



Subject: Minutes of the 128th Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Dexus Place, 385 Bourke Street, Melbourne VIC 3000 and via Zoom Teleconference
Date: Tuesday 8 March 2022, 9:00am – 4:30pm

Attendance

AUASB Members:

- Mr Bill Edge (Chair)
- Ms Julie Crisp (Deputy Chair)
- Mr Gareth Bird
- Mr Robert Buchanan (NZAuASB Chair)
- Mr Klynton Hankin
- Dr Noel Harding
- Mr Andrew Porter
- Ms Michelle Shafizadeh
- Ms Joanne Lonergan
- Ms Tracey Barker

AUASB Technical Group Staff:

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

Observers: None

Apologies: None

Minutes

(Agenda Item 1 – Minute 1497) Agenda and introduction

The Chair welcomed members to the 128th AUASB Meeting. Two new members, Ms Tracey Barker and Ms Joanne Lonergan, were welcomed to their first AUASB Meeting.

Minor amendments to the AUASB Board Member Declaration of Interests were noted.

(Agenda Item 1.4 – Minute 1498) AUASB Chair Update

Matters raised by the AUASB Chair for the attention of the AUASB were:

- The AUASB Chair updated the AUASB on his presentation to the AASB in February 2022 which covered the AUASB's strategic priority areas and emphasised the importance of coordination and collaboration between the AUASB and AASB, such as ASIC inspection findings and the Less Complex Entities Project. The AUASB Chair also reiterated the importance of collaboration of the two boards on Sustainability reporting going forward.
- The AUASB office has moved to Level 20, 500 Collins Street Melbourne VIC 3000.



(Agenda Item 2 – Minute 1499) AUASB Technical Work Program – 2021-22 Update

The AUASB Technical Director presented an update of the 2021-22 AUASB Technical Work Program, noting several projects which had been completed since the last AUASB meeting and that new projects had commenced in relation to the update of GS 016 (Bank Confirmations) and the post implementation review of ASAE 3100. There was also discussion about the scope and timing of the next iteration of the Public Sector Guidance Statement relating to Going Concern and Engagement Leader responsibilities, which will be covered in further detail at the April 2022 AUASB Meeting.

(Agenda Item 3 – Minute 1500) ESG/Sustainability – IAASB and AUASB Update

The AUASB received an update on Domestic and International Sustainability reporting and assurance developments and discussed the two main options proposed by the IAASB at this formative stage of its Sustainability Assurance project proposal, being:

- a) Revising ISAE 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* in the short term to encapsulate some of the material in the IAASB non-authoritative guidance on sustainability and other extended external reporting assurance engagements.
- b) Developing a new subject-matter specific ISAE for assurance on climate reporting and disclosures in response to the development of new disclosure standards by the ISSB.

Other ESG/Sustainability related matters discussed by the AUASB included:

- The timing, length and due process involved in the development of a new standard and the need for urgency cannot be underestimated, however cannot be the only factor to consider.
- The breadth of emerging topics to be dealt with will continue to expand, therefore any revision to ISAE 3000 needs to be fit for purpose to deal with this over time.
- The wide range of users of sustainability information and how this may be addressed by the IAASB.
- The different Assurance Practitioners undertaking these engagements using ISAE 3000 (Revised) and how this term is defined and addressed, coupled with the ethical and quality management requirements of the standard.
- The IAASB's role in the assurance of Sustainability / ESG Reporting and how to meet the needs of users, preparers, assurance practitioners and regulators in the short term so to maintain their position and reduce fragmentation in the assurance market.

(Agenda Item 4 – Minute 1501) Going Concern – IAASB Issues Paper

The AUASB received an update on the IAASB's draft project proposal to revise ISA 570 *Going Concern*. While the AUASB supported the project proposal considering enhanced auditor reporting relating to going concern by the IAASB, the AUASB continues to express concerns about the impact and potential unintended consequences which may arise from the proposed increased level of reporting in the auditor's report. The AUASB acknowledged that while the additional wording proposed for the auditor's report relating to going concern may not address the audit expectation gap, it may encourage additional disclosure in the financial statements by management and those charged with governance. Additionally, members of the AUASB raised the importance of the Engagement Quality Reviewer's role relating to going concern and suggested this is incorporated within the IAASB's project proposal.

(Agenda Item 5 – Minute 1502) Fraud – IAASB Issues Paper

The AUASB received an update on the IAASB's project to revise ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. The AUASB supported the IAASB Task Force's proposals on the matters of communication with those charged with governance and identification and assessment of the risks of material misstatement. As with the proposals relating to Going Concern, the AUASB continues to express concerns about proposals to increase the level of reporting related to fraud in the auditor's report and considers further evidence is needed to support the benefits to users of such an increase.



The AUASB did not support any of the proposed fraud reporting alternatives currently being considered by the IAASB. Instead, the AUASB expressed support for the IAASB to consider additional key audit matter reporting relating to fraud, including whether this may need to be expanded beyond listed entities. The AUASB acknowledged that while this additional wording in the auditor's report may not address the expectation gap, like the proposed additional reporting on going concern it may encourage additional disclosure in the financial statements by management and those charged with governance.

