



Subject: Minutes of the 115th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Teleconference
Date: Tuesday 10 March 2020 9:00am – 12:00pm

Attendance

AUASB Members:

- Professor Roger Simnett (Chair)
- Ms Julie Crisp (Deputy Chair)
- Mr Robert Buchanan (NZAuASB Chair)
- Ms Jo Cain
- Mr Klynton Hankin
- Dr Noel Harding
- Mr Rodney Piltz (Agenda Items 1 – 3 only)
- Ms Carolyn Ralph
- Mr Justin Reid

AUASB Technical Group:

- Mr Matthew Zappulla
- Ms Rene Herman
- Ms Marina Michaelides
- Mr Tim Austin

Apologies:

- Mr Gareth Bird

Minutes

(Agenda Item 1 – Minute 1355) Agenda and introduction

The Chair welcomed members to the 115th AUASB Meeting.

(Agenda Item 2 – Minute 1356) ISA 600

The AUASB provided input into the proposed ISA 600 *Group Audits* (ED-ISA 600). ED-ISA 600 is expected to be voted out as an Exposure Draft by the IAASB at the upcoming March 2020 IAASB meeting. The AUASB raised four main areas of concern with the ED in its current format:

- A lack of clarity relating to ED-ISA 600's scope when the auditor has been engaged to audit group financial statements as defined. Additionally, the AUASB commented on the lack of clarity around the definition of a component being an audit-focused concept as determined by the auditor. The AUASB considered that the introductory paragraphs would need to be clearer, the term 'consolidation process' as described would need to be clearer and that guidance may be required to demonstrate the scalability of the standard where an auditor determines there to be only one component in a very simple group scenario (for example, a single entity with local branches).
- The acceptance and continuance requirements and associated application material required revisiting, in that it is not reasonable to impose a requirement that Group Management would agree to provide unrestricted access to persons within the group that is outside of the control of group management and that, if such access was not granted, the engagement could not be accepted.



- The interplay between Proposed ISA 220 *Quality Management for an Audit of Financial Statements* (Proposed ISA 220) and ED-ISA 600 are difficult at times, with some inconsistencies in application as to whether the group engagement partner needed to take responsibility for an area of the audit, or whether they could assign responsibility to others as provided for in the proposed version of ISA 220.
- The documentation requirements in ED-ISA 600 were appropriately principles-based, however the AUASB did not support an application material paragraph suggesting the reperformance/complete duplication of component auditor's work/working papers where there was access to documentation issues.

These points will be shared with the IAASB's ISA 600 Taskforce prior to the IAASB meeting being held.

(Agenda Item 3 – Minute 1357) ISQM 1

The AUASB provided input into the proposed ISQM 1 *Quality Management for Firms that Perform Audit or Reviews of Financial Statements, or Other Assurance or Related Services Engagement* (Proposed ISQM 1), with the main areas of concern being:

- The new approach of boxed examples being the new convention. The AUASB continues to express concern that the modified approach to drafting of the presentation of examples in 'boxes' in the application material continues a precedent from ISA 315 that has yet to be exposed/socialised by the IAASB. Furthermore, the AUASB would like to gain an understanding of the intent of the examples, as some are considered by the AUASB to be basic and therefore, without fully understanding the intent, the AUASB questions the benefits of such examples.
- In relation to definitions, the AUASB commented that the definition of 'findings' contains the word 'deficiency' which was seen by the AUASB to be circular. Additionally, while the AUASB has no direct concern in relation to the definition of 'quality risk' and are positive that the definition includes a threshold, the AUASB raises for consideration whether the definition becomes circular in the context of the requirements relating to the risk assessment process.
- The seemingly disproportional requirements in relation to monitoring and remediation and the associated disproportional documentation requirements. The AUASB considers that in particular that the granularity of the requirements may be onerous on SMPs, especially sole practitioners.

These points will be shared with the IAASB's Quality Management Standards Taskforce prior to the IAASB meeting being held.

(Agenda Item 4 – Minute 1358) ISQM 2

The AUASB discussed the proposed draft of ISQM 2, focusing on the following key issues:

- Scope of engagements subject to Engagement Quality Review (EQR)
- Objectivity and cooling off period
- EQR for Group Audits.

The AUASB were satisfied with the proposed changes regarding group audit and the scope of engagements subject to EQR and the guidance to be included on objectivity by IESBA in the Code of Ethics (the Code). The AUASB had differing views about the inclusion of a mandatory cooling off period of two years being required under ISQM 2. The AUASB agreed however that the requirements regarding the EQR cooling off period should be dealt with by IESBA under the Code, noting this had been raised previously by the AUASB in their submission to the IAASB and reiterated by the AUASB Chair at subsequent meetings of the IAASB.



(Agenda Item 5 – Minute 1359) ISA 220

The AUASB was presented with an analysis of the IAASB's latest changes to proposed ISA 220. The focus of the discussion was on four key areas that the AUASB had been tracking through the development of the standard which were:

- Engagement team definition
- Engagement partner responsibilities
- Assigning requirements to other members of the engagement team
- The engagement partner's ability to rely on the firm's systems.

The AUASB was largely supportive of the revisions to the engagement team definition but raised that the exclusion of an EQR should be in the definition, not in the application material.

The AUASB viewed that the changes made by the IAASB clarified requirements which are the sole responsibility of the engagement partner and requirements which may be assigned to other members of the engagement team. However, the AUASB considered it important that a clear rationale for why a paragraph may or may not be assigned should be presented alongside the standard to facilitate development of future implementation support such as examples.

The AUASB whilst supportive of the changes to paragraph 15 of proposed ISA 220, raised concerns about the interaction between proposed ISA 600 and proposed ISA 220 and that whilst this paragraph may help alleviate some of those issues, it does not address all of them. The Chair requested that AUASB Members provide examples of where proposed ISA 220 and proposed ISA 600 create issues.

The AUASB in its submission raised that the engagement partner's ability to rely on the firm's systems should be more clearly articulated. The changes made to ISA 220 have not address this fully, the ATG suggested that paragraph A7 could be elevated to the introduction as this provided a good example of how ISA 220 worked with ISQM 1.

(Agenda Item 6 – Minute 1360) Audits of Less Complex Entities – Update

This agenda item was not discussed by the AUASB, as it had been deferred from the IAASB's March 2020 agenda and will be covered at a later meeting.

(Agenda Item 7 – Minute 1361) Audit Evidence – Update

This agenda item was not discussed by the AUASB, as it had been deferred from the IAASB's March 2020 agenda and will be covered at a later meeting.

(Agenda Item 8 – Minute 1362) Other Business

No additional matters were raised by any AUASB members for discussion.

Next Meeting

The next regular meeting of the AUASB will be held on Tuesday, 21 April 2020 commencing at 9.00a.m (venue and other arrangements to be determined).

Close of Meeting

The Chair closed the meeting at 12.00 pm.



Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 21 April 2020