



Subject: Minutes of the 127th Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Zoom Teleconference
Date: Tuesday 30 November 2021 10:00am – 5:00pm and Wednesday 1 December 2021 9:00am – 12:30pm

Attendance

AUASB Members:

- Mr Bill Edge (Chair)
- Ms Julie Crisp (Deputy Chair)
- Mr Gareth Bird
- Mr Robert Buchanan (NZAuASB Chair)
- Ms Jo Cain
- Mr Klynton Hankin
- Dr Noel Harding
- Mr Rodney Piltz
- Ms Carolyn Ralph
- Mr Andrew Porter
- Ms Michelle Shafizadeh

AUASB Technical Group Staff:

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

Observers: Prof. Roger Simnett (Agenda Items 10 and 11 only)

Apologies: None

Minutes

(Agenda Item 1 – Minute 1482) Agenda and introduction

The Chair welcomed members to the 127th AUASB Meeting.

Minor amendments to the AUASB Board Member Declaration of Interests that take effect in 2022 were raised and will be included in the Declaration of Interests for the next meeting.

(Agenda Item 1.3 – Minute 1483) Out of Session Voting Update

The minutes for the September 2021 AUASB meeting were noted, having been previously approved by AUASB members out of session.

The Board also noted that ASA 2021-5 *Amendments to Australian Auditing Standards* was approved by AUASB member out of session following the September 2021 AUASB Meeting.



(Agenda Item 1.5 – Minute 1484) AUASB Chair Update

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

- An overview of progress against the AUASB's strategic priority areas for 2021-22.
- That the AUASB Chair has been appointed to the IAASB for a three-year term commencing 1 January 2022.
- The impending release of the AUASB's Bulletin on *Supporting Auditors in Enhancing Audit Quality*, which is being developed to align with the announcement of the latest ASIC Audit Inspection Findings Report.

(Agenda Item 1.6 – Minute 1485) NZAuASB Update

The NZAuASB Chair provided an update to the AUASB on several matters to be addressed at the December 2021 NZAuASB meeting and other issues the NZAuASB is currently focusing on, including:

- an update on the latest Audit Quality Monitoring Report issued by the New Zealand Financial Markets Authority;
- an update on the feedback and submissions received to date in New Zealand on the Proposed International Auditing Standard for Less Complex Entities (ISA for LCE);
- a high level overview of the feedback and submissions received on the NZAuASB's exposure of proposed amendments to the Code of Ethics relating to Non Assurance Services;
- an update on the XRB's recent activities to support the development of Climate Change Reporting Standards, following relevant NZ legislation being passed; and
- the planned timeline for the development of an NZAuASB exposure draft on Fundraisings in 2022.

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, including the appointment of a new PIOB Nominating Committee which will appoint International Standard Setting Board members in the future.

(Agenda Item 2 – Minute 1486) AASB Chair Update

The AUASB welcomed the Chair of the Australian Accounting Standards Board (AASB), Dr Keith Kendall, to provide an update on current AASB activities. Whilst Keith covered a range of topics in his presentation the main issue for consideration was the AASB's approach to reporting matters relating to Extended External Reporting and Sustainability. He also presented on future AASB projects, the AASB's current Agenda Consultation project and current IASB priorities, as well as responding to questions from AUASB members.

(Agenda Item 3 – Minute 1487) Update from APESB Chair and CEO

The AUASB welcomed the Chair of the Accounting Professional & Ethical Standards Board (APESB), Ms Nancy Milne OAM, and senior APESB staff who provided an update on current APESB projects, including the progress of APES 320 *Quality Control for Firms*, which is targeted at Non Assurance activities and is due for approval in early 2022 and has been designed to complement the new and revised AUASB Quality Management standards. They also provided an overview of recent developments to the Non-Assurance Services and Fees related provisions in the APESB Code of Ethics.

(Agenda Item 4 – Minute 1488) Review of AUASB Annual Report and Corporate Plan

The AUASB reviewed the most recent versions of the AUASB Annual Report and Corporate Plan that were produced by the AASB-AUASB and tabled in Parliament earlier in 2021. Board members discussed possible changes to the structure and focus of these documents that could be made, and how the documents could be leveraged to better communicate the AUASB's purpose and outcomes. Elements of these corporate documents relating to the AUASB strategy and objectives produced in 2022 will be circulated with the AUASB for input in advance of them being finalised.



(Agenda Item 5 – Minute 1489) FRC and Audit Quality Update

The AUASB provided input into and agreed to issue the AUASB Bulletin *Supporting Auditors in Enhancing Audit Quality* in order to communicate actions taken by the AUASB to assist auditors to improve audit quality, including those in response to matters identified during recent ASIC audit inspections. The AUASB also provided input into a media release in response to the release of ASIC's Audit inspection report 1 July 2020 to 30 June 2021. The AUASB discussed the actions conducted to date relevant to the PJC Inquiry into Audit Regulation in Australia recommendation 8 on fraud and going concern. The AUASB agreed that considerable preparatory work had been done in order to understand the issues and our stakeholders views and it was not necessary to do any further work ahead of a formal government response, and to provide input into the IAASB's projects on these topics.

(Agenda Item 6 – Minute 1490) Public Sector Guidance Statement – Review and Approval

The AUASB considered and provided feedback on the proposed new AUASB Guidance Statement GS 023 *Special Considerations – Public Sector Engagements* which will provide supplementary application and other explanatory material to support public sector auditors and assurance practitioners in implementing and applying AUASB Standards in the public sector.

