



Subject: Minutes of the 117th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Zoom Teleconference
Date: Tuesday 26 May 2020 9:00am – 12:00pm

Attendance

AUASB Members:

- Professor Roger Simnett (Chair)
- Ms Julie Crisp (Deputy Chair)
- Mr Gareth Bird
- Mr Robert Buchanan (NZAuASB Chair)
- Ms Jo Cain
- 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
- Ms Johanna Foyster
- Mr Tim Austin
- Ms See Wen Ewe
- Mr James Wake

Apologies: None

Minutes

(Agenda Item 1 – Minute 1375) Agenda and introduction

The Chair welcomed members to the 117th AUASB Meeting.

(Agenda Item 1.3 – Minute 1376) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meeting held on 21 April 2020 via Teleconference were discussed.

Minor amendments were requested to the minutes of the AUASB's meeting. It was agreed this change could be reflected by the AUASB Technical Group staff following the meeting and approved by the AUASB Chair out of session.

(Agenda Item 2 – Minute 1377) AUASB Framework and Process Update Plan

The AUASB were presented with a plan prepared by the AUASB Technical Group (ATG) staff to review and update a number of AUASB Framework Pronouncements and process documents, including the AUASB Functions and Process publication which outlines the AUASB due process to standard setting. These pronouncements and publications will be subject to a comprehensive review by the AUASB over the next few months. AUASB members endorsed the plan, with members requesting some minor additions or changes which were agreed and will be reflected in the updated plan by the ATG.



The first element of the AUASB Framework and Process Update Plan for review and approval by the AUASB was an updated *Foreword to AUASB Pronouncements* document (the Foreword). Being an AUASB Framework Pronouncement requiring AUASB approval, the proposed changes to the Foreword were presented by the ATG for AUASB review. Whilst there was general support for the proposed changes, AUASB members provided feedback on a number of areas of the document which required further amendments, including the wording that addresses when the AUASB develops or updates an AUASB Guidance Statement and other AUASB pronouncements. Additionally, AUASB members fed back that it would be beneficial to review the AUASB's Functions and Processes document, which describes the AUASB's standard setting 'due process' in more detail, in conjunction with the Foreword in future. The ATG will process the changes requested by the AUASB on the Foreword and present them for further consideration with the AUASB Functions and Processes document at the June 2020 AUASB meeting.

The AUASB was then presented with an updated AUASB *Framework for Assurance Engagements* (the Framework) for approval. The changes proposed to the Framework were to reflect the recently approved *Conforming Amendments to the IAASB International Standards as a Result of the Revised IESBA Code* changes to the equivalent IAASB *International Framework for Assurance Engagements*. A small number of other amendments were made to the Framework to bring its content up to date and reflect some minor wording changes requested by individual board members. The revised Framework was put to the AUASB for approval and approved unanimously. The final version will be updated for AUASB comments agreed at the meeting, reviewed by the AUASB Chair and then posted on the AUASB website.

A revised AUASB Board Meeting paper template was also included in the board papers for discussion under this agenda item, however there was insufficient time to address this at the meeting. AUASB members were instead requested to provide their feedback to the ATG on the template out of session.

(Agenda Item 3 – Minute 1378) AUASB exposure draft process for standards based on an equivalent IAASB standard

The AUASB were presented with a paper summarising the outcomes from Exposure Draft (ED) processes adopted by the AUASB for the last 3 International auditing and assurance standards that have been issued by the IAASB - ASA 315, the Quality Management standards (comprising ISQM 1, ISQM 2, ISA 220 and conforming amendments) and AUP engagements. The purpose of this paper was to provide AUASB members with the necessary information to agree the process to be adopted going forward in exposing standards based on an equivalent IAASB standard. This would then be incorporated into the updated AUASB Functions and Processes document being developed as part of the AUASB Framework and Process Update Plan (refer Agenda Item 2 – Minute 1377 for more information).

A number of AUASB members raised concerns about the reduced level of formal submissions received on the last few Australian issued exposure drafts (including ED-ASA 315 and the Quality Management suite of standards), as stakeholder feedback is essential to the standard setting due process and to represent the public interest. The AUASB commented that developing alternative methods to elicit stakeholder feedback was important to the standard setting process and needed to be built into the ED process going forward. Additionally, the AUASB specifically directed the ATG to ensure that the requirement to explicitly address any AUASB 'Compelling Reasons' and the need to provide clear criteria that determine when re-exposure of an ED is addressed as part of the AUASB Technical Groups revision of the AUASB Functions and Processes document.

The AUASB unanimously agreed the recommendation of the AUASB Technical Group (ATG) staff that the process to be adopted going forward for exposing IAASB standards in Australia will be a 'wrap-around' of the International Exposure Draft accompanied by an Australian Consultation Paper (a 'wrap around' being a full copy of the IAASB ED with an accompanying Australian Explanatory Memorandum. This revised process will be adopted in the soon to be considered approval of the Proposed ISA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and conforming and consequential amendments.

The AUASB agreed that the Consultation Paper would include:

- an outline of the AUASB due process undertaken in relation to each ED;
- an outline of significant changes between the extant standard and the proposed ED;



- a summary of AUASB identified areas of concern and how such matters have been addressed by the IAASB in the final international exposure draft; and
- the international questions on exposure and if deemed appropriate, Australian specific questions about the ED.

(Agenda Item 4 – Minute 1379) ASA 600 – Group Audits – Project Plan

The AUASB approved the project plan to elicit stakeholder input on the Exposure Draft ISA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors) and Conforming and Consequential Amendments*. The project plan included the revised process as agreed at the 26 May 2020 AUASB meeting of a ‘wrap-around’ of the International Exposure Draft and a suggested timetable and outreach plan to work towards an AUASB response to the IAASB due by 2 October 2020.

(Agenda Item 5 – Minute 1380) Coronavirus Guidance – Update and Matters for AUASB Discussion

The AUASB received an update on the COVID-19 initiatives undertaken by the AUASB Technical Group (ATG) to date. This was summarised for the board in an ‘AASB-AUASB COVID-19 Response Action Plan’.

The AUASB provided feedback on a number of draft Auditor Reporting frequently asked questions. It was agreed that these would be redistributed to the AUASB out of session for approval.

The AUASB also discussed that, given recent reforms providing temporary relief from personal liability for Directors in certain circumstances whilst trading insolvent, there may be cases where the directors of an entity sign a solvency statement which includes a material uncertainty, or a negative solvency statement, even though the financial report is prepared on a going concern basis. This has been rare in the past and no existing guidance or precedent exists as to what is the impact on the auditor’s report, including if they do not agree that the solvency statement is appropriate in the circumstances. The AUASB provided feedback on a draft frequently asked question and requested that the ATG research this matter further. This matter will be reconsidered again at the June 2020 AUASB meeting.

Next Meeting

The AUASB will be holding its next meeting via Videoconference on Tuesday and Wednesday, 9th and 10th June 2020 commencing at 9.00 a.m.

Close of Meeting

The Chair closed the meeting at 12.00 pm.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 9th June 2020