



Subject: 112th Meeting of the Auditing and Assurance Standards Board - Highlights
Venue: TEQSA Executive Board Room, Tower Level 14, 530 Collins Street, Melbourne
Date: Tuesday 3 December 2019 9:00 am – 5:30pm and
Wednesday 4 December 2019 9:00 am – 3:45pm

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Robin Low (Deputy Chair)
Mr Gareth Bird
Mr Robert Buchanan (NZAuASB Chair)
Ms Jo Cain [until 12pm Wed 4 Dec only]
Ms Julie Crisp
Mr Klynton Hankin
Dr Noel Harding
Mr Rodney Piltz
Ms Carolyn Ralph
Mr Justin Reid

AUASB Technical Group: Mr Matthew Zappulla
Ms Rene Herman
Ms Marina Michaelides
Ms Anne Waters
Ms Johanna Foyster
Mr Tim Austin
Ms See Wen Ewe
Ms Jean You

Apologies: None

Guest Presenters: Professor Elizabeth Carson – UNSW Sydney and AUASB Scholar (Agenda Item 2)
Ms Kris Peach, AASB Chair (Agenda Items 3 & 4)
Ms Nancy Milne, Chair and Mr Channa Wijesinghe, CEO, APESB (Agenda Items 5 & 6)

Minutes

Note: Minutes are presented in the order they were discussed by the AUASB at the meeting, hence Agenda items are not always in linear order.

(Agenda Item 1 – Minute 1308) Agenda and introduction

The Chair welcomed members to the 112th AUASB Meeting.

(Agenda Item 1.3 – Minute 1309) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meetings held on 10-11 September 2019 in Melbourne were discussed and approved by the Board.



(Agenda Item 1.5 – Minute 1310) AUASB Chair Update

As it was her last AUASB meeting, the AUASB Chair acknowledged and thanked Ms Robin Low for her contribution as an AUASB member for the previous 6 years, including the last 4 years as Deputy Chair.

The Chair nominated Ms Julie Crisp as the new Deputy Chair commencing 1 January 2020. In accordance with the AUASB Charter this was endorsed by all AUASB members.

The AUASB Chair moved a motion of thanks upon the retirement of the New Zealand XRB CEO, Mr Warren Allen, noting Mr Allen's great contribution to standard setting on both sides of the Tasman. All AUASB members supported this motion and wished Mr Allen the best for his retirement. The AUASB Chair also welcomed the appointment of the new XRB CEO, Ms April Mackenzie and look forward to working with her.

The AUASB Chair thanked members for their input into the ASA 540 Implementation Bulletin the AUASB Technical Group had compiled that will be released shortly.

Other matters raised by the AUASB Chair for the attention of the AUASB were:

- A summary of projects the AUASB Chair and Technical Director are currently collaborating on with other National Standard Setters (NSS) in New Zealand, Canada and the Netherlands, and our positive engagement with the IAASB on this initiative. This will be a major area of focus for the AUASB Chair and AUASB Technical Group in 2020, with many projects targeted to be completed or having made good progress prior to the next global NSS meeting scheduled for May 2020.
- An update on the progress of the latest ASIC Audit Inspection Report, which is due for release in the 2nd week of December 2019.
- The intention to set up a Technology Project Advisory group in the new year.
- The status of the next iteration of the Monitoring Group consultation paper, which is due for release in early 2020.
- An update on the status of the Guidance Statement Discussion paper responses received and the EER Survey, which will both be on the February 2020 AUASB meeting agenda.

