



Subject: Minutes of the 121st meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Zoom Teleconference
Date: Tuesday 1 December 2020 9:00am – 4:30pm and Friday 4 December 9:00am – 12:00pm

Attendance

AUASB Members:

- Professor Roger Simnett (Chair)
- Ms Julie Crisp (Deputy Chair) [Day 1 only]
- 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
- Mr Andrew Porter

AUASB Technical Staff:

- 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: Ms Julie Crisp [Day 2 only]

Minutes

(Agenda Item 1 – Minute 1413) Agenda and introduction

The Chair welcomed members to the 121st AUASB Meeting.

(Agenda Item 1.3 – Minute 1414) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meetings held on 9 September and 20 October 2020 via Teleconference were discussed. Other than one minor editorial change requested for the October 2020 meeting minutes the minutes for both the AUASB meetings were approved.

(Agenda Item 1.5 – Minute 1415) AUASB Chair Update

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

- A joint submission will be made by the FRC, AASB and AUASB in relation to the IFRS Trustees proposal to establish a separate body to develop International Sustainability Reporting requirements.
- The repeal of superseded AUASB Standards discussed at the October 2020 AUASB meeting has been approved.



- An update on the request from the FRC to review the AUASB's mandate to issue Assurance standards relating to non-financial information.
- Details of an AASB-AUASB sponsored ARC Research Grant recently awarded on the cost of capital relating to climate change disclosures.
- Developments by the IAASB and IESBA relating to the revision of the Public Interest Entity and Listed Entity definition.
- An update on a number of AUASB operational matters, including plans to source additional technical staff or contractor resources on a short term or casual basis to assist the AUASB Technical Group in 2021 and details of the AUASB office closure period in December 2020 and January 2021.

(Agenda Item 1.8 – Minute 1416) NZAuASB Update

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

- The New Zealand XRB Board's plans in relation to climate change reporting and the revised XRB strategy.
- Informing the AUASB about the Audit Quality Monitoring Report issued in November 2020 by the New Zealand Financial Markets Authority (FMA).
- Key items on the agenda for the upcoming December NZAuASB meeting, including discussions planned with invited guests on matters of interest around the reporting season, such as COVID-19 disclosures and Key Audit Matters, and reviewing feedback from NZ stakeholders on the questions raised in the IAASB Discussion Paper on Fraud and Going Concern in an Audit of Financial Statements.
- A review of items discussed at the recent IAASB National Standard Setters (NSS) meeting held in November 2020.
- In his capacity as a member of the Public Interest Oversight Board (PIOB) the NZAuASB Chair also provided an update on transitional activities associated with the recent Monitoring Group reforms to international standard setting. It was also noted that the suite of IAASB Quality Management Standards are expected to be approved at the upcoming PIOB meeting in mid-December 2020.

(Agenda Item 2 – Minute 1417) FRC and Audit Quality Update

The AUASB received an update on the recommendations contained in the final report of the Parliamentary Inquiry into the Regulation of Auditing in Australia issued in November 2020. The AUASB discussed actions being coordinated with the FRC and other stakeholders to coordinate initial responses to the recommendations in the final report.

The AUASB also received updates on the status of the Audit Committee Chairs Audit Quality survey and the research being conducted by the AUASB Technical Group (ATG) on auditor reporting during COVID-19, which will be finalised and published as an AUASB Research Report in December 2020.

(Agenda Item 3 – Minute 1418) AASB Chair Update

The AUASB welcomed the Chair of the Australian Accounting Standards Board (AASB), Dr Keith Kendall to provide an update on current AASB activities. Dr Kendall updated the AUASB on the suite of current AASB projects. He also presented on future AASB priority areas, current IASB priorities and the upcoming AASB Agenda Consultation process, as well as responding to questions from the AUASB. A joint strategy day bringing together both the AASB and AUASB members is being planned for 2021, subject to social distancing and travel restrictions.



