



Subject: Minutes of the 105th meeting of the Auditing and Assurance Standards Board (AUASB)

Venue: TEQSA, Level 14, 530 Collins Street, Melbourne VIC 3000

Date: Tuesday 4 December 2018 10.00am to 5.30pm and
Wednesday 5 December 2018 8.30am to 2.30pm

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Robin Low (Deputy Chair) (Day 1)
Mr Gareth Bird
Mr Robert Buchanan
Ms Jo Cain
Ms Julie Crisp
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: Ms Robin Low (Day 2)

Observers: None

Minutes

(Agenda Item 1 – Minute 1234) Agenda and introduction

The Chair welcomed members to the 105th AUASB meeting, the last of 2018.

(Agenda Items 1.3 and 1.4 – Minute 1235) Minutes of Previous AUASB Meetings on 12 September 2018 and 29 October 2018

Draft minutes were discussed and approved, with no changes, by the AUASB Chair.

(Agenda Item 2 – Minute 1236) Audit Quality Plan Update (in-camera session)

The Chair of the Financial Reporting Council (FRC) Bill Edge, provided an update to the AUASB on the FRC's Audit Quality initiatives. The FRC Chair outlined the FRC's holistic approach to understanding and assessing audit quality throughout Australia, including the public-sector, and where the AUASB can assist the FRC in the future. Other FRC priorities were also discussed with AUASB Members, with Mr Edge noting the FRC were very satisfied with the manner in which the AUASB performed its functions in 2018.



(Agenda Item 3 – Minute 1237) International Matters

ISQM 1 Quality Management at the Firm Level

The AUASB Technical Group (ATG) provided an update on the progress that the IAASB had made in revising proposed ISQM 1 *Quality Management at the Firm Level* since the IAASB September 2018 meeting. The view of the AUASB and the ATG was that the concerns raised by the AUASB in previous meetings regarding the complexity and prescriptive nature of the standard have not been addressed and are unlikely to be addressed by the IAASB before issuance of the proposed standard for exposure.

The AUASB feedback regarding the prescriptive nature of the standard, the repetition of concepts in requirements and application material and the lack of scalability in the standard will be provided to Australasian IAASB Members prior to the December 2018 IAASB meeting.

ISA 220 Quality Management at the Engagement Level

The ATG provided a summary of the changes to the draft ISA 220 *Quality Management at the Engagement Level* since the IAASB September 2018 Meeting. The ATG noted that minimal changes had occurred since the September 2018 meeting and the issues brought to the attention of the IAASB from the previous meeting still existed.

In addition to the previous points raised, the AUASB questioned whether the incremental changes in proposed ISA 220 improves audit quality and adds value to stakeholders. The AUASB also discussed the need for more guidance around roles and responsibilities of engagement leaders for engagements with multiple engagement leaders. Overall, the AUASB questioned whether the concepts in proposed ISA 220 appropriately reflected current practice. This feedback will be provided to Australasian IAASB Members prior to the December 2018 IAASB meeting.

ISQM 2 Engagement Quality Reviews

The AUASB considered the proposed ISQM 2 *Engagement Quality Reviews (EQR)* exposure draft which the IAASB are looking to approve for exposure at its December meeting, along with ISQM 1 and ISA 220. Some comments were made by the AUASB in relation to the introductory requirements, the engagement quality reviewer's overall conclusion, the stand back requirement and the evaluation of significant judgements. The AUASB suggested further consideration and clarification of these requirements be communicated to the IAASB and that this feedback be provided to Australasian IAASB Members prior to the December 2018 IAASB meeting.

ISA 315 Identifying and Assessing the Risks of Material Misstatement

The ATG provided a summary to the AUASB of the broad feedback that has been received by the IAASB in response to the exposure of proposed ISA 315. This feedback included a high level mapping of matters raised by the AUASB to other respondents' comments and Task-Force views.

IAASB Strategy

The ATG presented a draft of the IAASB Strategy for 2020-23, which is subject to review and discussion by IAASB members at their December 2018. The AUASB discussed the key elements of the IAASB Strategy, which focuses on three major strategic objectives (developing high-quality international standards; maintaining the relevance of the international standards and supporting their implementation; and informing through outreach and advancing through collaboration). The document also addresses the IAASB's work plan for the 2019-21 years and builds on the stakeholder survey that they conducted earlier this year, to which the AUASB responded and has already considered high-level IAASB initial feedback on responses.

Overall the AUASB supported the main objectives and context presented in the IAASB Strategy, however there were issues raised about the structure of the document and some of the areas of focus in the work plan – for example, whilst Technology is identified as one of the main drivers in the Strategy there is little in the IAASB's work plan to address this topic. Also there was little consideration of the National Auditing Standards-Setters (NSS) initiative, except for the NSS as a form of resourcing IAASB initiatives. The key matters raised as feedback by the AUASB will be summarised and shared with the IAASB.



EER Guidance

The AUASB considered the progress of the IAASB EER draft guidance which will be considered at the December IAASB meeting with a view to exposure of the Phase 1 guidance in January 2019. The AUASB noted the work done since September 2018, with some discussion about ensuring the balance between the guidance being aligned with ISAE 3000 while still specifically addressing the key assurance challenges for EER, mainly through the use of examples in the guidance.

(Agenda Item 4 – Minute 1238) Agreed-Upon Procedures

The AUASB considered the project plan for the release of the Australian Exposure Draft equivalent to Proposed ISRS 4400 *Agreed-Upon Procedures Engagements*. The AUASB will issue a Consultation Paper seeking stakeholder feedback on the Proposed ISRS 4400, with particular emphasis on where ISRS 4400 differs from extant ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*.