(Agenda Item 1.8 – Minute 1311) NZAuASB Update

The NZAuASB Chair provided an update to the AUASB on the significant matters currently impacting the NZAuASB, including:

- Support for the AUASB Chair's comments in his update noting the momentum and value of the AUASB's and NZAuASB's collaboration with other NSS, especially the AASB Canada Chair on NSS matters.
- The recent report for the NZ FMA on Key Audit Matters and the NZ XRB and NZAuASB's interaction with the FMA on a range of matters.
- There is a strong interest for the NZAuASB to adopt a similar approach to the AUASB's 'Using the Work of a Management's Expert' guidance, which is currently in progress.
- The enabling legislation allowing the NZAuASB to make standards for Agreed Upon Procedures engagements has now been passed.
- The pending exposure draft from the IESBA on changes to the International Code of Ethics regarding non-assurance services and fees, which the NZAuASB will be considering in the new year with an outreach program, noting that the New Zealand Auditor-General had already moved to prohibit non-assurance services by his appointed audit service providers. The NZAuASB would also be working closely with the APESB on the Trans-Tasman implications of the proposed changes.
- The NZAuASB's issuance of an Invitation to Comment describing proposed amendments to ISA (NZ) 560 which are intended to clarify the timing of communications and possible actions the auditor may take when facts become known to the auditor after the financial statements have been issued. Based on feedback from AUASB members this topic will be reviewed by the AUASB Technical Group and presented for consideration at an AUASB meeting in early 2020.



(Agenda Item 2 – Minute 1312) Audit Quality Update

The AUASB were provided an update on the FRC Audit Quality Action Plan, international developments and the Parliamentary inquiry into the Regulation of Auditing in Australia. The AUASB also deliberated on the way forward in response to the Parliamentary inquiry.

The AUASB also received a presentation from current AUASB Research Scholar Prof. Elizabeth Carson from UNSW Sydney on her recent research findings relating to Audit Market Structure and Competition in Australia, as well as an overview of her upcoming additional research into the non-audit services market in Australia for ASX listed companies and the different types of modified and qualified audit reports of Australian listed entities. The presentation was very timely and relevant, and much appreciated by AUASB members.

(Agenda Item 3 – Minute 1313) AASB Update

The Chair of the Australian Accounting Standards Board (AASB), Ms Kris Peach, provided an update to the AUASB on current AASB projects, with an emphasis on those impacting both boards. The AASB Chair presented on the importance of auditors' input into accounting standards and outlined changes the AASB are making to support this. This led to a discussion on how the AASB and AUASB can better work together at the board level (a topic which was also covered when the AUASB Chair presented to the AASB last month) and also how the AASB and AUASB technical staff could collaborate on a more regular and timely basis on these common projects in future.

(Agenda Item 4 – Minute 1314) Auditor implications arising from removal of Special Purpose Reporting

The AUASB received an update on the AASB's proposal to remove the ability for certain for-profit private sector entities to publicly lodge special purpose financial statements, as outlined in the AASB's recent Exposure Drafts on this issue (ED 297¹ and ED 295²). The AUASB discussed the implications for auditors arising from the proposals in these AASB ED's and agreed to issue guidance to auditors when the proposals are finalised, including to consider if an Emphasis of Matter is required in the auditor's report to alert users to any change to an entity's financial reporting framework.

(Agenda Item 7 – Minute 1315) GS 005 Using the Work of a Management's Expert

The AUASB considered and provided input into the updated draft GS 005 *Using the Work of a Management's Expert*, including considering comments received from the New Zealand and Canadian Auditing and Assurance Standards Boards on this topic. The AUASB requested several amendments to the draft guidance statement which will be brought back to the March 2020 AUASB meeting where the AUASB will be asked to approve this revised guidance.

(Agenda Item 8 – Minute 1316) ASRE 2410 ED

The AUASB and NZAuASB have been working closely to update ASRE/ISRE (NZ) 2410 *Review of a Financial Report Performed by the Auditor of the Entity* to align the format and content of the auditor's review report with the enhanced annual auditor's report. At its September 2019 meeting, the AUASB discussed feedback from Australian stakeholders on the description of the auditor's responsibility in relation to going concern proposed in ED 01/19 *Review of a Financial Report Performed by the Auditor of the Entity*, and in NZAuASB's equivalent ED. The AUASB agreed to form a subcommittee consisting of members and technical staff from both boards to consider this matter.