(Agenda Item 4 – Minute 1419) Due Process Framework Document – Review and Approval

The AUASB considered and subsequently approved the Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications, which will replace the existing AUASB Functions and Processes publication.

The AUASB was asked to consider changes made to the document since the September meeting, including:

- restructuring the document to separate out policy and principles from processes;
- clarifying what is meant by “public interest” and how the AUASB assesses the public interest responsiveness of its pronouncements and standard-setting processes;
- adding a new section outlining the factors the AUASB considers in determining the most appropriate pronouncement/publication to issue in the circumstances;
- simplifying and clarifying the criteria the Board applies to determine whether there is a need for re-exposure of a proposed standard; and
- adding diagrams to the framework to visually depict the categories of AUASB pronouncements/publications (types and hierarchy) and standard-setting processes.

The Board was presented with a table summarising comments provided by Board members ahead of the December 2020 meeting, which explained how the ATG proposed to address these comments in the final ‘turn around’ document to be presented to the Board for approval at Day 2 of the meeting.

Whilst there was general support for the ATG’s final proposed changes, a Board member requested further refinement of the criteria for re-exposure, to lessen the current focus of the criteria on changes made to the original proposals, and to explain that for standards based on international standards, re-exposure will be considered only under limited circumstances where there is a high likelihood of identifying additional compelling reasons for modification of the international standard for adoption in Australia. A number of Board members also asked for greater clarity around the principles the AUASB will apply when deciding on the most appropriate form of guidance to issue in particular circumstances (that is, whether to add/update application and explanatory material in a standard, issue/revise a Guidance Statement or issue non-authoritative material).

An updated marked-up version of the Due Process Framework document was then presented to the Board on Day 2 of the meeting and subsequently approved by the Board, with all 10 AUASB members present on Day 2 of the meeting approving the document. The final version of the document will now be published on the AUASB website for a short comment period, complimented by targeted outreach with key stakeholders.

(Agenda Item 5 – Minute 1420) Conformance and Harmonisation Policy with NZAuASB

The AUASB reviewed an updated draft of the AUASB/NZAuASB Conformance and Harmonisation Policy, which had been updated based on feedback from AUASB and NZAuASB members at the joint meeting of both boards held in October 2020. The same version of this policy was also being reviewing by the NZAuASB at its December 2020 meeting.

The AUASB on Day 1 of the AUASB meeting worked through feedback provided by AUASB members. It was agreed that a revised draft would be developed by the ATG to share with the NZAuASB for their meeting later in the week, before a further revised version of the policy would be reviewed by the AUASB on Day 2 of the AUASB meeting.

The revised version of the AUASB/NZAuASB Conformance and Harmonisation Policy presented to AUASB members on Day 2 of the meeting was updated to address AUASB feedback from Day 1 and also additional comments that has been received from the NZAuASB. There were still some areas of the policy that some AUASB members considered required further amendment. After further deliberation it was agreed by all 10 AUASB members present on Day 2 of the meeting that a subcommittee (comprising the AUASB Chair, AUASB Deputy Chair, NZAuASB Chair and one other AUASB member) would review and make additional amendments to the policy document, and then this document would be shared with the full AUASB for fatal flaw review.



(Agenda Item 6 – Minute 1421) COVID-19 Draft Research Report

The AUASB were provided with an overview of the key auditor reporting trends and issues which were identified over the June 2020 reporting period, including the impact of COVID-19 on auditor reporting. The AUASB were additionally updated on the progress of a forthcoming research report which will provide an overview of auditor reporting over the June reporting periods of 2019 and 2020, with a particular focus on the impact of COVID-19. The AUASB provided feedback and insights on their experiences and observations throughout the June 2020 reporting period. The final version of the AUASB Research Report will be shared with the AUASB for fatal flaw review in the week after the AUASB meeting.