(Agenda Item 4 – Minute 1239) Review of AUASB Exposure Draft Process

As part of the discussions on the plan for the release of ISRS 4400 for exposure in Australia, the AUASB discussed the need to conclude on the exposure process trialled with ED 01/18 Proposed Auditing Standard ASA 315 *Identifying and Assessing the Risks of Material Misstatement* in July 2018.

Deliberation and determination of the future exposure process for the AUASB will be decided before the exposure of the suite of quality management standards in early 2019.

(Agenda Item 5 – Minute 1240) Research Strategy

The AUASB was presented with a draft of the Evidence-Informed Standard Setting (EISS) Strategy, prepared by the ATG with support from AUASB members. The strategy has been developed based on the comments made by the AUASB in response to the Research Strategy Issues Paper presented to the AUASB at the April 2018 meeting (Agenda Item 5(d)).

AUASB Members were pleased to see that the strategy had expanded since April 2018 to focus on broader concepts of evidence, rather than purely academic research available. The AUASB provided suggestions to clarify parts of the strategy including expanding sections around stakeholder engagement and recognising that insights from AUASB members based on their experience should be recognised as evidence which informs standard-setting.

(Agenda Item 6 – Minute 1241) ASA 540 – Approval

The AUASB approved for issue ASA 540 *Auditing Accounting Estimates and Related Disclosures* as well as Amending Standard ASA 2018-1 *Amendments to Australian Auditing Standards*. The AUASB highlighted some editorial amendments to the related Explanatory Statement. The Standards will be released before the end of 2018 with the Compiled Standards prepared in early 2019.

(Agenda Item 7 – Minute 1242) ASRE 2410 – Project Plan

The AUASB approved the project plan to consider updates to ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* to align the reporting requirements in the standard to the amendments made to the auditor reporting standards in 2015.

This project will be conducted in conjunction with NZAuASB.

(Agenda Item 8 – Minute 1243) AUASB Glossary

The ATG updated the AUASB on the progress made in response to the AUASB request at the September 2018 AUASB meeting, to investigate whether definitions in Australian standards could be amended to reduce the number of duplications of definitions throughout the suite of AUASB standards.

The ATG informed the AUASB that some progress had been made, however other strategic projects were prioritised and the results of the work would not be presented to the AUASB until the March 2019 AUASB meeting.

The ATG proposed a broader quality management exercise to review footnotes and cross-references alongside the review of definitions to identify out of date references. The AUASB agreed to the ATG's proposed timeline and requested issues with footnotes, cross-references or terms which also exist in IAASB standards to be brought to the attention of the IAASB Technical Staff.



(Agenda Item 9 – Minute 1244) GS 005 Use of Management’s Experts

The AUASB approved the project plan to revise GS 005 *Using the Work of a Management’s Expert* and provided input into the composition of the Project Advisory Group.

(Agenda Item 10 – Minute 1245) Technical Work Program Update

AUASB Technical Work Program Update

AUASB Members were presented with an update of annual performance against the approved version of the 2018-19 AUASB Technical Work Program. No issues or concerns were raised by AUASB members.

Use of Technology in the Audit, Including Data Analytics

The ATG provided an update on the outreach that had been undertaken as part of Stage 2 of the strategic project on *Use of Technology in the Audit, Including Data Analytics* presented to the AUASB at the June 2018 AUASB meeting (Agenda Item 5(c)). The outreach included discussions with major auditing firms and public sector auditors as well as engagement with other National Auditing Standard-Setters to gain an understanding of challenges and responses in other countries.

The AUASB were pleased to see that progress was being made on this strategic project, as this is an area where practitioners are looking for the AUASB to demonstrate thought leadership. The ATG will be presenting formally on the work, and the implications for the AUASB at the March or April 2019 AUASB meetings.

Public Sector Audit Issues

The ATG updated AUASB Members on recent developments relating to the Public Sector Auditing Issues Strategic Project including: engagement with the Australasian Council of Auditors-General (ACAG) Auditing Standards Committee on Financial Auditing matters impacting the public sector; the ATG’s attendance and presentation at the recent ACAG Analytics Forum; and work that the ATG and AUASB Chair has done in preparing and presenting a paper for the FRC on Public Sector Auditing Issues at the FRC’s November 2018 meeting.

(Agenda Item 11 – Minute 1246) GS 012 – Project Plan

The AUASB approved the project plan to revise GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions* and provided input into the composition of the Project Advisory Group. Consultation with APRA on the proposed revisions will also occur.

(Agenda Item 12 – Minute 1247) Assurance Framework Bulletin

The ATG presented a paper outlining the scope, structure and timing for the preparation of the principles-based Assurance Framework Bulletin, a project approved at the September 2018 AUASB meeting.

AUASB Members provided feedback on the scope and structure, including the use of examples to be included in the publication to assist practitioners with navigating to the appropriate other assurance or related service standard for a range of subject matters.

The first draft of the publication will be brought to the AUASB at the March 2019 AUASB meeting, although input from AUASB Members will be requested during development.

Next Meeting

The next regular meeting of the AUASB will be held in Sydney, on Wednesday, 6 March 2019 commencing at 9.00 a.m.



Close of Meeting

The Chair acknowledged and thanked retiring AUASB Members, Chris George and Ashley Wood, for the contributions they have made to the Board over their terms.

The Chair closed the meeting at 2.45 p.m.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 6 March 2019