The Chair of the AUASB's Public Sector Audit Issues Project Advisory Group provided a brief overview of public sector audit and assurance engagements and highlighted some of the challenges faced by public sector auditors/assurance practitioners in applying certain aspects of AUASB Standards to public sector engagements in practice.

Several amendments to the proposed new Guidance Statement were discussed, including changes to the structure of the introductory material to the Guidance Statement.

ACTION – AUASB Technical Staff to update the proposed Guidance Statement to incorporate feedback from AUASB Members and distribute an updated final document for out of session review and approval to be issued in December 2021.

(Agenda Item 7 – Minute 1491) Extended External Reporting (EER) and Assurance Update

The AUASB was given an update on key developments in Extended External Reporting (EER) both globally and locally and considered implications of these developments on the ongoing work of the AUASB, AASB and FRC. The AUASB were also informed about the progress and implementation of the EER strategy and the next steps in the plan being undertaken by the technical group.

(Agenda Item 8 – Minute 1492) Technology – PAG Update

The AUASB was provided an update on the work of the AUASB Technology PAG since the last update was provided at the April 2021 AUASB Meeting. The AUASB noted the planned activities and topic areas for the Technology PAG and supported the projects planned to commence after the completion of the current data reliability publication.

(Agenda Item 9 – Minute 1493) AUASB Technical Work Program – 2021-22 Update

The AUASB Technical Director presented an update of the 2021-22 AUASB Technical Work Program for the AUASB's consideration, highlighting progress against each of the 2021-22 strategic priority areas, projects which have been completed to date in 2021 and matters in progress or outstanding for the second half of the 2021-22 reporting period. The AUASB noted that an AUASB Agenda Consultation process will be undertaken in 2022, with the plans to be developed and discussed with the AUASB in the first half of 2022.



(Agenda Item 10 – Minute 1494) LCE Consultation Paper – Update and Feedback from AUASB

The AUASB was taken through a presentation of the feedback received from outreach undertaken on the AUASB Consultation Paper *Exposure of the IAASB's Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE)*; and *Consideration of Possible alternative options for Australian LCE audits*, with a particular focus on Part A of the Consultation Paper being the IAASB's ISA for LCE.

The AUASB considered the feedback received from stakeholders and provided input into the Proposed ISA for LCE. The AUASB agreed that AUASB feedback to the IAASB needed to be explicit and direct, focussing on higher level feedback. The AUASB's overall position is to highlight the following:

- Acknowledging and supporting the IAASB's intentions and timeliness in producing the Proposed ISA for LCE Standard and recognising the global need for such a standard;
- Support for the notion of a separate standard, but lack of support for the Proposed Standard in its current form based on:
 - Australian practitioners being an ISA capable profession;
 - The standard being underpinned by the ISAs; and an inability for Australian practitioners to 'park' their inherent ISA knowledge to use this standard as a stand-alone product;
 - The Authority of the proposed standard being too restrictive in the areas of Listed Entities and PIEs while being too judgemental in consideration of the qualitative characteristics to apply consistently in practice;
 - A widening expectation and perception gap, with practitioners not seeing any efficiency gains, while users perceive an 'audit light' product with an expectation of reduced fees; and
 - Significant implementation challenges of a 2-tiered reasonable assurance product leading to staffing, training, methodology and transitioning concerns.
- Recognising that there were a few very small practitioners who did support the standalone standard in its current form. These practitioners were supportive of one condensed reference point assisting practitioners to navigate and scale the full suite of ISAs which have become increasingly lengthy and complex.

Recognising that the AUASB comment period for the Consultation Paper closes on 14 January 2022, the AUASB was provided with a timeline for review of the draft AUASB submission to the IAASB, with the final submission due to the IAASB on 31 January 2022.

Additionally, the AUASB received high level feedback from the outreach undertaken on Part B of the AUASB's Consultation Paper, *Consideration of Possible alternative options for Australian LCE audits*, with the topic to come back for further discussion at the March 2022 AUASB meeting.

ACTION – AUASB Technical Staff to review submissions received on the LCE Consultation Paper and provide the AUASB members with the draft submission to IAASB for out of session review in late January 2022.



(Agenda Item 11 – Minute 1495) IAASB Agenda

The AUASB received updates from the AUASB Technical Staff on the topics for deliberation at the upcoming IAASB December 2021 meeting including:

- Progress on the development of the final Group Audits standard (ISA 600) which is on schedule to be approved at the IAASB's December 2021 meeting;
- A summary on the IAASB's Fraud project proposal and views were sort from the Board on these proposals; and
- An update on the Draft 2022-23 IAASB Workplan.

The AUASB also had a further discussion about whether they saw any potential areas on Fraud that could be considered by the AUASB in the short or medium term. Some potential areas were raised by the AUASB for further consideration by the technical group. The AUASB Chair noted any future work in this area would be considered in the context of its overall impact or usefulness to Australian stakeholders and the other priorities of the AUASB going forward.

(Agenda Item 12 – Minute 1496) Other Business

The AUASB Chair led the acknowledgements for the AUASB's three retiring Board Members: Jo Cain; Carolyn Ralph; and Rodney Piltz who were attending their last AUASB meeting. The AUASB and Technical Staff will continue to work with each of the retiring Board Members as experts providing feedback in their areas of expertise.

Next Meeting

The AUASB will hold its next meeting on Wednesday 8th March 2022.

Close of Meeting

The Chair closed the meeting at 12.30 pm on Wednesday 1st December 2021.

Approval

Signed as a true and correct record.

W R Edge
Chair

Date: 20 December 2021