



Subject: Minutes of the 135th Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Dexus Place, Level 14, 385 Bourke Street, Melbourne & via Zoom Teleconference
Date: Wednesday 14 June 2023, 9:00am – 5:00pm

Attendance

AUASB Members:

- Mr Bill Edge (Chair)
- Ms Julie Crisp (Deputy Chair) [via Zoom]
- Ms Marje Russ (NZAuASB Chair) [via Zoom]
- Ms Tracey Barker
- Mr Klynton Hankin
- Dr Noel Harding
- Mr Terence Jeyaretnam
- Ms Joanne Lonergan
- Mr Andrew Porter
- Ms Michelle Shafizadeh
- Mr Jason Thorne
- Mr Chi Mun Woo

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
- Ms Rebecca Mattocks

Guests:

- Ms Siobhan Hammond (Acting Principal, Sustainability Reporting, AASB) [Agenda Item 2, via Zoom]
- Mr Robert Buchanan (Member, PIOB) [Agenda Item 8, via Zoom]

Apologies: None

Minutes

(Agenda Item 1 – Minute 1593) Agenda and Introduction

The Chair welcomed members to the 135th AUASB Meeting.

Due to the recent media regarding alleged breach of confidentiality by PwC partners, the Chair advised that he was a retired partner of PwC, having retired in 2014 well before the time of the events subject to the allegations, and Mr Klynton Hankin advised that he was a current partner of PwC but did not have any involvement in the matters subject to the allegations.

(Agenda Item 1.2 – Minute 1594) Update from the AUASB Chair

The AUASB Chair updated AUASB members on the progress of several standard setting initiatives, noting that the International Sustainability Standards Board (ISSB) plans to issue IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures* around the end of Q2 2023. The Board was also informed of the status of the proposed International Standard on Sustainability Assurance (ISSA) 5000 *General Requirements for Sustainability Assurance Engagements* which is expected to be approved and issued as an Exposure Draft following the IAASB's quarterly Board meeting in June 2023.



(Agenda Item 1.3 – Minute 1595) NZAuASB Update

The NZAuASB Chair provided an update to the AUASB on several matters currently impacting the NZAuASB. Key items included:

- Consideration of feedback received in response to proposed NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*;
- Amendments to *Professional and Ethical Standard 1 (PES 1): International Code of Ethics for Assurance Practitioners (including Independence Standards) (New Zealand)* arising from Technology-related revisions;
- Approval of NZ AS 1 (Revised) *The Audit of Service Performance Information*;
- Feedback received from the XRB Climate Reporting Summit; and
- The current status of the New Zealand Audit Committee Chair Survey.

(Agenda Item 1.4 – Minute 1596) Actions list from previous meetings

The AUASB received an update on the status of actions arising from previous meetings, noting that all actions raised at the previous two AUASB meetings have been either completed or are addressed in the June 2023 meeting agenda.

(Agenda Item 2 – Minute 1597) AASB Update

The Australian Accounting Standards Board (AASB) Acting Director for Sustainability Reporting, Ms Siobhan Hammond, provided an update on the AASB's current and future activities relating to proposed domestic and international reporting standards on sustainability and climate-related disclosures. Ms Hammond noted that the AASB intends to move forward with their project plan of developing climate-related financial disclosure requirements, and will therefore revisit all preliminary decisions to ensure appropriateness within the context of the final ISSB standards.

(Agenda Item 3 – Minute 1598) Treasury Update – Climate-related financial disclosures

AUASB staff presented their analysis of the assurance-specific feedback received by the Treasury in response to their first round of consultations on climate-related financial disclosures. The AUASB were informed that:

- A majority of respondents were supportive of climate-related financial disclosures being assured.
- There were mixed responses with respect to which assurance provider should assure climate-related financial disclosures.
- Whilst some respondents expressed support for a separate Sustainability Standards board to be considered, none felt this should be prioritised over getting the climate-related reporting standards completed using the existing standard setting bodies and legislative framework.

(Agenda Item 4 – Minute 1599) Sustainability Assurance – IAASB Draft

AUASB members discussed and provided input into the proposed ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. The AUASB was largely supportive of the proposed standard and did not consider there to be any fatal flaw issues that would hold up the public consultation of the standard. The AUASB provided feedback on several areas that ought to be considered through the consultation period and through the finalisation of the standard, including by consideration of possible Australian developed guidance:

- *Materiality* – AUASB members consider that it is still unclear that the first step of the materiality process needs to be understanding the client's material issues and ensuring that the reporting and assurance addresses these material issues. Additionally, AUASB members considered that the distinction between impact materiality and financial materiality was not clear enough within the proposed standard and that the standard could expand upon environmental context considerations.



- *Groups* – The AUASB acknowledged that the principle of the standard is that it applies to assurance on single entities, groups or the value chain and that information may be in multiple locations and that using the work of another practitioner is covered to some extent in the standard. However, the AUASB considered that the content of the standard is not to the level of detail that is required for groups including supervision/oversight of component teams/scoping/materiality allocation.
- *Estimates and forward-looking information* – AUASB members consider that estimates and forward-looking information should be decoupled in the proposed standard. The AUASB expressed concern that forward looking information could be subject to reasonable assurance and would like to see this reconsidered.

