



**Subject:** Minutes of the 110<sup>th</sup> meeting of the Auditing and Assurance Standards Board (AUASB)  
**Venue:** Teleconference  
**Date:** Wednesday 26 June 2019, 9.30am to 12.30pm

#### Attendance

AUASB Members: Professor Roger Simnett (Chair)  
Mr Gareth Bird  
Mr Robert Buchanan (NZAuASB Chair)  
Ms Julie Crisp  
Mr Klynton Hankin  
Dr Noel Harding  
Mr Rodney Piltz  
Ms Carolyn Ralph

AUASB Technical Group: Mr Matthew Zappulla  
Ms Rene Herman  
Ms Marina Michaelides  
Mr Tim Austin  
Ms See Wen Ewe  
Ms Jean You

Apologies: Ms Robin Low (Deputy Chair)  
Ms Jo Cain  
Mr Justin Reid

#### Minutes

##### **(Agenda Item 1 – Minute 1285) Agenda and introduction**

The Chair welcomed members to the 110th AUASB Meeting, which was held via video conference between Melbourne and Sydney, with other AUASB members dialling in via teleconference.

##### **(Agenda Item 2 – Minute 1286) AUASB response to the IAASB's Exposure Drafts on the Quality Management suite of standards**

The AUASB Chair outlined the process which the AUASB would undertake to review the AUASB's submissions on the IAASB's Exposure Drafts on the Quality Management Standards (QM Standards).

Board members were briefed on the different inputs which have been considered when developing the Draft submissions on the QM Standards. The AUASB received two formal submissions on the topic, and AUASB members reviewed these submissions along with a summary of the external stakeholder outreach performed by the AUASB Technical Group (ATG). The AUASB Chair and ATG also updated members on the status of the NZAuASB and APESB submissions on the QM Standards, noting a consistency of messaging across the draft submissions prepared by each standard-setter.

The AUASB worked through the draft submissions the ATG had prepared on each individual QM Standard, providing feedback on specific questions highlighted by the ATG to the Board and also general feedback on the structure and wording of each submission.



***ISQM 1 Quality Management for Firms that Perform Audit of Reviews of Financial Statements, or Other Assurance or Related Services Engagements***

The AUASB reviewed the ATG's draft submission covering ISQM 1 *Quality Management for Firms that Perform Audit of Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, and requested the following amendments:

- The commentary on the overall impact on audit quality of ISQM 1 needed to be brought forward into the overall responses, rather than just included in the responses to the specific IAASB questions in the appendix of the submission.
- The public interest considerations of the risk based approach in ISQM 1 needed to be highlighted in more detail. Additionally, AUASB Members requested it be added that the public interest benefits of ISQM 1 be revised and streamlined to make it easier to understand and apply.
- The commentary in the draft ISQM 1 submission supporting the eight different components needed redrafting to provide more qualified support, along with a request for more guidance around implementation.
- The submission to make a stronger point about the implementation challenges associated with the proposed implementation timeline for ISQM 1, particularly with the application dates for a number of other significant revised auditing standards impacting practitioners over the next 2-3 years.
- The submission should include a request for the IAASB to revise the structure of ISQM 1 in line with the revised structure recently applied to the updated version of ISA 315 and the need for examples to be included within the standard.

***ISQM 2 Engagement Quality Reviews***

The AUASB reviewed the ATG's draft submission covering ISQM 2 *Engagement Quality Reviews* and requested the following amendments:

- The ISQM 2 submission be revised to make it clearer that concepts in the proposed standard that either overlap or interact with the IESBA Code of Ethics, such as the proposed cooling off period and Engagement Quality Reviewer, are removed from the standard and solely located in the Ethical Code.
- Clarification in the AUASB's submission on the application of professional scepticism by the Engagement Quality Reviewer being focused on the context of their role, and not focused on questioning the professional scepticism of the engagement team itself.
- An update to ensure the AUASB's submission requests additional clarity in relation to the proposed 'stand back' provision in ISQM 2.

***ISA 220 Quality Management at the Engagement Level***

The AUASB reviewed the ATG's draft submission covering ISA 220 *Quality Management at the Engagement Level* and requested one amendment:

- Whilst the AUASB were comfortable with the ATG's proposed wording about the engagement team definition in the proposed standard in response to Question 2 of the ISA 220 submission, further redrafting was requested to improve the clarity of the AUASB's response.

***Covering Letter and other feedback on the QM Standards***

The AUASB reviewed the ATG's draft covering letter on the QM Standards and requested the following amendments:

- Add into the AUASB's covering letter to the IAASB the point made in respect of ISQM 2 that concepts in the proposed standard that either overlap or interact with the IESBA Code of Ethics should solely reside in the Ethical Code.
- Include an additional comment how the IAASB should better consider the proportionality of responses in QM Standards when considering the audit quality impact, without having a detrimental impact on the cost/benefit implications for firms.
- Additional wording to be included about challenges relating to the overall scalability of ISQM 1, how the IAASB should incorporate examples to assist small/medium firms and the guidance relating to how professional scepticism is applied throughout the QM Standards.



Based on the above feedback the ATG will update the draft AUASB submissions on ISQM 1, ISQM 2 and ISA 220 and have them reviewed and approved by the AUASB Chair before they are submitted to the IAASB by 1 July 2019.

In addition the AUASB worked through the summary of the disposition of comments received from stakeholders in relating to the AUASB Exposure Drafts on the Quality Management Standards. Minor changes to the ATG's conclusions were requested and these will be updated in the final version of this document to be posted on the AUASB website.

**(Agenda Item 3 – Minute 1287) AUASB Strategy Discussion**

Discussions planned on the review and potential update of the AUASB Strategy were deferred to the September 2019 AUASB Meeting.

**(Agenda Item 4 – Minute 1288) June 2019 IAASB meeting update**

The AUASB Technical Director provided AUASB members with an overview of the key matters arising from the June 2019 IAASB meeting. A full summary of the June 2019 IAASB meeting will be provided out of session and tabled at the September 2019 AUASB Meeting.

**Next Meeting**

The next regular meeting of the AUASB will be held in Melbourne on Tuesday, 10 September 2019, commencing at 1.00 p.m.

**Close of Meeting**

The Chair closed the meeting at 12.30 p.m.

**Approval**

Signed as a true and correct record.

Roger Simnett  
*Chair*

Date: 10 September 2019