The AUASB discussed that the NZAuASB had received feedback that the proposed wording in the AUASB and NZAuASB's EDs may exacerbate the expectation gap and therefore neither version of the proposed wording may be appropriate or ideal to achieve the Boards' objectives. Based on this feedback the NZAuASB arrived at a preliminary view that it was not necessary to include a description of the responsibility for going concern in the review report and requested that the AUASB consider this approach.

The AUASB discussed the importance of the review report communicating that the auditor's responsibility is different when conducting a review compared to an audit. The AUASB discussed the NZAuASB's view and agreed that whilst this is not their preferred approach, this may be appropriate if the responsibility cannot be articulated clearly in the review report. The AUASB still consider the description included in ED 01/19, which

¹ Exposure Draft 297 *Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*

² Exposure Draft 295 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*



is the procedure from ASRE 2410, is the most appropriate way to describe the responsibility, however acknowledged that some stakeholders in Australia and New Zealand, and the NZAuASB, were not supportive of this wording. The AUASB also noted that describing the procedure will not describe the complete auditor obligations, as the reporting obligations to highlight a MURGC or modify the opinion are not included. The extant standard includes multiple scenarios and outcomes driven from different levels of work. Therefore describing the auditor's responsibility for going concern in an interim review was difficult to do succinctly and it may be appropriate to include a link in the review report to where this description is included on the AUASB website, as is done in the audit report.

The AUASB also noted that, as ISA 570 *Going Concern* was now on the IAASB's agenda which may result in further amendments to the description of the auditor's responsibility and the auditor's report, it may be appropriate to wait for this project to be completed, before including the responsibility in the review report. It was agreed the sub-committee would continue to work on this matter.

The AUASB also discussed feedback from stakeholders on other questions included in ED 01/19 and agreed with the recommendations made by the technical staff, including adding a requirement for a specific inquiry for the existence of any actual or suspected non-compliance with laws and regulations. The AUASB also confirmed their original decision not to require an "Other Information" paragraph in the review report.

(Agenda Item 9 – Minute 1316) Assurance Framework Publications - Update

The AUASB provided feedback to the AUASB Technical Group on the draft assurance framework publications covering assurance basics and guidance for prescribers of assurance.

The AUASB were supportive of the content and provided additional examples to assist with explaining concepts to intended users, including the difference in the auditor's responsibilities for an audit and a review.

(Agenda Item 10 – Minute 1317) AUASB Strategy – Update and Approve

The AUASB considered an updated Strategy covering the 2019-23 period, which was originally presented at the September 2019 meeting. The updated Strategy included input from a subcommittee of AUASB members. The updated Strategy was approved following some minor amendments. The AUASB Technical Group will now update the AUASB Technical Work Program to align with this revised Strategy and ensure the updated Strategy is incorporated into relevant corporate planning and reporting documents going forward.

(Agenda Item 11 – Minute 1318) AUASB Technical Work Program – 2019-20 Q1 Update

The AUASB Technical Group provided AUASB members with an update of projects and tasks performed in the first quarter of the reporting period against the 2019-20 AUASB Technical Work Program. Two minor updates were requested by AUASB members and these will be included in the next update on the Technical Work Program provided to the AUASB at its February 2020 meeting.

(Agenda Item 14 – Minute 1319) GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions* – Project Update

The AUASB Technical Group (ATG) updated the AUASB on progress with the revision of GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs)*.

The AUASB was informed that a working group, consisting of practitioners with relevant technical knowledge and experience undertaking ADI and Registered Financial Corporation (RFC) APRA regulatory reporting engagements, has been established to inform the revision of GS 012. The group has met to agree the scope of the project and to identify relevant issues.

The ATG noted that the working group has expressed a desire for the scope of GS 012 to be broadened to also include ADI Conglomerate Groups and RFCs, and for further guidance and application material on materiality to be developed to provide clarity to practitioners, in particular in relation to application of APRA's Reporting Practice Guide RPG 702.0 *RBA/ABS Data Quality for the EFS Collection*.

The ATG, in consultation with the working group and APRA, will consider the merits of issuing one Guidance Statement to deal with both ADIs and RFCs or, alternatively, issue separate guidance for RFC auditors.