The AUASB was informed that the IAASB is due to release the proposed ISSA 5000 for public consultation in early August 2023, with responses due back to the IAASB in early December 2023. The AUASB agreed to consider the Australian Consultation Paper to expose the IAASB Proposed ISSA 5000 in early-mid August 2023, with a targeted release date of mid-August 2023. A draft Consultation Paper will be circulated to the AUASB out of session for consideration with agreement that an additional short virtual AUASB meeting may need to be held to finalise and vote out the proposals.

ACTION – AUASB to review and approve the ISSA 5000 Sustainability Assurance Exposure Draft Consultation Paper by a specially convened virtual meeting or out of session in August 2023.

The AUASB discussed planned consultation activities for ISSA 5000, recognising the importance of outreach beyond accounting practitioners. The AUASB Technical Group (ATG) will circulate a listing of potential stakeholders for AUASB input and present a detailed outreach plan for review at the next AUASB meeting.

ACTION – The AUASB to review the planned AUASB Sustainability Assurance outreach plan at the next AUASB meeting in August 2023.

(Agenda Item 5 – Minute 1600) IAASB – Proposed LCE Standard

Global Considerations:

The AUASB discussed and provided commentary on the latest draft of the IAASB's Proposed Standard for Auditing Less Complex Entities, with a particular focus on the proposed Authority of the standard. The AUASB was supportive of the Proposed Authority, with some hesitancy that additional restrictions may negatively impact the potential adoption of the standard. There were two areas that the AUASB discussed but sought further clarity on; and the AUASB Technical Group (ATG) will revert on these areas after discussions at the upcoming June 2023 IAASB meeting:

- Requirements related to the reports on the description, design, or operating effectiveness of controls at a service organisation (i.e., type 1 or type 2 reports).
- Whether or not the ISA's can be used to supplement requirements and essential explanatory material contained in the Proposed Standard.

The AUASB noted that the Proposed Standard is due to be voted on at the September 2023 IAASB meeting and the AUASB would consider the final proposals thereafter.

Domestic Australian Considerations:

AUASB members commenced discussions regarding the adoption of the proposed LCE standard within Australia and considerations regarding the nature of amendments that may need to be made to the final standard, particularly around the Authority of the standard, for local purposes. The AUASB discussed the need to engage with regulators and stakeholders and that any potential amendments would need to be exposed for public comment.

ACTION – The AUASB to further review the planned Australian authority of the proposed LCE standard in the context of the FRC's directive and compelling reasons test at the September 2023 AUASB meeting.



(Agenda Item 6 – Minute 1601) IAASB – Fraud

AUASB members discussed and provided input into the latest version of Proposed ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. The discussion largely focused on the proposed auditor reporting amendments. The AUASB was largely supportive of the direction of the IAASB proposals but highlighted the following:

- Caution regarding a suggestion of a suspicious mindset particularly as it relates to the exercise of professional scepticism.
- Concern that without narrative around the financial reporting eco-system, there may be an increase in the perceived expectation gap between auditors and users, particularly as it relates to fraud related Key Audit Matter (KAM) reporting.
- Concern that fraud related KAMs may disclose too much information about the audit process particularly in the area of internal controls.
- Caution regarding the value of perceived boilerplate disclosures by the auditors.
- Recognition that the AUASB members did not expect there to be more KAMs than currently reported but recognising that current KAMs reported may have an element of fraud associated.

(Agenda Item 7 – Minute 1602) IAASB – Other matters

The AUASB discussed and provided input into the following IAASB agenda matters to be discussed by the IAASB at the upcoming June 2023 meeting:

CUSP

The AUASB received an overview of the complexity, understandability, scalability and proportionality (CUSP) principles used in developing International Standards on Auditing (ISAs), noting in particular that the choice of verbs contained within a requirement is important as it affects the nature and extent of work that the auditor needs to undertake in order to comply.

IAASB PIE Track 1 Proposed Narrow Scope Amendments to ISA 700 and ISA 260

The AUASB received an update on the development of the proposed narrow scope amendments to ISA 700 *Forming an Opinion and Reporting on Financial Statements* and ISA 260 *Communication with Those Charged with Governance*. Strong support was expressed globally for the differential independence requirements required by the IESBA Code to be publicly disclosed through the Auditor's Report under the Basis for Opinion section. It is expected that the IAASB will approve changes to ISA 700 and ISA 260 at its June 2023 meeting.

ACTION – *Once the IAASB has approved and issued the final amendments to ISA 700 and ISA 260, AUASB Technical Staff will develop the equivalent Australian Amending Standards for consideration and approval.*

(Agenda Item 8 – Minute 1603) PIOB Update

The AUASB welcomed Public Interest Oversight Board (PIOB) member, Mr Robert Buchanan, to discuss current PIOB priorities, including an overview of the PIOB's current oversight activities, nomination processes for the global standard setting boards and the PIOB's current list of 'Public Interest Issues' for the IAASB.

