



Subject: Minutes of the 111th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Rattigan Room, Productivity Commission, Level 12, 530 Collins St, Melbourne
Date: Tuesday 10 September 2019 1:00pm – 5:45pm and
Wednesday 11 September 2019 9:00 am – 5:00pm

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Robin Low (Deputy Chair)
Mr Gareth Bird
Mr Robert Buchanan (NZAuASB Chair)
Ms Jo Cain
Ms Julie Crisp
Mr Klynton Hankin
Dr Noel Harding
Ms Carolyn Ralph
Mr Justin Reid

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

Apologies: Mr Rodney Piltz

Observers: Mr Bill Edge – Chair, Financial Reporting Council (Agenda Item 3)

Minutes

(Agenda Item 1 – Minute 1289) Agenda and introduction

The Chair welcomed members to the 111th AUASB Meeting.

(Agenda Item 1.3 – Minute 1290) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meetings held on 12-13 June 2019 in Sydney and 26 June 2019 via Teleconference were discussed and approved by the Board.

(Agenda Item 1.5 – Minute 1291) AUASB Chair Update

The Chair provided an update covering the appointment of and interactions with the new IAASB Chair, the recent advertisement of the AASB Chair role and other changes to AUASB organisational and staffing arrangements. The Chair outlined the guidance received from the Financial Reporting Council on the importance of aligning with the NZAuASB on the final reporting format for ASRE 2410 Review of a Financial Report Performed by the Auditor of the Entity

Also discussed was the release of the 2019-2023 AUASB Corporate Plan, which includes greater emphasis on thought leadership opportunities for the AUASB, evidence based standard setting and working with other



like minded National Standard Setters (NSS) as part of the AUASB's local and international standard setting activities.

(Agenda Item 1.8 – Minute 1292) NZAuASB Update

The NZAuASB Chair provided an update to the AUASB on the key matters discussed at the NZAuASB September 2019 Meeting, including:

- That the NZAuASB viewed that it is important for both Australia and New Zealand to align in deliberating the way forward for ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity* (refer Agenda Item 5.1 for further details).
- The approval of the NZAuASB's latest Strategic Action Plan for 2019-2024, which shares an emphasis on thought leadership and collaborating with other NSS as in the latest AUASB Corporate Plan.
- In its response to the IAASB's Less Complex Entity (LCE) Discussion Paper the NZAuASB supported moving away from size and criteria and focus more on characteristics and the types of engagement, and NZ stakeholders expressed support for the development of a standalone auditing standard for LCE audits (refer Agenda Item 5.3 for further details).

(Agenda Item 2 – Minute 1293) AUASB Strategy & Technical Work Program

The AUASB reviewed the 2019-2020 AUASB Strategy and Technical Work Program. Several revisions were requested by AUASB Members, including better alignment of the AUASB's strategic objectives and strategic priorities and additional consideration of how thought leadership contributes to each strategic priority. Other topics related to the AUASB Strategy covered under this Agenda item were confirmation of the AUASB's continuing commitment to support the Australian Accounting Standards Board (AASB) Australian Financial Reporting Framework Project and clarification of the AUASB's role when it comes to educational activities, which AUASB Members agreed are predominately the domain of the accounting professional bodies.

A subcommittee of AUASB Members was appointed to work with the AUASB Technical Director to update the AUASB Strategy, with the AUASB Chair requesting that the updated strategic priorities be reviewed again at the AUASB's December 2019 meeting. The AUASB Technical Director will continue to develop the 2019-20 AUASB Technical Work Program in parallel with the update of the Strategy, and work with the technical staff at the NZAuASB to coordinate resources on common projects where possible.

The AUASB also discussed whether the current timing and extent of effort members and the AUASB Technical Group (ATG) allocated to International matters in accordance with the [AUASB International Strategy](#) was appropriate. The AUASB discussed the way in which the IAASB meeting papers were considered by the AUASB and acknowledged the importance of the AUASB involvement in influencing international projects and having them fit for purpose, particularly in its role as an international standards taker. The AUASB further acknowledged the benefit of such discussions is heightened by having the AUASB Chair as a member on the IAASB.

