



Subject: Minutes of the 101st meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: UNSW, Level 6, 1 O'Connell Street, Sydney NSW
Date: Wednesday 13 June 2018 8.30am to 5.30pm

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Robin Low (Deputy Chair)
Mr Gareth Bird
Mr Robert Buchanan
Ms Jo Cain
Ms Julie Crisp (via teleconference from 9:25am)
Mr Chris George
Dr Noel Harding
Ms Carolyn Ralph
Mr Justin Reid
Mr Ashley Wood

AUASB Technical Group: Mr Matthew Zappulla
Ms Rene Herman
Ms Marina Michaelides
Ms Anne Waters
Mr Tim Austin
Ms Anna Wu

Apologies: None

Observers: Fiona Campbell (IAASB Member)
Sylvia Van Dyk (Agenda Item 2-3 via teleconference)

Minutes

(Agenda Item 1 – Minute 1206) Agenda and introduction

The Chair welcomed members to the 101st AUASB meeting.

(Agenda Item 1(c) – Minute 1207) Minutes of Previous AUASB Meeting on 17-18 April 2018

Draft minutes were discussed and approved by the AUASB Chair.

(Agenda Item 2 – Minute 1208) IAASB National Standards-Setters (NSS) Meeting Debrief and ways forward

The AUASB were provided with an overview of the presentations and outcomes from the IAASB NSS Meeting in Vienna. Some of the topics covered at the meeting included understanding and promoting the drivers of Audit Quality (presented by the AUASB Chair), on-going issues with Key Audit Matters and the work being done in relation to technology, including cryptocurrency transitions.

A meeting was held following the conclusion of NSS meeting between the AUASB, NZAuASB and AASB Canada representatives to explore common areas of interest and future collaboration.

In conjunction with the NZAuASB and IAASB, the AUASB Technical Group is working on a number of initiatives to strengthening co-ordination and sharing information across the NSS network.



(Agenda Item 3 – Minute 1209) Review of June 2018 IAASB Papers

ISA 315

The AUASB discussed the IAASB's final proposed changes to ISA 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement*, which will be voted on for issuance as an exposure draft at the June 2018 IAASB meeting. Fiona Campbell, IAASB member and Chair of the ISA 315 Task Force, was in attendance to hear and discuss this feedback. The AUASB observed that:

- The linear order of proposed ISA 315 (Revised) could be seen as confusing and the standard could benefit from restructuring.
- The new definitions of: significant classes of transactions; account balances and disclosures; relevant assertions; and significant risks, are creating additional complexity, and will likely result in more items being "significant".
- With respect to the definition of "relevant assertion" the term "less than remote" is used. The IAASB consider that the term "less than remote" is no different to a "reasonable possibility". The AUASB has concern that these terms are different and that further guidance is required from the IAASB to explain their rationale.
- The draft ISA 315 includes a new requirement to reassess classes of transactions, account balances and disclosures which have not been identified as significant, and whether this is appropriate. The AUASB discussed this "stand back" provision and noted that it is in addition to the existing "stand back" provision in ISA 330 *The Auditor's Response to Assessed Risk*.

If the IAASB approve to issue proposed ISA 315 (Revised) as an exposure draft at its June 2018 meeting, the AUASB will issue a local exposure draft as soon as possible to gather Australian stakeholder feedback for our submission to the IAASB.

Emerging Forms of External Reporting

The AUASB considered the progress of the IAASB EER Assurance project and the work of the IAASB EER Project Advisory Panel. The primary focus of the guidance to date has been on the materiality framework, evaluating suitability of criteria and the building assertion challenges. The AUASB also received an update on other AUASB work in the area of EER assurance.

ISQC 1

The AUASB were informed about the progress of the revised ISQC 1 *Quality Control at Firm Level*. The revision of the standard is not being completed in accordance with the IAASB's planned project timeline and there had not been much progress on the standard since the last IAASB meeting. Concerns about the length and complexity of the revised standard remain, particularly for small and medium practices (SMPs). Further clarity on the progress and updates to ISQC 1 will be discussed when the IAASB Quality Control Task Force releases further material at the September 2018 AUASB meeting.