(Agenda Item 7 – Minute 1422) IAASB Discussion Paper on Fraud and Going Concern

The AUASB provided feedback to the ATG on the proposed outline of the AUASB's response to the IAASB's Fraud and Going Concern Discussion Paper. The AUASB discussed the importance of looking holistically at the roles of all parties in the financial reporting ecosystem when considering how to address the expectation gap that exists in relation to the auditor's responsibilities in relation to fraud and going concern in a financial statement audit.

In relation to fraud the AUASB provided feedback on a number of areas that needed further enhancement in the submission, such as: the need to balance the requirement for entities to have good internal controls relating to fraud (potentially under a SOX or 'SOX light' model); and/or the need for any additional measures relating to reducing the fraud expectation gap to be subject to a cost/benefit analysis; cultural/behavioural aspects of fraud; emphasising training and education of auditors in fraud risk assessment through practical case studies; the use of technology; the importance of knowledge sharing from experienced auditors; transparency around the responsibilities of management and those charged with governance; and the risk of third party fraud related to Cybercrime, which is seen as an emerging issue.

When review the content of the proposed submission relating to going concern the AUASB discussed that it is vitally important that the IAASB work with the IASB on ensuring there is consistency and alignment of the accounting and auditing standards. The AUASB emphasised the need to consider if the accounting standard's disclosure requirements are adequate, or whether more granularity is required to result in more consistent application and disclosure of going concern issues. This is particularly important when significant uncertainty or a material uncertainty in relation to going concern exists, to ensure there is adequate transparency as to the key judgements made by management when making their going concern assessments. The AUASB is also supportive of further consideration as to whether further transparency and reporting on going concern matters should be required by management and auditors, including factors relevant to an entity's longer-term viability.

The ATG noted the various comments from the AUASB members and will revise the key points for the AUASB's response to the IAASB's Fraud and Going Concern Discussion Paper. A draft of the submission will be reviewed by the AUASB Chair and sponsoring AUASB members, before being sent to AUASB members for fatal flaw review within the next two weeks.

(Agenda Item 8 – Minute 1423) Quality Management Standards – Rollout Plan and initial consideration of compelling reasons

The AUASB received an update on the proposed roll out plan for the Quality Management Standards (ISQM 1, ISQM 2 and ISA 220) in advance of their formal approval by the PIOB later in December 2020. The AUASB agreed to hold an additional AUASB meeting via videoconference in February 2021 to discuss potential Australian amendments to the Quality Management Standards ahead of the March 2021 AUASB meeting, where the new and revised Australian versions of these standards (ASQM 1, ASQM 2 and ASA 220) are planned to be considered for approval.

(Agenda Item 9 – Minute 1424) ASA 540 Implementation Update

The AUASB received an update on the ATG's work developing guidance materials as part of the AUASB's ASA 540 *Auditing Accounting Estimates and Related Disclosures* implementation support plan. The implementation support plan includes a dedicated space on the AUASB website with links to support materials that have been developed by the IAASB, and a series of Frequently Asked Questions (FAQs) that are



currently under development. The AUASB intends to issue FAQs before the end of 2020. These will be promoted on the AUASB website, through communications from the professional bodies and via AUASB social media once the materials are ready.

(Agenda Item 10 – Minute 1425) AUASB Technical Work Program 2020-21

Following the presentation of a high-level update of the 2020-21 Technical Work Program to the AUASB at its October 2020 meeting the ATG presented a more detailed breakdown of the updated work program for AUASB members to review. AUASB members were pleased to see the various AUASB projects mapped to the current AUASB strategy and requested that additional time be built into future AUASB meeting to review the work program and determine where future emerging issues can be addressed. In particular AUASB members noted the importance of identifying and responding to assurance related issues or trends arising from the recovery from the COVID-19 epidemic and climate change reporting.

The ATG will now produce a public version of the latest AUASB Technical Work Program for posting on the AUASB website. This will then be revised and presented to the AUASB at each subsequent AUASB meeting.

