



**Subject:** 113<sup>th</sup> Meeting of the Auditing and Assurance Standards Board - Minutes  
**Venue:** Productivity Commission Board Room, Level 12, 530 Collins Street, Melbourne  
**Date:** Tuesday 4 February 2020 10:00am – 4:00pm

## Attendance

AUASB Members: Professor Roger Simnett (Chair)  
Ms Julie Crisp (Deputy Chair, via Video Conference)  
Mr Gareth Bird  
Mr Robert Buchanan (NZAuASB Chair, via Video Conference)  
Ms Jo Cain  
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

Apologies: None

## Minutes

### (Agenda Item 1 – Minute 1333) Agenda and introduction

The Chair welcomed members to the 113th AUASB Meeting.

### (Agenda Item 1.3 – Minute 1334) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meetings held on 3-4 December 2019 in Melbourne were discussed with minor amendments made prior to approval by the Board.

### (Agenda Item 1.5 – Minute 1335) AUASB Chair Update

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

- The Technology Project Advisory Group (PAG) has now been formalised, with Rodney Piltz as Chair.
- AUASB are currently working with an external consultant to develop a tool which will digitise the AUASB Standards. The project plan has been designed so a prototype based on stakeholder feedback can be presented to AUASB members at the March AUASB meeting.
- The FRC Nominations Committee are continuing their recruitment process to fill current AUASB Board member vacancies.



- 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.
- IAASB are focusing on fraud and going concern as part of their ongoing work program and there will be an update on these topics at the March 2020 IAASB meeting, which will be discussed at the AUASB meeting on 10 March 2020.
- Plans to schedule a meeting of the AUASB with ASIC to discuss results from the latest ASIC Audit Inspection Report, which was released in the 2nd week of December 2019.

#### **(Agenda Item 1.8 – Minute 1336) NZAuASB Update**

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

- The joint project with the NZ FMA to prepare a second report on Key Audit Matters and NZAuASB's interaction with the FMA on a range of matters.
- Small Not-For profits voluntary assurance engagements is an ongoing project for NZAuASB. It was further noted that the AUASB are monitoring the work that the NZAuASB (AUASB Chair is on the advisory panel) are undertaking on this issue and liaising with the professional bodies and the ACNC on these areas in Australia.
- NZASB and NZAuASB are holding a joint meeting in February 2020. Discussion topics include the XRB's EER reporting initiative and recent developments in EER assurance, going concern disclosure, discussion of the AASB's research report on IAS 36 Impairment of Assets, and disclosure of audit fees.
- Support for the AUASB Chair's comments noting the momentum and value of the AUASB's and NZAuASB's collaboration with other NSS.
- 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.
- IESBA has issued two exposure drafts on changes to the International Code of Ethics regarding non-assurance services and fees, which the NZAuASB will be considering at its February and April meetings. The NZAuASB would also be working closely with the APESB on the Trans-Tasman implications of the proposed changes.

#### **(Agenda Item 2 – Minute 1337) Audit Quality Update**

The AUASB received an update on:

- i. the Parliamentary Inquiry into the Regulation of Auditing in Australia, including that the AUASB had responded to several questions on notice; and
- ii. Audit Quality Surveys being conducted in conjunction with the Financial Reporting Council.

#### **(Agenda Item 3 – Minute 1338) AUP ED – Review and Approval**

AUASB members discussed and provided input into the draft ED 01/20 Proposed Standard on Related Services ASRS 4400 *Agreed-Upon Procedures and Engagements* (ED 01/20) and draft Explanatory Memorandum to Exposure Draft 01/20 (EM) including the proposed exposure draft questions.

The AUASB requested the following amendments to the EM:

##### *Independence:*

- i. For the background and the questions on exposure to be split between the actual independence requirement and the related reporting requirements. Additionally, for the questions on exposure to contain a greater level of granularity, additional options; and a consideration by stakeholders of any compelling reason amendments; and
- ii. For the background to contain additional information as to where ISRS 4400 landed in relation to the independence reporting requirements.



*Rational Purpose:*

- i. For the EM to include background information into an Agreed-Upon Procedure Engagement having a 'rational purpose' and where ISRS 4400 landed in relation to the terminology 'rational purpose'.

*Restriction on Use:*

- i. For the EM to include additional information regarding 'Restriction on Use' requirements; and
- ii. For the questions on exposure to be split out into a greater level of granularity, additional options, and a consideration by stakeholders of any compelling reason amendments.

The AUASB considered and discussed an appropriate exposure period and agreed that a 60-day exposure period was appropriate. Additionally, the AUASB provided feedback to the AUASB Technical Group about planned outreach activities to elicit responses from relevant stakeholder groups to the ED. The AUASB agreed that a revised draft of the Explanatory Memorandum incorporating the above changes will be circulated to the AUASB for review and approval out of session.

**(Agenda Item 4 – Minute 1339) Ethics Code Amendments - Conforming amendments**

The ATG provided an update on the project to amend the AUASB's Standards to conform with revised IAASB Standards, which are being updated in response to the revised and restructured IESBA Code.

A revised ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* was issued late December 2019 to provide a 'force of law' requirement to comply with the revised APES 110, which became effective from 1 January 2020.