ISA 220

The AUASB received an update on the progress of ISA 220 *Quality Control at Engagement Level*. Progress on ISA 220 since the last IAASB meeting has been very positive and the AUASB were informed of key changes made to the latest draft included in the June 2018 IAASB board papers. One concern about the lack of guidance dealing with scenarios when the role of the engagement leader is undertaken by a different person than the individual responsible for the audit report was discussed and will be raised with representatives from the IAASB (particularly in relation to the application of this standard in the public sector). An AUASB member further queried the extent to which the revised standard had considered relevant academic research on this issue.

Audit Evidence

The AUASB received a summary of the objective and preliminary papers of Audit Evidence, a newly added IAASB Project. The papers presented for this agenda item had been prepared by the American Institute of CPAs (AICPA). The AUASB were receptive to the points being raised in the paper, however, a number of AUASB Members were concerned with being able to input and influence the process if it is being driven by the AICPA. Fiona Campbell (IAASB Member) did note that the work being done by the AICPA is only one input into the project and that the IAASB are aware that it is a significant issue.



ISA 540

The AUASB discussed and provided input into the latest draft of ISA 540 Auditing Accounting Estimates and Related Disclosures. The AUASB raised two primary concerns with ISA 540:

- With reference to paragraphs 26(b)/A111/A112/A118:

The AUASB raised concerns with the wording in paragraph 26(b) (specifically the use of the words “to the extent possible”) and associated application material. The AUASB considers this wording to inappropriately shift the onus from preparer to auditor where the preparer has not fulfilled their role. The development of a range or point estimate for reporting purposes is the responsibility of the preparer. Additionally, this wording diminishes the exercise of auditor’s professional judgement in circumstances where the auditor may consider that they have gathered sufficient appropriate audit evidence to form a view that a misstatement exists rather than then fulfilling the role of the preparer.

Furthermore, ISA 540 needs clarification that in circumstances where sufficient and appropriate audit evidence cannot be obtained from management, then the auditor will assess the impact of this and it may result in a modification to the opinion in the auditor’s report based on a scope limitation.
- With reference to the inclusion of a new application paragraph A129 in relation to management’s experts, including:
 - the significant uplift in audit effort in relation to the work of management’s experts beyond the requirements of ISA 500 Audit Evidence, bringing into question the purpose of a management’s expert and why they would be used; and
 - the wording in the application material is akin to a requirement and accordingly should be contained within the requirements of the standard and not within the application material.

Other matters discussed by the AUASB included:

- With reference to paragraphs 17(a) and 20: The AUASB suggests a reference to disclosures within paragraph 20(a) to be consistent with the requirements in relation to disclosures for testing options contained within paragraphs 17(b) and 17(c). The AUASB considers that the requirements currently contained within paragraph 20 does not address disclosures.
- With reference to paragraph A128 and using information from an external information source, the AUASB considers that the example provided is not appropriate and creates a level of granularity that is generally not practical.
- The AUASB considers that there has been substantial change to the principles of the exposed ED ISA 540 and accordingly considers that IAASB due process should require the re-exposure of ISA 540.
- The AUASB discussed the proposed effective period and supports an extension of the effective period to be appropriate. The AUASB supports an effective period beginning on or after 15 December 2019.
- The AUASB briefly discussed the timetable for the AUASB release of an equivalent Australian ED ASA 540. The AUASB suggested that a 90 day exposure period would be appropriate if the effective period of the standard is pushed out to 15 December 2019.

In relation to the primary concerns raised by the AUASB as well as other matters discussed, the AUASB requested their views and concerns be raised directly with the IAASB. The Chair acknowledged the AUASB members views on this matter, but noted the need to consider the most appropriate method to communicate the AUASB’s feedback with reference to the IAASB’s Due Process.