(Agenda Item 11 – Minute 1426) IAASB Matters – EER Assurance Guidance

The AUASB was provided an update on the IAASB's Extended External Reporting (EER) Assurance Guidance, in particular the key changes proposed by the IAASB EER Taskforce in response to feedback received from public consultation and from the IAASB. The IAASB EER Taskforce will present this latest version of the EER Assurance Guidance to the IAASB at its December 2020 meeting and seek approval of the final EER Assurance Guidance and supplements in March 2021.

(Agenda Item 12 – Minute 1427) Public Sector Audit Issues

The ATG updated AUASB members on recent activities undertaken to engage with the Australian Council of Auditors-General (ACAG) Auditing Standards Committee. This included an update on the latest AUASB Technical Work Program and a discussion about public sector auditing implications associated with a number of AUASB priorities. Also discussed were the ATG's plans to restart work with the AUASB's Public Sector Audit Issues Project Advisory Group in 2021.

(Agenda Item 14 – Minute 1428) International Matters

Less Complex Entities

The AUASB received an update on the IAASB's Less Complex Entities (LCE) project, including a detailed update of the parameters being discussed by the IAASB in relation to the separate LCE standard. The progress of this project will continue to be monitored by the AUASB with input provided to the IAASB through the AUASB's International Influencing Strategy.

Group Audits

The AUASB received an update on the revision to ISA 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)* including a high-level overview of some of the key themes identified on 4 topics:

- The scope and applicability of ED-ISA 600
- The revised definition of component
- The risk-based approach
- The revised definition of engagement team

Feedback by stakeholders through the 82 responses received by the IAASB largely aligned with the feedback provided by the AUASB in its submission to the IAASB on ED-ISA 600.



Audit Evidence

The AUASB was presented with a paper providing an overview of the IAASB's Audit Evidence Project Plan being discussed at the upcoming December 2020 IAASB Meeting. The ATG outlined the key areas of focus within the project plan which included the proposed objectives, scope and timing of the project.

AUASB Members raised concerns that the proposed approach of the IAASB task force may unintentionally raise the bar relating to the auditor's nature and extent of audit evidence required. In particular, concerns were noted about the removal of the distinction between internal and external information, and that the staggered approach outlined in the Audit Evidence Working Group Plan in 2019 has not been reflected in the project plan.

(Agenda Item 15 – Minute 1429) Other AUASB matters for noting

The AUASB was provided with an update from the ATG on the status of the AUASB's Assurance Framework Publications last discussed by the AUASB at its April 2020 meeting. The first publication is close to being finalised by the ATG and will be released in December 2020.

The final version of the AUASB's response to the IAASB's Auditor Reporting Post Implementation Review Survey was also noted.

An update was also provided to the AUASB on recent activities being undertaken by the AUASB's Technology Project Advisory Group relating to Data Integrity and Cyber. The AUASB requested that a more fulsome update of the Technology Project Advisory Group's actions and planned outputs is provided at the March 2021 AUASB meeting.

(Agenda Item 16 – Minute 1430) AUASB Standards Digital Portal Demonstration

The AUASB was provided with a demonstration of the AUASB Standards Digital Portal's key pages and functionality. The update included an overview of the next steps to finalise and launch the portal in early 2021.

(Agenda Item 17 – Minute 1431) Other Business

The AUASB Chair thanked all AUASB members and the AUASB Technical Staff for their contributions throughout 2020, especially when considering the challenging conditions imposed by the COVID-19 epidemic on the AUASB's operations. These comments and thanks for the AUASB Technical Staff were echoed by all AUASB members present.

Next Meeting

The AUASB will be holding its next meeting in Melbourne (subject to any prevailing travel restrictions or other governmental restrictions at a venue and time to be determined on Wednesday 10th March and Friday 12th March 2021).

Close of Meeting

The Chair closed the meeting at 12.00 pm on Friday 4th December 2020.

Approval

Signed as a true and correct record.

W R Edge

Chair

Date: 10 March 2021
