUASB supported the proposed approach of the IAASB around the priority areas including materiality and evidence, but there continued to be some concern expressed around the lack of engagement with other global standard setters in this area.

The AUASB discussed whether there was a need for immediate guidance to be issued by the AUASB on specific sustainability assurance matters while the international standard is under development. The AUASB considered that the current suite of Assurance Standards along with the Non-Authoritative Guidance on Applying ISAE 3000 (Revised) to Sustainability and Other Extended External Reporting (EER) Assurance Engagement was sufficient, with no strong views for immediate additional support materials.

#### **(Agenda Item 4 – Minute 1555) IAASB Matters**

The AUASB discussed and provided input into the following IAASB agenda matters to be discussed by the IAASB at the upcoming December 2022 IAASB meeting:

##### *Less Complex Entities*

- The AUASB supported the Authority of the proposed LCE standard being amended to take quantitative criteria into account when determining the suitability of the standard. The AUASB supported the proposals for local jurisdictions to set quantitative thresholds and discussed that the EU size criteria as suggested in the proposed Authority provides a good reference point and translated to a similar context for the Australian large entity size threshold.
- The AUASB were informed how one of the key areas of concern at the time of the original exposure of the LCE Standard around the exclusion of Group Audits is being addressed by the IAASB. The AUASB supported the inclusion of Group Audits in the LCE standard, subject to additional characteristics being included and the inclusions of a 'bright line' exclusion of component auditors.

##### *Going Concern and Fraud*

The AUASB considered the IAASB's proposals for transparency in the auditor's report in relation to Going Concern and Fraud both at an individual level and holistically (PIE independence, going concern and fraud). At a principles level, the AUASB did not support any boilerplate type disclosures and supported any additional disclosures that meet the threshold criteria of a Key Audit Matter. Any matters that would not meet that threshold was not supported by the AUASB. In relation to both projects, the AUASB continued to note it does not support differential audit reporting requirements for Listed and Non-Listed Entities.

In relation to Going Concern, whilst the AUASB supported the IAASB's proposal to strengthen the requirements on the auditor's evaluation of management's assessment of going concern, including the new requirement for the auditor to evaluate the intent and ability where financial support will be provided by a third/related party, it was also noted that many practitioners already undertake such an evaluation under the existing ISA/ASA 570 requirements.

##### *Other Topics*

The AUASB received an update on the IAASB's 2024-27 Strategy and Work Plan that will be considered at the March 2023 AUASB meeting.

The AUASB discussed the PIE Track 2 project and was supportive of the direction of the IAASB including convergence of concepts and definitions between IESBA and IAASB, the incorporation of an objective by the IAASB for differential requirements being aligned with the objective of the IESBA Code for PIE Independence reporting, and investigation of whether to amend the exiting differential requirements for listed entities.

#### **(Agenda Item 5 – Minute 1556) LCE Group Audits Exposure Draft**

The AUASB supported the proposed draft Consultation Paper *Exposure of the IAASB's Auditing for Audits of Financial Statements of Less Complex Entities: Group Audits (ISA for LCE Group)* and agreed the Consultation Paper could be approved out of session in mid-late January 2023 for an exposure period of approximately 70 days.



The AUASB agreed that no additional Australian specific questions are required as part of this limited scope Exposure Draft process. Additionally, based on the IAASB adopting AUASB recommendations shared as part of the original LCE Proposed Standard, the AUASB would not undertake specific additional outreach on these proposals. The Consultation Paper will be discussed by the AUASB at the March 2023 AUASB meeting as the AUASB deliberates and responds to the IAASB.