(Agenda Item 4 – Minute 1210) Audit Quality update

The AUASB received a short update on the Financial Reporting Council’s (FRC) audit quality initiatives in particular the Audit Committee Chair Survey being undertaken. The AUASB Technical Group encouraged the AUASB Members to circulate the survey to as many Audit Committee Chairs as possible.



(Agenda Item 5 – Minute 1211) AUASB Technical Matters

An updated AUASB Technical Work Program was tabled for the AUASB's consideration with the AUASB Technical Group providing an update on the AUASB strategic projects currently in progress.

The AUASB was provided with an update on the progress of the revision to the AUASB Glossary, which is expected to be brought to the AUASB September 2018 Meeting for review and approval. To allow AUASB Members sufficient time to review and provide feedback on the updated AUASB Glossary, a draft will be provided approximately one month prior to the September 2018 AUASB Meeting.

The AUASB Technical Group Staff working on the 'Use of Technology in the Audit' Strategic Project updated the AUASB on the exercise of mapping the ASAs/ISAs to concerns about the use of Technology raised by practitioners currently being undertaken. The AUASB Technical Group will work with nominated experts from larger and medium practitioner forms to take the project forward. A number of AUASB Members suggested other avenues for engaging the profession, such as attending briefings conducted by the firms for ASIC. The AUASB Technical Group were directed to continue to monitor and collate resources published by other NSS and provide them to the AUASB when appropriate.

(Agenda Item 6 – Minute 1212) Monitoring Group

AUASB Members were informed about the plans for the upcoming Australian Monitoring Group Consultation forums being organized by the AUASB in conjunction with APESB, CA ANZ and CPA Australia.

A Summary of Feedback of responses received to the Monitoring Group's consultation paper that carried out an analysis of responses both in aggregate and by stakeholder groups was tabled for AUASB member's consideration.

(Agenda Item 7 – Minute 1213) Forward Agenda

The AUASB were provided with a draft AUASB Forward Agenda. The objective of the Forward Agenda is to provide the AUASB with an indication of which topics will be included on the agenda for upcoming meetings. A number of AUASB Members provided feedback on the structure and format. The Forward Agenda will be a standing item presented at each future AUASB meeting.

(Agenda Item 8 – Minute 1214) Other Business

Board Charter

The AUASB was presented with an updated AASB-AUASB Board Charter. A number of AUASB Members had feedback on the changes to the Charter relating to obtaining a leave of absence. The comments provided by the AUASB Members will be communicated to the AASB-AUASB National Director for consideration.

Assurance Engagements under "Safe Harbour" provisions of the Corporations Act 2001

The AUASB Technical Group provided a verbal update to the AUASB on the research to date in relation to the "Safe Harbour" provisions of the *Corporations Act 2001*, which arose as part of Other Business at the April 2018 AUASB Meeting. The AUASB Technical Group reported that there may be opportunities for assurance in this space and that a paper will be presented for consideration at the September or December 2018 AUASB Meeting.

Other business

- The AUASB discussed the likelihood of different assurance requirements arising from the findings of the Banking Royal Commission, with the existing assurance framework considered appropriate, but the issue to be closely monitored by AUASB members and the AUASB Technical Group.
- The Chair asked the AUASB whether an FAQ on second year KAMs was needed. The AUASB Technical Group was directed by the AUASB to work with the NZAuASB to develop this.

(Agenda Item 9 – Minute 1215) Joint AASB/AUASB Session

The Board met with members of the Australian Accounting Standards Board to discuss the topics on their respective work plans and to identify opportunities for collaboration on major projects. The Boards agreed to work collaboratively when appropriate, and identified relevant projects for the respective Technical Groups to focus on.



Next Meeting

The next regular meeting of the AUASB will be held in Sydney, on Wednesday, 12 September 2018 commencing at 8.30 a.m.

Close of Meeting

The Chair closed the AUASB meeting at 4.30 p.m. The joint AASB-AUASB session was held between 4.30-5.30pm.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 12 September 2018