A first draft of the revised GS 012 will be tabled at the March 2020 AUASB meeting for consideration and feedback.



(Agenda Item 12 – Minute 1320) GS 008 *The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001* – Review

The AUASB were provided with an update of the AUASB Technical Group's work to update GS 008, including addressing two key issues raised by AUASB members since this Guidance Statement was presented to the AUASB in September 2019 relating to materiality and the wording of the Auditor's Report on the Remuneration Report.

The AUASB determined that the wording related to materiality in GS 008 needed to be revised and better linked to ASA 320 *Materiality in Planning and Performing an Audit* and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. It was agreed that this wording should be principle-based and circulated to the Members before the February 2020 meeting for comments.

The AUASB Technical Group were also directed to undertake further outreach with stakeholders about the options for the wording of Auditor's Report on the Remuneration Report and present revised wording for consideration at the February 2020 meeting. Two Members volunteered to assist the AUASB Technical Group in drafting the wording of the Auditor's Report on the Remuneration Report.

(Agenda Item 13 – Minute 1321) GS 009 *Auditing Self-Managed Superannuation Funds*

The AUASB were given an update on the project to revise GS 009 *Auditing Self-Managed Superannuation Funds* (SMSF). The AUASB noted the use of technology and its implications for documentation as part of the audit of a SMSF should be considered in the revision and directed the AUASB Technical Group to conduct additional outreach with the SMSF auditing community on this topic.

(Agenda Item 15 – Minute 1322) Public Sector PAG update

The AUASB Technical Group presented AUASB members with an update on the activities of the Public Sector Audit Issues Project Advisory Group (PAG) and sought endorsement from the AUASB on the methodology the PAG has developed to produce its proposed guidance for Public Sector Audits.

The AUASB supported the methodology that has been applied by the PAG in developing the proposed guidance for Public Sector Audits to date. This methodology addresses where or how an auditor can meet a requirement in a standard using alternative procedures where the requirement is not applicable to a public sector audit, without having to document explicitly in each audit file why it is not applicable.

The AUASB Technical Group was directed to accelerate the development of the outstanding guidance for the remaining topics in scope for this project. A further update on this project will be provided to the AUASB at its March 2020 meeting.

(Agenda Item 16.1 – Minute 1323) Agreed Upon Procedures

AUASB members were presented with an update on ISRS 4400 *Agreed-Upon Procedures Engagements* which is being presented at the IAASB December 2019 meeting for approval as a final standard. The AUASB generally considered that the significant matters raised in its submission to the IAASB on ED ISRS 4400 had been substantially addressed, however agreed that there may be some specific questions included in the Australian Exposure Draft on this pronouncement, particularly around exercise of professional judgement, independence and restriction of use. The Australian Exposure Process will be discussed at the February 2020 AUASB meeting.

(Agenda Item 16.2 – Minute 1324) ISA 600

AUASB members received an update on ISA 600 *Group Audits*, which is well into its development as an exposure draft by the IAASB. Discussions with the AUASB focused on the aspects in the proposed standard covering access to books and records, group materiality, the responsibility and involvement of component auditors, quality management where component auditors are used, evaluating the sufficiency and appropriateness of audit evidence obtained, fraud, related parties subsequent events and going concern. The AUASB provided input into the draft wording proposed in ISA 600 and supported the general direction that the IAASB ISA 600 Task Force was taking.



(Agenda Item 5 – Minute 1325) APESB Chair Presentation

The Accounting Professional & Ethical Standards Board (APESB) Chair, Ms Nancy Milne, and CEO, Mr Channa Wijesinghe, presented an update to the AUASB on recent APESB pronouncements. Various issues associated with the Parliamentary Inquiry into the Regulation of Auditing in Australia and how the AUASB and APESB collaborate on common projects, both currently and in the future on different projects was discussed.