**ACTION** – *The AUASB’s LCE Group Audits Exposure Draft Consultation Paper will be presented for AUASB approval Out of Session in January 2023.*

#### **(Agenda Item 6 – Minute 1557) Public Sector Guidance Statement**

The AUASB received an update on the AUASB’s ongoing Public Sector Audit Issues project to develop supplementary guidance to address issues presenting challenges in applying certain AUASB Standards in the public sector. Subsequent to the last update to the Board at its September 2022 meeting, AUASB technical staff have developed a first draft of proposed new guidance on the role and responsibilities of the Signing Officer / Engagement Leader in the public sector under ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*, based on input received from the AUASB Public Sector PAG. The proposed new guidance was considered by the PAG at its October 2022 meeting. An updated draft which will reflect the feedback from the PAG will be shared with the PAG for consideration and further feedback during December 2022. The PAG will meet early in February 2023 to finalise the guidance.

**ACTION** – *A revised GS 023 Special Considerations – Public Sector Engagements, which will include the proposed new guidance, will be presented at the March 2023 AUASB meeting for Board consideration and approval to issue.*

#### **(Agenda Item 7 – Minute 1558) Audit Evidence Exposure Draft**

The AUASB discussed and approved to issue the Consultation Paper to expose the IAASB’s Proposed ISA 500 (Revised) Audit Evidence for a 115-day comment period. Submissions from stakeholders are due to the AUASB by 31 March 2023 and the final submission from the AUASB to the IAASB is due on 24 April 2023.

The AUASB discussed the processes in place to ensure there is adequate deliberation of the public feedback on this exposure draft before the AUASB’s submission to the IAASB is due. AUASB Technical Staff outlined the timeline for feedback to be received and finalised on this Consultation Paper in March and April 2023 both at and around the dates of AUASB meetings.

**ACTION** – *A summary of initial feedback on the ISA 500 Consultation Paper and a draft AUASB submission will be prepared for the March 2023 AUASB meeting, with any need for further public deliberations by the AUASB on the submission considered at this meeting.*

#### **(Agenda Item 8 – Minute 1559) Not-for-Profit Assurance**

The AUASB received an update on the Not-for-Profit project including collaboration with the AASB and the feedback from discussions with stakeholders on GS 019 *Auditing Fundraising Revenue of Not-For-Profit Entities*. Based on the feedback received and the changes to the processes and methods of the collection of cash over recent years, the Board discussed the proposed withdrawal of GS 019 and replacement with a specific Not-for-Profit AUASB Bulletin of a similar but broader nature which will retain and modernise the content (e.g. collection of cash via technology, scalability of ASA 315 *Identifying and Assessing the Risks of Material Misstatement* and the appendices to GS 019 on example controls, audit procedures and auditor’s reports).

AUASB members requested that the AUASB Technical Staff delay the communication of the intention to withdraw GS 019 in the interim to elicit any objections from stakeholders in line with the due process framework. The proposed Not-for-Profit Bulletin will be presented as a final draft to the AUASB at the March 2023 meeting for review and approval.

**ACTION** – *The AUASB will re-consider whether GS 019 should be withdrawn following further review of the other Not-for-Profit guidance materials developed by AUASB staff at the March 2023 AUASB meeting.*



## **(Agenda Item 9 – Minute 1560) IAS 1 Changes and impact on AUASB Standards**

The AUASB were provided with an overview of the IAASB project to update the illustrative auditor's reports throughout the ISAs to align relevant terminology with amendments made to IAS 1. These amendments, issued by the IASB in February 2021 and adopted by the AASB in March 2021, require entities to disclose their 'material accounting policy information' instead of their 'significant accounting policies'.

The AUASB approved the draft project plan to develop an amending standard to update the terminology in the example auditor's reports, review reports and engagement letters throughout the suite of AUASB Standards.

