



Subject: Minutes of the 118th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Zoom Teleconference
Date: Tuesday 9 June 2020 9:00am – 1:00pm and Wednesday 10 June 9:00am – 1:00pm

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 1381) Agenda and introduction

The Chair welcomed members to the 118th AUASB Meeting.

(Agenda Item 1.3 – Minute 1382) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meeting held on 26 May 2020 via Teleconference were discussed.

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

(Agenda Item 1.5 – Minute 1383) AUASB Chair Update

Matters raised by the AUASB Chair for the attention of the AUASB were:

- Details of the audit related sessions at the upcoming Accounting and Finance Association of Australia and New Zealand (AFAANZ) Conference being held virtually in July 2020. Topics will be finalised soon, with AUASB Members and Technical Staff able to join the conference for the audit related sessions.



- Details of recent meetings with the IAASB and other National Standard Setters on the impact of the Coronavirus epidemic on global auditing issues.
- An update on the weekly meetings currently being held amongst FRC members and representatives from ASIC and APRA to discuss matters arising from COVID-19 pandemic, including the process the AUASB Chair and Technical Staff have undertaken to obtain feedback on the AUASB's COVID-19 Frequently Asked Questions (FAQs).

(Agenda Item 1.8 – Minute 1384) NZAuASB Update

The NZAuASB Chair provided an update to the AUASB on the significant matters currently impacting the NZAuASB, including:

- The key matters the NZAuASB addressed at its June 2020 meeting, which included review of the NZAuASB's draft EER guidance submission to the IAASB, approval of the conforming amendments to NZ auditing standards arising from the revised NZAuASB Code of Ethics and review of the revised NZAuASB work program, which noted that some projects have been deferred due to other priorities arising from the COVID-19 response.
- Thanks to the AUASB Board Members and Staff involved in the recent EER outreach sessions held in early June, noting the positive impact of the AUASB and NZAuASB collaborating on this topic.
- Recent changes to the NZAuASB board members, with 3 members (including the AUASB Chair) reappointed and the public sector member completing his term with a successor appointed. Craig Fisher, a board member since inception, has been appointed to chair the XRB's advisory panel (XRAP) and will leave the NZAuASB and not be replaced. This reflects the XRB's decision to reduce the number of Board Members of both the NZASB and the NZAuASB (from 10 Members to 9 Members) for the foreseeable future, partly as a result of the COVID-19 pandemic.
- The favourable responses received from stakeholders on the staff alert on audit reporting, the COVID-19 FAQs, the NZASB's alert on going concern, and related materials released through the XRB's website. Like in Australia there has been positive feedback about how representatives across the accounting and auditing industry, and others in the supply chain including regulators and representatives of the director community, have worked together.
- Details of the XRB's increased focus on EER related matters as part of the Government's measures to improve Climate Change Reporting requirements.
- The NZAuASB's exposure of ISA ED 600, including planned outreach in June/July 2020, and ED ISRS (NZ) 4400 (Agreed Upon Procedures).

(Agenda Item 2 – Minute 1385) GS 009 Auditing Self-Managed Superannuation Funds

The AUASB were presented with an updated version of AUASB Guidance Statement GS 009 *Auditing Self-Managed Superannuation Funds* for approval. The AUASB members considered the revisions that had been made to GS 009 since the April 2020 AUASB meeting, which reflected changes arising from the AUASB Technical Group's quality review process and consultation with the APESB to align the guidance statement with the ethical and independence requirements in the reissued APESB's Independence Guide, Fifth Edition (May 2020).

A Board member suggested a number of substantive changes to certain paragraphs within the guidance statement. These were updated by the AUASB Technical Group and AUASB Board Project Sponsor after Day 1 of the Board meeting and presented to AUASB members in a turnaround document for consideration on Day 2 of the AUASB June meeting (refer to Agenda Item 6 below).