(Agenda Item 6 – Minute 1503) Audit Evidence – Initial review of IAASB draft standard

The AUASB discussed the first draft of proposed ISA 500 *Audit Evidence*, focussing on the key matters raised by the AUASB Technical Group, including:

- The potential increase in documentation required for all information to be used as audit evidence to meet paragraph 9(b).
- Paragraph 10, which specifically focuses on information intended to be used as audit evidence which has been prepared by a management's expert. This requirement is in addition to paragraph 9 which applies to all sources of information.
- The circular nature of paragraph 8 of the proposed standard which address the design and performance of audit procedures.

The ATG will continue to monitor and provide comments through the AUASB Chair (IAASB member).

(Agenda Item 7 – Minute 1504) Listed Entity and PIE Definition – IAASB Project Plan

The AUASB received an update on the IAASB's Listed Entity and Public Interest Entity (PIE) project which will consider the implications for the IAASB's Standards of the recently revised IESBA definitions for Listed Entity and PIE. AUASB members considered and provided feedback on the following matters, for the AUASB Chair (IAASB member) to raise at the upcoming IAASB March 2022 meeting:

- a) The IAASB's draft project proposal for the topic; and
- b) Initial proposals to increase the level of disclosure in the auditor's report when an auditor has applied the independence requirements for PIEs.

While the AUASB supported the project proposal, several AUASB members expressed concern with the trend for additional reporting in the auditor's report, questioning whether such additional information will enhance user confidence or has the potential to confuse. AUASB Technical Staff will continue to monitor the IAASB's progress, including the outcomes from its March 2022 meeting, and update the AUASB accordingly. AUASB Technical Group will also monitor and work with the APESB in finalising its revisions to the APESB Code in response to the revised IESBA Code.

(Agenda Item 8 – Minute 1505) LCE Consultation Paper – Further considerations

The AUASB received an update on the outcome of the stakeholder outreach sessions conducted in Q4 2021 with reference to Part B of the AUASB LCE Consultation Paper. The AUASB supported the recommendations as provided by the AUASB Technical Group, particularly noting the importance of a targeted approach to build on discussions with legislative drafters with reference to assurance requirements imposed by different regulatory or statutory reporting requirements. Additionally, the AUASB requested that the AUASB Technical Group prioritise actions to raise awareness in the LCE market segment relating to the quality management standards.

(Agenda Item 9 – Minute 1506) FRC and Audit Quality Update

The AUASB received an update on current and planned initiatives to enhance audit quality, including those in conjunction with the Financial Reporting Council. The AUASB were supportive that the guidance and implementation support for ASA 315 (including General IT Controls) and the Quality Management Standards, noting it has been beneficial for auditors of less complex entities and smaller audit firms, and encouraged an ongoing focus in these areas. The AUASB also supported repeating the Audit Committee Chairs survey and exploring other ways to gather their views on audit quality.



(Agenda Item 10 – Minute 1507) AUASB Academic Scholar Update

The AUASB discussed potential future topics where the AUASB could benefit from additional research and the possible appointment of additional academic scholars, such as the impact on users if auditor's reports are expanded to include further details about their responsibilities on going concern and fraud, and the benefits of assurance on sustainability information. The AUASB also discussed the different models to engage academic researchers on AUASB priority areas (for example, short term paid or honorary positions). The AUASB Technical Group will continue to consider and engage with the academic community to determine future topics of mutual benefit, and how best to structure this going forward.

(Agenda Item 11 – Minute 1508) NZAuASB and PIOB Update

The NZAuASB Chair provided an update to the AUASB on several matters that were addressed at the February 2022 NZAuASB meeting and other issues the NZAuASB is currently focusing on, including:

- an update on the progress of Climate Change Reporting Standards;
- an update on the feedback and submissions received on the NZAuASB's exposure of proposed amendments to the Code of Ethics relating to Non-Assurance Services;
- approval of Amendments to Professional and Ethical Standard 1: *Revisions to the Fee-Related Provisions of the Code*;
- planned discussion on the linkage between the PIE definition and Tier 1 report at the upcoming NZAuASB meeting and the collaboration with NZASB to issue an exposure draft;
- upcoming joint meeting with NZASB which will focus on auditor's fees disclosures in the financial report;
- an update on the NZAuASB exposure draft on Fundraisings; and
- recent release of an IESBA exposure draft *Proposed Technology-related Revisions to the Code*.

In his capacity as a member of the Public Interest Oversight Board (PIOB) the NZAuASB Chair also updated the AUASB about Public Interest Issues impacting the IAASB/AUASB. As the NZAuASB Chair's term is ending in June 2022, he also provided valuable insights to the numerous projects on which the AUASB and NZAuASB have collaborated over the last six years.

Next Meeting

The AUASB will hold its next meeting in Melbourne on Wednesday 27th April 2022.

Close of Meeting

The Chair closed the meeting at 4.30 pm on Tuesday 8th March 2022.

Approval

Signed as a true and correct record.

W R Edge
Chair

Date: 13 April 2022