**ACTION** – *The AUASB will be presented a draft amending standard containing all necessary IAS 1 related changes to AUASB standards for review and approval at the March 2023 AUASB meeting.*

## **(Agenda Item 10 – Minute 1561) Key Audit Matters Consultation Paper**

The AUASB provided feedback on the draft consultation paper "Expanding Key Audit Matters beyond listed entities". The AUASB discussed the importance of seeking feedback from a wide range of stakeholders to inform them on any potential widening of the scope of ASA 701, as well as providing feedback to the IAASB as they progress with the Listed Entity / PIE project. The AUASB agreed to include an additional question on public sector entities in the consultation paper. The AUASB also questioned whether there is benefit in communicating KAMs for entities where there may be a limited number of users, such as wholly owned entities. Subject to these minor amendments, which will be approved out of session by the AUASB Chair, the AUASB approved the consultation paper for issue in December, with feedback to be requested by the end of March 2023.

## **(Agenda Item 11 – Minute 1562) Technology PAG**

The AUASB received an update on the AUASB Technology Project Advisory Group (TPAG), which is meeting shortly to discuss its next areas of focus. The AUASB agreed the publications issued to date have been very valuable, in particular the guidance on general IT controls and ASA 315. The AUASB discussed that the use of technology in audit is happening but there are several challenging areas the TPAG could continue to develop guidance on (e.g., dealing with outliers when analysing data). The AUASB also discussed the ASQM 1 requirements related to the use of technology tools and supported the TPAG developing guidance in this area.

## **(Agenda Item 12 – Minute 1563) Audit Quality Update**

The AUASB were presented with an update of key actions the AUASB staff had undertaken to date in 2022-23 to implement activities in the FRC Audit Quality Action Plan.

The AUASB noted the recommendation from AUASB staff that no direct action is currently necessary to respond to external reporting and assurance an entity's internal controls, and that the AUASB staff will continue to address this matter through its response to the PJC's inquiry on Audit Regulation and through its engagement with the ASX and AICD.

## **(Agenda Item 13 – Minute 1564) Guest Presentation – ASIC Update**

ASIC's Chief Accountant Doug Niven presented to the AUASB on the latest audit file inspection findings. Mr Niven discussed areas the most relevant to the AUASB's standards, raising some new concerns in ASIC's findings relating to the use of management's and auditors' experts.

The AUASB discussed that the use of experts is continuing to increase and will increase more as sustainability risks become higher in the audit of the financial statements, and when / if sustainability reporting and assurance becomes mandatory. The AUASB discussed the importance of considering if the extent requirements and guidance in this area are appropriate.

Other areas discussed in the ASIC update highlighted ongoing concerns with the nature and extent of substantive and controls testing being undertaken by auditors in key audit areas, and review of the OFR. AUASB staff will work with ASIC to review current inspection findings in greater detail and consider how additional guidance addressing issues from the ASIC inspection findings may assist practitioners.





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**(Agenda Item 14 – Minute 1565) Guest Presentation – FRC Update**

The Chair of the Financial Reporting Council, Mr Andrew Mills, provided an update to the AUASB on various matters on the FRC's agenda, including audit quality and sustainability reporting and assurance.

**(Agenda Item 15 – Minute 1566) Guest Presentation – Preliminary results from Audit Committee Chair Interviews on perceptions of Audit Quality**

Professors Roger Simnett and Ken Trotman from Deakin University and UNSW Sydney presented the results of their research and interviews of 21 Audit Committee Chairs (ACCs). Pleasingly ACCs remain very satisfied with the quality of their auditors and provided several insights on how they assess this. They also provided their views on matters such as disclosure of audit tenure, mandatory firm rotation and sustainability reporting and assurance. The results of the research will be communicated in a Research Report which will be released by the AUASB in December 2022.

**(Agenda Item 16 – Minute 1567) Review of 'Matters for AUASB' in ANCAAR Research Report**

The AUASB were presented with a summary of matters identified by the authors of the research papers from the recent ANCAAR/AUASB Audit Regulation Workshop that may have implications for the AUASB, and the current response to how each matter is being actioned / considered by the AUASB as part of its current technical work program and other activities.

**Next Meeting**

The AUASB will hold its next meeting in Melbourne on Tuesday 15 March 2023.

**Approval**

Signed as a true and correct record.

W R Edge  
*Chair*

Date: 14 December 2022