



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 4(a)
Meeting Date: 30 May 2017
Subject: ASA 250 & ASA 2017-2
Date Prepared: 22 May 2017

Action Required

For Information Purposes Only

Agenda Item Objectives

To present constituents' submissions on ED 05/16 Proposed Auditing Standard ASA 250 *Consideration of Laws and Regulations in the Audit of a Financial Report* and ED 06/16 Proposed Auditing Standard ASA 2016-1 *Amendments to Australian Auditing Standards* (containing conforming amendments related to changes in the APESB Code).

To present the Auditing Standards ASA 250 and ASA 2017-2 for clearance to issue, post the release of the *Proposed Amendments to APES 110 Code of Ethics for Professional Accountants due to revisions to IESBA's Code of Ethics for Professional Accountants* standard by the APESB.

Background

The IAASB issued the final revised ISA 250 on 5 October 2016. In summary, the following changes were made from the previous ISA 250 in order to:

- Align aspects of ISA 250 (Revised) to the Non Compliance with Laws and Regulations (“NOCLAR”) provisions in the IESBA Code, particularly the definition of non-compliance and the examples of laws and regulations within the scope of ISA 250 (Revised) (see paragraphs 12, A6 and A9–A10 of ISA 250 (Revised)).
- Clarify the requirement regarding the auditor’s determination of whether to report identified or suspected NOCLAR to an appropriate authority outside the entity and the auditor’s duty of confidentiality, in order to recognize the different provisions of laws, regulations, or relevant ethical requirements (see paragraphs 29 and A28–A34 of ISA 250 (Revised)).
- Highlight that the auditor may have additional responsibilities under law, regulation, or relevant ethical requirements regarding identified or suspected NOCLAR. This also includes additional emphasis of the possible documentation requirements contained in law, regulation or relevant ethical requirements (see paragraph 9 of ISA 250 (Revised)).
- Highlight the implications of identified or suspected NOCLAR on the audit, for example, the reliability of management’s representations, the implications for the auditor’s report, and the consideration of whether to withdraw from the engagement (see paragraphs 22 and A23–A27 of ISA 250 (Revised)).

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

- Emphasise the requirements in the IESBA Code relating to the communication of identified or suspected NOCLAR to a group engagement partner or an auditor at a component (see paragraph A8 of ISA 250 (Revised)).
- Draw attention to the fact that, in certain cases, communication with management or those charged with governance may be restricted or prohibited by law or regulation, for example law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act (see paragraphs 20, 23 and A21 of ISA 250 (Revised)).
- Furthermore, conforming amendments were also made to a number of other International Standards to reflect the matters indicated above or clarify the expected work effort with regard to identified or suspected NOCLAR. These include ISQC 1; ISA 210; ISA 220; ISA 240; ISA 260; ISA 500; ISRE 3000, ISAE 3402; ISAE 3410; and ISRS 4410.

The AUASB approved the release of the exposure drafts ED 05/16 and ED 06/16 on 29 November 2017. The exposure drafts were issued on 23 December 2016 following the release of the APESB exposure draft on *Proposed Amendments to APES 110 Code of Ethics for Professional Accountants due to revisions to IESBA's Code of Ethics for Professional Accountants* on 16 December 2016. The exposure drafts were open for comment until 15 March 2017.

The AUASB received five submissions on ED 05/16 and four submissions on ED 06/16. The comments provided and their dispositions are addressed in the papers provided in relation to agenda items 4(a).3 and 4(a).4.

The AUASB discussed the proposed standard at their meeting on 26 April 2017 and requested a number of editorial amendments. The AUASB requested that approval be deferred, post the APESB meeting on 19 May 2017.

The APESB approved the NOCLAR Standard (including changes to the code) at the 19 May 2017 meeting. The standard has an application date of 1 January 2018 (with early adoption permitted). The standard is expected to be released by the end of May 2017.

Due to the extensive use of references to the changes in the APESB Code, the final issuance of ASA 250 and ASA 2017-2, the application date will need to be no earlier than the 1 January 2018 date approved by the APESB.

Matters to Consider

Part A – General

1. Key comments for board consideration:

1.1. EY – Comment in relation to question 1&2 for ED 05/16

The proposed standard requires the auditor to discuss any identified or suspected non-compliance with laws and regulations with management (paragraph 20) and communicate such matters to those charged with governance (paragraph 23) unless prohibited by law or regulation. We note that, under Section 1317 of the Corporations Act, there are prohibitions on auditor's discussing matters that have been brought to their attention by a whistle blower. These provisions are designed to avoid disclosure of the identity of a whistle blower.