(Agenda Item 3 – Minute 1386) ASA 600 Exposure Draft

The AUASB provided input into and requested amendments to the draft AUASB Consultation Paper which addresses the exposure of the IAASB's Proposed Auditing Standard ISA 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*; and *Proposed Conforming and Consequential Amendments to Other Auditing Standards*. The amendments requested by the AUASB were mainly in relation to messaging around the exposure draft process and clarifying the timing and procedure



associated with when and how the AUASB applies the compelling reason test. Revised wording was developed by the AUASB Technical Group after Day 1 of the Board meeting and presented to AUASB members in a turnaround document for consideration on Day 2 of the AUASB June meeting (refer to Agenda Item 6 below).

Additionally, the AUASB requested the exposure period for the ISA 600 exposure draft to be extended from 70 to 80 days in order to provide stakeholders with additional time to respond to the AUASB over the June 2020 reporting season.

(Agenda Item 4 – Minute 1387) ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity

The AUASB has been working with NZAuASB on updating ASRE 2410 to align the auditor's review report to the enhanced auditor's report, and to incorporate the conforming amendments as a result of the IAASB's project regarding non-compliance with laws and regulations. The AUASB considered how the feedback received from stakeholders on exposure has been addressed in the updated ASRE 2410. The AUASB also were informed about how, consistent with the principles of convergence with NZAuASB, the ASRE 2410 and NZ SRE 2410 standards are aligned. It was agreed that differences between the two standards being issued by the AUASB and NZAuASB were appropriate, as they mainly related to pre-existing elements of each Board's respective extant standards and applied only to application material.

The AUASB approved ASRE 2410 with an effective date for financial reporting periods commencing on or after 1 July 2020 with early adoption permitted. The AUASB also provided feedback on the Basis for Conclusions which the AUASB Technical Group will update prior to the final standard being released.

(Agenda Item 5 – Minute 1388) AUASB Framework and Process Plan

The AUASB was presented with updated versions of the *AUASB Framework and Process Update Plan* and the *Foreword to AUASB Pronouncements* document (the Foreword). Both of these documents had been updated based on AUASB member feedback from the May 2020 meeting, where these documents were first considered by the Board.

The Board was also presented with a working draft of the proposed *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements* (the Due Process Framework), which will form the key part of the suite of AUASB framework and policy documents that explain how the AUASB ensures 'due process' when it comes to standard setting activities. The proposed Due Process Framework will replace the existing *AUASB Functions and Processes* document.

The AUASB Technical Group (ATG) shared with the Board the overall approach proposed to be adopted in documenting and updating the AUASB's Due Process Framework. The ATG explained that the Due Process Framework document will be designed to complement and operate in conjunction with the *AUASB Board Charter* and the Foreword, and that these documents will be presented together in future for Board consideration. Further, in line with the FRC's direction for the AASB and AUASB to align their functions and strategies to the greatest extent possible, the ATG will align the AUASB's Due Process Framework with that of the AASB where appropriate.

Overall, the AUASB was supportive of the approach taken by the ATG in revising and developing the due process documentation. Whilst the Board agreed with the overall structure of the proposed Due Process Framework that was tabled, a number of AUASB members expressed their desire that more prominence be given in the document to the 'public interest focus' of standard setting activities and proposed that 'standard-setting and guidance development in the public interest' be included as the first principle for due process in the framework, followed by 'transparency' and 'evidence informed'. A Board member recommended that the ATG include reference to the PIOB's Public Interest Framework that is currently being developed and expected to be issued before September 2020. Other feedback included a need for the due process to be clearly linked back to the AUASB's overarching strategic objectives.

The Board again directed the ATG to, as part of the ATG's review of due process, develop a revised 'compelling reason' test and to ensure clarity is provided around the point in the standard setting process where compelling reasons are to be considered by the AUASB, as well as to develop clear criteria to



determine when to re-expose an Exposure Draft. AUASB members again expressed their desire for visual flowcharts to be included where possible to outline the standard setting due process.

AUASB members were requested to provide further feedback to the ATG on the Foreword and Due Process Framework documents out of session.