(Agenda Item 6 – Minute 1326) Ethical Code Amendments – Approval of ASA 102

The AUASB were asked to approve for reissue ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

The revision of ASA 102 is necessary to implement conforming amendments to International Standards to address inconsistencies with the IESBA's revised and restructured *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and also to update references to the revised APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*.

The revised ASA 102 needs to be effective from 1 January 2020, to give legal effect to the revised APES 110, which becomes effective from this date.

Approval of the standard was granted by the AUASB subject to the receipt of legal advice clarifying whether the proposed effective date of the standard (being "operative on or after 1 January 2020") was permissible or whether the effective date has to be aligned to a specific reporting period ending or after a specific date (as is the case with other AUASB standards). Once this legal advice has been received and evaluated final approval of the standard will be provided by the AUASB Chair out of session.

(Agenda Item 16.3 – Minute 1327) ISQM 1

The AUASB was presented with a detailed analysis of the feedback received from respondents to the IAASB ED on ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, with the main areas of concern being the scalability and prescriptiveness of the proposed standard. The AUASB Technical Group updated the AUASB as to the IAASB's ISQM 1 Task Force's proposed way forward to respond to this feedback and noted that it was consistent with the key points raised in the AUASB's submission on ED-ISQM 1.

(Agenda Item 16.4 – Minute 1328) ISQM 2

The AUASB received an update on the progress of this standard. The AUASB discussed the four key issues being debated on this standard by the IAASB and in principle agreed with the approach taken by the IAASB's ISQM 2 Taskforce to date.

(Agenda Item 16.5 – Minute 1329) ISA 220

The AUASB was presented with an overview of the feedback the IAASB had received on this proposed standard, focussing on areas not presented at the September 2019 IAASB Meeting as well as the ISA 220 Task Force's proposed responses to the IAASB's feedback on the previously presented matters. The AUASB considered the ISA 220 Task Force's proposed solutions, in particular the proposed approach to identifying paragraphs that may be delegated or assigned to other members of the engagement team, and areas where the engagement partner may rely on the firm's systems. The view of the AUASB, which was raised in the AUASB's submission on ED-220, was that the approach is still not clear enough and members requested the AUASB Chair to raise this again at the upcoming IAASB Meeting.

(Agenda Item 16.6 – Minute 1330) EER

The AUASB received an update on the progress of the IAASB EER guidance. Two Board members felt that the guidance was trying to address areas (e.g. professional scepticism and using assertions)) in too much detail potentially creating complexity rather than concise user-friendly guidance. The IAASB needs to ensure the guidance is consistent with the requirements in ISAE 3000 in the areas of determining pre-conditions and agreeing scope, determining the suitability of criteria and considering the entity's process to identify reporting topics. Members also commented that the guidance would be improved with a technology solution for navigation, useability and conciseness.



(Agenda Item 16.7 – Minute 1331) LCE Discussion Paper

The AUASB was presented with an overview of the LCE Task Force's proposed response to the global feedback received on the IAASB's Audits of Less Complex Entities Discussion Paper. A decision by the IAASB on the direction of the global LCE project will be made at the March 2020 IAASB Meeting. The AUASB's domestic response to the challenges of auditing an LCE will be brought to the AUASB for consideration at the AUASB's February 2020 meeting.

(Agenda Item 16.8 – Minute 1332) IAASB Strategy & Work Plan

The AUASB Technical Group informed the AUASB of the key changes made to the revised IAASB Strategy for 2020–2023 and Work Plan for 2020–2021 which was being presented to the IAASB for approval at its December 2019 meeting. AUASB members were asked for feedback on these documents, as well as the initial draft of the IAASB's proposed draft 'Framework for Activities'. Overall no concerns were raised in relation to the revised IAASB Strategy. For the proposed IAASB Work Plan for 2020–2021 there were some items raised for the AUASB Chair to consider in his capacity as an IAASB member.

Next Meeting

The next regular meeting of the AUASB will be held in Melbourne on Tuesday 4 February 2020, commencing at 9.00 a.m.

Close of Meeting

The Chair closed the meeting at 3.45 p.m. on 4 December 2019.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 4 February 2020