We recommend an Australian specific requirement or guidance be added to the proposed standard to draw direct attention to these provisions to ensure that an auditor gives due consideration to it prior to discussing or communicating any identified or suspected non-compliance with laws and regulations which came to the auditor's attention by a whistle blower.

AUASB Technical Group (ATG) Comments on Disposition

The ATG agree with the recommendation and believe that the change meets the compelling reason test required when adding additional application material to ISA 250. We have added the following Aus paragraph A20.1:

In the case of an audit conducted under the *Corporations Act 2001*, the auditor may consider the provisions relating to the protection for whistle-blowers contained in Part 9.4AAA of the *Corporations Act 2001* when communicating identified or suspected non-compliance with management and those charged with governance.

Refer paper attached to agenda item 5(a).12 for the compelling reason test for paragraph A20.1.

1.2. Deloitte – Appendix 2 (Other specific comment relating to changes within ED 05/16)

We note that reference has been made to the “*Proposed Amendments to APES 110 Code of Ethics for Professional Accountants* exposure draft issued by the Accounting Professional and Ethical Standards Board on December 16 2016”.

Given that this wording will quickly become outdated, we are assuming that the intention of the AUASB is to update this reference as appropriate, prior to the issuance of the amended auditing standard.

AUASB Technical Group (ATG) Comments on Disposition

Agreed by the ATG, changed to “*APES 110 Code of Ethics for Professional Accountants*”

This wording will be confirmed post the release of amendments by the APESB, and prior to the issuance of the amended auditing standards.

1.3. CPA – submission in relation to ED05/16 and 06/16

We support the AUASB’s proposed amendments to ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* and conforming amendments to a number of other AUASB Standards to maintain conformity with International Auditing and Assurance Standards and to reflect the proposed amendments to APES 110 *Code of Ethics for Professional Accountants* (the Code), under certain conditions. The conditions for our support of the proposed amendments are that:

1. The revisions to ASA 250 and conforming amendments to other AUASB Standards are consistent with the final approved amendments to the Code; and
2. The operative date of revised ASA 250 and conforming amendments to other AUASB Standards is no earlier and preferably the same as the operative date of the revised Code.

AUASB Technical Group (ATG) Comments on Disposition

Agreed by the ATG, ASA 250 and the conforming amendments to other AUASB standards will be consistent with the final approved amendments to the APESB Code and with an operative date no earlier than the operative date of the revised APESB Code which is 1 January 2018 with early adoption permitted.

2. All other comments received and proposed disposition

The AUASB Technical Group has considered all other comments received in the detailed comments received and disposition paper attached to agenda items 4(a).3 and 4(a).4.

Part B – NZAuASB

1. The NZAuASB issued ISA (NZ) 250 (Revised) on 24 November 2016. The NZAuASB standard applies for periods ending on or after 15 December 2017 with early adoption permitted.

Due to different approaches in relation to the processing of conforming amendments, the paragraph references used in ASA 2017-2 differ to the paragraph references used in the equivalent NZ standard.

AUASB Technical Group Recommendations

The AUASB:

- To consider comments received and proposed disposition paper on ED 05/16 and ED 06/16 and recommend changes; and
- To approve the standards ASA 250 and ASA 2017-2 for issue with an application date of 1 January 2018 with early adoption permitted, subject to internal QA processes being completed and final review by the Chair.

Material Presented

Agenda Item 4(a)	AUASB Board Meeting Summary Paper
Agenda Item 4(a).1	<i>ASA 250 Consideration of Laws and Regulations in the Audit of a Financial Report</i>
Agenda Item 4(a).2	<i>ASA 2017-2 Amendments to Australian Auditing Standard</i>
Agenda Item 4(a).3	Dispositions paper of submissions received 05/16
Agenda Item 4(a).4	Dispositions paper of submissions received 06/16
Agenda Item 4(a).5	Compelling reasons test ASA 250 paragraph AUS A20.1
Agenda Item 4(a).6	Basis for conclusions ASA 250
Agenda Item 4(a).7	Basis for conclusions ASA 2017-2
Agenda Item 4(a).8	Explanatory Statement ASA 250
Agenda Item 4(a).9	Explanatory Statement ASA 2017-2

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Give clearance to issue ASA 250 and ASA 2017-2	AUASB clearance	AUASB	30 May 2017	o/s

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