The ATG intends to table the full suite of framework pronouncements and documents that cover the AUASB Framework and Process Update at the September 2020 AUASB meeting for Board consideration and approval. However, it should be recognised that for some elements of the overall plan where collaboration with others is required (e.g. the revision of the AUASB's 'Compelling Reasons' test with the NZAuASB) placeholders may have to be included if these are not finalised.

(Agenda Item 6 – Minute 1389) Turnaround of Approval Documents from Day 1

The AUASB were taken through the GS 009 turnaround document that addressed the substantive comments raised by the AUASB, which impacted nine paragraphs and required some revision based on Board member comments. The Board considered and agreed the changes were appropriate to address the substantive comments with minor amendments. Revised GS 009 was unanimously approved by the AUASB for issue, subject to the processing of any further editorial comments identified, with these to be approved by the AUASB Chair, the Technical Director and the AUASB Board Sponsor.

The AUASB discussed the revised ASA 600 ED Consultation Paper which was sent to AUASB members overnight. Additional changes to the document were made to clarify the description of the FRC's strategic direction, improve the referencing of the 'compelling reason' test and address editorial matters raised by Board members. The AUASB then unanimously approved the release of the Consultation Paper. The proposed revised timeline for submissions as a result of extending the comment period to 80 days was discussed and will result in an additional AUASB meeting to review the final submission to the IAASB in late September.

(Agenda Item 7 – Minute 1390) AUP Standard – Review and Preliminary Approval

The AUASB considered the responses and disposition of responses received on Exposure Draft 01/20 *Proposed Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements*. The AUASB considered and provided input into the way forward on the finalisation of the proposed standard in relation to the matters of independence, professional judgement, restriction on use and the term practitioner. The AUASB agreed the following:

- Example wording should be included in the Illustrative Engagement Letter for situations where the practitioner is required to be independent.
- The Illustrative Agreed-Upon Procedures Report should include illustrative wording that the practitioner is always objective when performing an agreed-upon procedures engagement.
- Based on compelling reasons, largely around consistency in practice, Australian established practices and clearer differentiation between an assurance engagement and an AUP engagements, the AUASB supported in principle that an Australian amendment to ISRS 4400 *Agreed-Upon Procedures Engagements* in relation to restriction of use of an Agreed-Upon Procedures Report be considered for further discussion.
- The terminology used for the definition of 'Practitioner' should be updated in the AUASB Glossary.
- Accordingly, the Basis of Conclusions document for ASRS 4400 should provide specific details on:
 - whilst the AUASB supports independence not being a pre-condition of AUP engagements the AUASB considers the fundamental principle of objectivity is critical and should be explicitly addressed in the AUP illustrative report
 - why the AUASB supports the requirement around professional judgement in the revised ASRS 4400
 - the broad use of the term practitioner



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- The AUASB Technical Group should monitor IAASB implementation support, particularly around the differences between assurance engagements and Agreed-Upon procedures engagements, with a view to issue Australian specific support if necessary.

A draft proposed ASRS 4400 addressing these amendments will be brought to the September 2020 AUASB meeting for approval.

(Agenda Item 8 – Minute 1391) IAASB Matters

The AUASB received an update on international projects that will be discussed at the forthcoming remote IAASB June 2020 meeting, including an update on the Quality Management standards, Audit Evidence and Technology projects.

(Agenda Item 9 – Minute 1392) Other Business

The AUASB provided feedback on proposed guidance developed by the AUASB Technical Group on the auditor's responsibility regarding the Director's solvency declaration as a result of Coronavirus pandemic. Feedback was noted and a final version of the Frequently Asked Questions on this topic will be shared for 'fatal flaw' review by AUASB members out of session.

AUASB Members were also updated on proposed changes to Going Concern disclosure requirements which will be exposed by the New Zealand Accounting Standards Board. The AASB are also considering whether a similar project needs to be undertaken in Australia, and the AUASB Technical Group are working closely with AASB staff on this issue.

Next Meeting

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

Close of Meeting

The Chair closed the meeting at 1.00 pm.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 9 September 2020