The ATG has undertaken a review of the IAASB's November 2019 Exposure Draft '*Proposed changes to the IAASB Standards as a result of the Revised IESBA Code*' to determine the impact on other AUASB pronouncements. It is expected that the IAASB will approve its final conforming amendments at its 11 February 2020 meeting. The ATG will then be able to finalise a proposed Amending Standard to make changes to the 'force of law' Auditing Standards made under section 336 of the *Corporations Act 2001*.

The AUASB agreed to approve the final conforming amendments out of session, as soon as is practicable after the IAASB has approved and issued its final conforming amendments.

As an interim measure, the Board requested the ATG to issue an AUASB Bulletin to inform stakeholders of any proposed changes that may impact auditors' reports relating to reporting periods ending 31 December 2019.

**(Agenda Item 5 – Minute 1340) ASA 315 - Compelling Reasons & Approval**

The AUASB considered ASA 315 *Identifying and Assessing the Risks of Material Misstatement* for approval and issue, including questions raised by Board members about whether there were any Australian compelling reason amendments and if this standard required re-exposure in Australia. The AUASB issued an exposure draft in Australia concurrently with the IAASB's exposure draft in the second half of 2018 and have been actively monitoring the IAASB's development of ISA 315 since. When considering if there were compelling reasons the AUASB discussed:

- The matters raised by Australian stakeholders and included in its submission to the IAASB, and whether the matters raised by the AUASB on further drafts of ISA 315 have largely been addressed. AUASB members were satisfied the significant concerns raised in relation to previous versions of the standard had now been addressed.
- One board member highlighted concerns about the final definition of 'relevant assertions' included in ISA/ASA 315, which may be interpreted as being too broad by some practitioners and other stakeholders (e.g. Regulators). Whilst this was not considered to be an Australian compelling reason amendment it is an area the AUASB has raised some implementation concerns for practitioners.
- ASA 315 is complex in nature, which in turn will make the achievement of the objectives of the new standard challenging (i.e. improving audit quality by practitioners performing a more robust risk assessment process). The AUASB directed the AUASB Technical Group to develop implementation



guidance to support implementation of the new requirements in the standard, in lieu of Australian specific changes to the standard.

Based on this the Chair called for a vote on approval for ASA 315 to be issued with no compelling reason amendments and the AUASB unanimously voted in favour.

When considering if ASA 315 should be re-exposed the AUASB discussed and noted that:

- As part of the IAASB's due process, re-exposure of ISA 315 was not required.
- Whilst there were significant changes to ASA 315 since the AUASB's exposure draft was issued, these were to address the feedback received from stakeholders, closing the significant gaps in understanding and interpretation originally raised as concerns and potential compelling reasons; and
- Due to the mandate from the FRC to adopt ISAs, re-exposure would only be to identify any potential compelling reasons specific to Australia.

There were several points raised by AUASB members with respect to the need to re-expose ASA 315 locally. An AUASB member expressed concern about the volume and significance of changes made to the standard since the ED was issued which could give rise to compelling reasons that Australian stakeholders may not have considered upon original exposure, and in the interests of transparency, there should be further opportunity to provide feedback to the AUASB. In response it was noted that the significant concerns originally raised as concerns by Australian respondents were significantly addressed, resulting in no known potential compelling reasons remaining. In addition, the IAASB's due process, which did not result the international standard being re-exposed and was approved by the Public Interest Oversight Board, needs to be taken into consideration.

Accordingly, once the AUASB members had concluded their deliberations on this issue the AUASB Chair called for a vote to determine whether ASA 315 should be re-exposed. Given that more than two thirds of AUASB members voted not to re-expose, ASA 315 will not be re-exposed by the AUASB. The vote was two members in favour of re-exposure, eight against

The AUASB requested the following be presented and discussed at its next meeting in March 2020:

- Initial communications and implementation support plans for ASA 315;
- An updated Basis for Conclusion which includes more detail on how the feedback received from Australian stakeholders on the exposure draft have been addressed in the final version of ASA 315; and
- The Consequential and Conforming Amendments to other Auditing Standards as a result of ASA 315.

#### **(Agenda Item 6 – Minute 1341) LCE implications for Australian Standard Setting**

The AUASB's discussions about LCE implications for Australian Standard Setting was deferred until the March 2020 AUASB meeting.

#### **(Agenda Item 7 – Minute 1342) GS 008 - Update and Approval**

The AUASB were provided with an update of GS 008 *The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001*.

The AUASB determined that the guidance relating to materiality in GS 008 needed to be expanded to include examples specific to the audit of a Remuneration Report.

With regards to the wording of the Audit Report on a Remuneration Report, the Board deliberated whether it should be drafted in accordance with ASAE 3100 *Compliance Engagements*. The AUASB Technical Group were directed to reconsider the wording within the scope of ASA 700 *Forming an Opinion and Reporting on a Financial Report* and ASAE 3100, including revisiting the scope of the project when the AUASB originally approved GS 008 and obtaining legal advice (if necessary) to formally establish the basis on which the audit of the Remuneration Report is performed under the *Corporations Act 2001* for this purpose.



**(Agenda Item 8 – Minute 1343) AUASB Technical Work Program 2019-20 Q2 Update**

AUASB noted the latest update to the 2019-20 AUASB Technical Work Program covering from September – December 2019.

**Next Meeting**

The next meeting of the AUASB will be held in Melbourne on Tuesday 3 March 2020, commencing at 9.00 a.m.

**Close of Meeting**

The Chair closed the meeting at 4:15 pm.

**Approval**

Signed as a true and correct record.

Roger Simnett  
*Chair*

Date: 3 March 2020