(Agenda Item 9 – Minute 1604) 2022-23 AUASB Technical Work Plan Update

The AUASB Technical Director presented the AUASB with an update of the 2022-23 AUASB Technical Work Program, detailing key projects delivered to date, key projects currently underway and planned projects which have yet to commence. There was also discussion about matters currently being addressed by the IAASB and the status of the AUASB's collaboration with the AASB.



(Agenda Item 10 – Minute 1605) ASAE 3500 Post Implementation Review Feedback Statement

The AUASB reviewed and endorsed a Feedback Statement that summarised the outcomes from the PIR of ASAE 3500 Performance Engagements. The Board approved that a new project be added to the AUASB work plan to make narrow scope amendments to ASAE 3500 that address the key findings from the PIR, with work on the project to commence in the second half of 2023.

ACTION – AUASB Technical Staff to publish the final ASAE 3500 Post Implementation Review Feedback Statement on the AUASB website in June 2023.

ACTION – AUASB Technical Staff to develop a Project Plan for the narrow scope revision of ASAE 3500 project, which will be shared with the AUASB for consideration and feedback out of session.

(Agenda Item 11 – Minute 1606) Not-for-profit Guidance

The AUASB were provided with a working draft of the AUASB Bulletin *What Not-For-Profit Entities need to know about an Audit vs Review* for comment. The AUASB Technical Group (ATG) is intending to issue two AUASB Bulletins for the Not-For-Profit sector, this being Part A geared at the Not-For-Profit entity and Part B geared at the Not-For-Profit auditor. The AUASB provided some minor comments which will be addressed by the ATG as the Bulletin is finalised.

ACTION – AUASB Technical Staff to incorporate feedback from AUASB members into the final version of the AUASB Bulletin *What Not-For-Profit Entities need to know about an Audit vs Review*.

(Agenda Item 12 – Minute 1607) Feedback Statement on Key Audit Matters

The AUASB considered and subsequently approved the AUASB Feedback Statement *Expanding Key Audit Matters beyond listed entities* for issue.

ACTION – AUASB Technical Staff to publish the final *Expanding Key Audit Matters beyond listed entities* Feedback Statement on the AUASB website in June 2023.

(Agenda Item 13 – Minute 1608) Going Concern Consultation Paper

The AUASB provided feedback on the IAASB's Exposure Draft ISA 570 *Going Concern* for inclusion in the AUASB's upcoming Going Concern Roundtables being held in July/August 2023 and the draft submission to the IAASB which is due by 24 August 2023. The AUASB is generally supportive of the proposed amendments and agree it will increase the robustness of the work being performed in relation to going concern, and the related disclosures in the financial report. The AUASB discussed that whilst they are supportive of the proposed additional reporting in the auditor's report, they are not supportive of having additional reporting for listed entities only, as this reporting would be beneficial for audit reports of all entities. There was also discussion as to whether the different reporting in the auditor's report for different going concern conclusions was sufficiently different for users to understand.

ACTION – AUASB Technical Staff to develop draft submission on the IAASB's Exposure Draft ISA 570 *Going Concern* for review by the AUASB at the August 2023 AUASB Virtual meeting.

(Agenda Item 14 – Minute 1609) AUASB Year End Issues Bulletin

As ASICs' 30 June 2023 focus areas are largely consistent with those communicated in the prior year the AUASB were advised that the AUASB Technical Group (ATG) has considered whether there is a need to issue a Year End Issues Bulletin for the June 2023 reporting season. Instead, the ATG will explore developing guidance on some specific topical issues for release over the next few months, with a particular emphasis on ASA 720 *The Auditor's Responsibilities Relating to Other Information*.



(Agenda Item 15 – Minute 1610) Operational Matters

The AUASB were asked to provide feedback on the current effectiveness and efficiency of AUASB operational and reporting matters for the 2022-23 reporting period, including the current AUASB Strategy, AUASB Corporate Plan, AUASB Annual Report, the layout and presentation of the AUASB Website and AUASB communications, the functionality and accessibility of the AUASB Digital Standards Portal, AUASB Bulletins and the AUASB's Due Process Framework. Several improvements were suggested and will be considered by the AUASB Chair and Technical Staff.

(Agenda Item 16 – Minute 1611) Other Business

The AUASB were asked to review the format and timing of the proposed 2024 AUASB meeting dates and to raise any scheduling conflicts.

ACTION – *AUASB Technical Staff to review scheduling conflicts with 2024 NZAuASB meeting and advise of alternative meeting dates.*

Next Meeting

The AUASB will hold its next virtual meetings on 14 and 23 August 2023 and its next in person meeting in Melbourne on 12 September 2023.

Approval

Signed as a true and correct record.

W R Edge
Chair

Date: 30 June 2023