The AUASB reaffirmed that the approach to International standard setting outlined in the International Strategy remained suitable and that it is important to review IAASB projects throughout each stage of their development cycle. This provides the AUASB with the greatest opportunity to influence the IAASB and consider local thought leadership and implementation issues at an early stage. Also considered was the method by which the AUASB engages on each major IAASB Project, with the current model of allocating a lead sponsor from the AUASB and project manager from the ATG endorsed. AUASB Members requested that in future the ATG provide feedback on the main outcomes following each IAASB meeting within 2 weeks of the meeting's conclusion rather than waiting until the next AUASB meeting to distribute this information.

(Agenda Item 3 – Minute 1294) FRC and Audit Quality Update

The AUASB meeting welcomed the Chair of the Financial Reporting Council, Bill Edge, for a discussion on the AUASB's planned submission to the Parliamentary Inquiry into the Regulation of Auditing in Australia. The AUASB confirmed its support for all activities that promote continuous improvement in audit quality, transparency and professional conduct across the auditing profession, and is looking forward to making a valuable contribution to this inquiry.



AUASB Members provided feedback for the AUASB Technical Group (ATG) on the proposed outline for the submission. A draft will be prepared and shared with AUASB Members for feedback out of session, and a teleconference tentatively scheduled to finalise the submission in mid-October 2019.

IAASB Technical Matters

(Agenda Item 4.2 – Minute 1295) ISA 315

The AUASB reviewed the latest draft of ISA 315 *Identifying and Assessing the Risks of Material Misstatement*, which is being presented at the IAASB September 2019 meeting for approval as a standard. The AUASB agreed that the matters raised in its submission to the IAASB on ED 315 had been substantially addressed, however that the latest version of ISA 315 is still quite complex, and scalability was still an issue. The AUASB highlighted areas where further clarification was required to the proposed ISA 315 for the AUASB Chair to consider in his capacity as an IAASB member. In particular the AUASB gave feedback that:

- A clearer link between ISA 315 and the definition of risk of material misstatement in ISA 200 was required; and
- Further consideration of the requirements determining which control activities require design and implementation testing was necessary.

These points will also be summarised and provided to the IAASB's ISA 315 Task Force for consideration prior to the beginning of the September 2019 IAASB meeting.

(Agenda Item 4.3 – Minute 1296) ISA 600

The AUASB Technical Group updated the AUASB as to progress made by the IAASB's Group Audit Task Force on the updated version of ISA 600, particularly in the areas of:

- special considerations in a group audit;
- access;
- materiality; and
- stand back requirements.

The AUASB supported the general direction that the Task Force was taking and supported the need for additional guidance being developed by the Task Force on Component Materiality.

(Agenda Item 4.4 – Minute 1297) ISQM 1

The AUASB Technical Group updated the AUASB on the feedback received from respondents to the IAASB's ED-ISQM 1 and updated the AUASB as to the IAASB Quality Management Task Force's proposed way forward and revised timelines.

The AUASB Technical Group noted that the feedback received by the IAASB from respondents was largely aligned with the AUASB submission on ED-ISQM 1, with the main areas of concern focusing around scalability and prescriptiveness.

The AUASB noted that the IAASB Quality Management Task Force was considering a new standard 'ISQM 3' to apply to related services engagements, that way aiding in the scalability aspects of ISQM 1. The AUASB did not support this approach, as the AUASB considers that ISQM 1 should be scalable enough to cover related services engagements.

(Agenda Item 4.5 – Minute 1298) ISQM 2

The AUASB Technical Group updated the AUASB on the feedback received from respondents to the IAASB's ED-ISQM 2. The AUASB raised no concerns in respect of the proposed changes put forward to the IAASB by the IAASB's ISQM 2 Task Force.

(Agenda Item 4.6 – Minute 1299) ISA 220

The AUASB was presented with an overview of the feedback the IAASB received on proposed ED-ISA 220 and the possible solutions the ISA 220 Task Force are considering to respond to the main concerns raised



by respondents. The AUASB was pleased to see that the key points which had been raised in its submission to the IAASB were largely consistent with global feedback. The AUASB Members provided feedback on the merits of the proposed solutions put forward by the ISA 220 Task Force, focussing on their practicality for engagement leaders of different types of audit engagements.

(Agenda Item 4.7 – Minute 1300) EER

The AUASB was presented with an update on issues and recommendations from Phase 1 draft guidance consultation paper and initial elements of the Phase 2 draft guidance. The AUASB provided feedback on the subject matter relating to the proposed specified criteria, materiality, thought leadership and professional scepticism.

