



Subject: Minutes of the 106th meeting of the Auditing and Assurance Standards Board (AUASB)

Venue: ASIC Office, Level 5, 100 Market Street, Sydney

Date: Wednesday 6 March 2019 9:00am – 5:00pm

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Robin Low (Deputy Chair)
Mr Gareth Bird
Mr Robert Buchanan
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
Mr Tim Austin

Apologies: Ms Jo Cain

Observers: None

Minutes

(Agenda Item 1 – Minute 1248) Agenda and introduction

The Chair welcomed members to the 106th AUASB meeting and new members, Klynton Hankin and Rodney Piltz to their first meeting.

(Agenda Items 1.3 – Minute 1249) Minutes of Previous AUASB Meetings on 4-5 December 2018.

Draft minutes were discussed and, subject to one amendment, approved by the AUASB Chair.

(Agenda Item 2 – Minute 1250) Audit Quality Plan Update (in-camera session)

The AUASB discussed Audit Quality considerations arising from:

- (a) The latest ASIC Audit Inspection Report which was released in January 2019;
- (b) A report recently issued by the Parliamentary Joint Committee on Corporations and Financial Services which includes an analysis of the committee's ongoing concerns on audit quality matters overseen by ASIC and the Financial Reporting Council (FRC); and
- (c) Recent public inquiries about the audit market and implications for audit quality that have recently been completed or are in progress in the United Kingdom.

The AUASB also received an update on the joint publication currently nearing completion by the FRC and AUASB about Investors' current perceptions on audit quality in Australia.



(Agenda Item 3 – Minute 1251) Discussion on AUASB ED Process

The AUASB discussed the results of the exposure process trialled in 2018 for ED 01/18 Proposed Auditing Standard *ASA 315 Identifying and Assessing the Risks of Material Misstatement*. The exposure process was assessed against a set of principles determined by the AUASB Technical Group (ATG) in consultation with the AUASB Chair.

Based on the discussions, AUASB Members requested further changes to the exposure process and agreed that an approach of 'wrapping-around' an IAASB ED with an Australian Explanatory Memorandum best balanced each of the exposure principles.

The purpose of the Australian Explanatory Memorandum would be to draw Australian stakeholders' attention to areas of the proposed standard which the AUASB have been tracking during its development by the IAASB. Australian specific questions will be asked in relation to "significant matters" in the proposed standard on which the AUASB would like more feedback.

The AUASB Agreed to trial this process for the exposure of Quality Management Standards in Australia. Subject to the success of this process for the Quality Management Standards and agreement of the AUASB at a future Board meeting, the AUASB Functions and Processes document will be updated to reflect this revised process in the second half of 2019.

(Agenda Item 4 – Minute 1252) Quality Management Standards

The AUASB was presented with Exposure Drafts for ISQM 1 *Quality Management at the Firm Level*, ISQM 2 *Engagement Quality Reviews* and ISA 220 *Quality Management for an Audit of Financial Statements* converted into Australian format.

Based on the discussion and outcome in Agenda Item 3, the AUASB agreed to delay the issuance of the EDs of the Quality Management Standards to a teleconference on the 20th March, to allow the ATG time to develop Explanatory Memorandums for each of the standards. Whilst the EDs were not issued, the AUASB discussed the list of significant matters, for each proposed standard, raised by the AUASB for consideration by Australian stakeholders and the possible wording Australian specific questions. A number of matters were added to the lists by the AUASB as well as some being removed.

(Agenda Item 5 – Minute 1253) ASRE 2410 – Approval of ED 05/19

The AUASB reviewed a revised version of the Exposure Draft for ASRE 2410, which is being prepared in conjunction with the New Zealand Auditing and Assurance Standards Board (NZAuASB). The AUASB requested amendments to the ED which will be brought back to the AUASB for review and approval at the next regular meeting on 16 April 2019.

(Agenda Item 6 – Minute 1254) Agreed-Upon Procedures

The AUASB reviewed the draft response to the IAASB in relation to the revised International ED on AUP, ISRS 4400. The AUASB considered responses received from a range of stakeholders on the AUASB Consultation Paper released in December 2018 seeking feedback on the proposed version of this ED, with particular emphasis on where the ED differs from ASRS 4400 Agreed-Upon Procedures to Report Factual Findings.

The AUASB deliberated over a number of elements of the ED based on the current Australian requirements and feedback received on the Consultation Paper – specifically in respect of professional judgment, independence and restriction of use of the AUP report. Feedback from the AUASB will be captured in a revised response to the IAASB which will be sent to AUASB member for final 'fatal flaw' review and then submitted to the IAASB before the closing date for submissions on 15 March 2019.



(Agenda Item 7 – Minute 1255) Review of March 2019 IAASB Papers

The AUASB were informed about, and discussed, the key matters on the IAASB's March 2019 Agenda, with the two main topics being:

- (a) An update on changes to Exposure Draft ISA 315 *Identifying and Assessing the Risks of Material Misstatement* proposed by the ISA 315 Task Force, which outlines different approaches to address concerns raised by stakeholders about the complexity and scalability/proportionality of this proposed standard. Feedback from AUASB members on these different approaches was mixed, but the AUASB was pleased to note many of the other matters raised in their submission to the IAASB on this ED have been acknowledged and are likely to change.
- (b) Review of the IAASB proposed Discussion Paper on "Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges" which sets out the IAASB's commitment to exploring what more can be done in relation to audits of Less Complex Entities (LCE's). AUASB members were very supportive of this initiative from the IAASB and the overall approach of the Paper, but some members had concerns about how the options to address LCE audits had been presented. Feedback from AUASB members on this topic is being provided directly to the Chair of the IAASB LCE Working Group, AUASB Chair and new IAASB member Prof. Roger Simnett.

(Agenda Item 8 – Minute 1256) AUASB Technical Work Program Update

Next Meeting

The AUASB will be holding its next meeting via Teleconference on 20th March 2019 (time to be confirmed), to review and approve the Exposure Drafts for the Quality Management Standards (ISQM 1, ISQM 2 and ISA 220)

The next regular meeting of the AUASB will be held in Melbourne, on Tuesday, 16 April 2019 commencing at 9.00 a.m.

Close of Meeting

The Chair closed the meeting at 5.00 p.m.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 16 April 2019