(Agenda Item 4.8 – Minute 1301) IAASB Strategy and Work Plan

The AUASB Technical Group updated the AUASB on the proposed revisions to the IAASB's Draft Strategy for 2020–2023 and Work Plan for 2020–2021, including the streamlining of the strategic objectives in the IAASB's Strategy and the revised approach to developing and implementing the IAASB's proposed 'Framework for Activities'. Many items included in the AUASB's submission on the IAASB's Draft Strategy and Work Plan have been addressed, such as an increased focus on technology and its impact for audits. However not all the AUASB's feedback has been addressed, with the request for there to be greater focus on thought leadership and the value of audit and the update of IAASB standards governing the conduct of review engagements not addressed.

AUASB Technical Matters

(Agenda Item 5.1 – Minute 1302) ASRE 2410 ED

The AUASB discussed the description of the auditor's responsibility in relation to going concern included in ED 01/19 *Review of a Financial Report Performed by the Auditor of the Entity*, and how this is described in NZAuASB's equivalent ED. The AUASB also discussed feedback received from stakeholders on this matter. Key issues covered by AUASB members were:

- The AUASB acknowledged and agreed with the consistent feedback that the AUASB and NZAuASB should do everything possible to align their approach to this matter.
- The AUASB confirmed that the scope and objective of this project was limited to aligning the format and content where appropriate, of the review report, to the auditor's report, and not to change other underlying procedural requirements in ASRE 2410.
- In considering NZAuASB's ED, the AUASB concluded that an explicit statement that the auditor concludes on going concern basis of accounting and whether a material uncertainty related to going concern exists, is not a requirement in ASRE 2410, and therefore this should not be included in the auditor's responsibilities section of the review report. It was agreed that this would be misleading to readers of the review report, and in excess of the current requirements.
- The AUASB also discussed whether the underlying requirements in ASRE 2410 in relation to going concern should be enhanced in the future and agreed this would be considered after this project was completed.

The AUASB agreed with the proposal to form a sub-committee consisting of Members and technical staff from the AUASB and NZAuASB to work together to progress this project.

(Agenda Item 5.2 – Minute 1303) Assurance Framework Publications Project Plan

The AUASB was presented with a project plan outlining three publications covering assurance basics, guidance for prescribers of assurance and 'other assurance' available under the AUASB Framework. The AUASB were supportive of the publications and provided feedback on the content of each publication as well as the proposed timeframe for completion.



(Agenda Item 5.3 – Minute 1304) LCE Discussion Paper Survey and Submission

The AUASB discussed and approved its submission to the IAASB's Discussion Paper on Audits of Less Complex Entities. The AUASB was pleased with the level of engagement on the topic through the AUASB's survey and other outreach activities.

A paper was also presented to the AUASB on how to utilise the evidence collected through the survey to support Australian auditors of LCEs whilst the IAASB determine a global response to the challenges. Discussion on this topic was deferred to the December 2019 AUASB Meeting.

(Agenda Item 5.4 – Minute 1305) Guidance Statement Discussion Paper

The AUASB reviewed the Guidance Statement Revision Discussion Paper, identifying whether relevant legislation / regulation or relevant standards had changed and therefore which Guidance Statements required update or withdrawal. AUASB Members requested the AUASB Technical Group update some of the questions in the Discussion Paper and consider development of a survey to compliment the Discussion Paper when it is distributed to stakeholders to obtain feedback in October 2019.

(Agenda Item 5.5 – Minute 1306) GS 008

The AUASB Technical Group provided the AUASB with a Revised draft of GS 008 *The Auditor's Report on a Remuneration Report Under Section 300A of the Corporations Act 2001*. The AUASB determined that additional considerations needed to be addressed in terms of materiality and the format of the audit report on the remuneration report. The AUASB also agreed that the illustration in Appendix 1 of GS 008 could be removed by including a reference to ASA 700 where example wording already exists. A revised draft of the guidance statement will be presented at the December 2019 AUASB meeting for consideration.

(Agenda Item 7 – Minute 1307) GS 005 Using the Work of Management's Expert

The AUASB considered and discussed the progress of the project to update GS 005 *Using the Work of a Management's Expert*. The AUASB provided input into the way forward to progress the finalisation of GS 005 which the AUASB Technical Group aims to present at the December 2019 AUASB meeting for approval.

Next Meeting

The next regular meeting of the AUASB will be held in Melbourne, on Tuesday and Wednesday, 3 - 4 December 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: 3 December 2019