



Subject: Minutes of the 100th meeting of the Auditing and Assurance Standards Board (AUASB)

Venue: TEQSA, Level 14, 530 Collins Street, Melbourne VIC 3000

Date: Tuesday 17 April 2018 10.00am to 5.30pm and
Wednesday 18 April 2018 9.00am to 4.00pm

Attendance

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

AUASB Technical Group: Mr Matthew Zappulla
Ms Rene Herman
Ms Marina Michaelides
Ms Anne Waters
Mr Tim Austin
Ms Anna Wu

Apologies: None

Observers: None

Minutes

(Agenda Item 1 – Minute 1199) Agenda and introduction

The Chair welcomed members to the 100th AUASB meeting.

(Agenda Item 1(c) – Minute 1200) Minutes of Previous AUASB Meeting on 7 March 2018

Draft minutes were discussed and approved by the AUASB Chair. AUASB members requested future minutes contain greater detail in respect of the deliberations AUASB members have on International matters, in particular the AUASB's discussions about upcoming IAASB papers and major projects. The AUASB Technical Group (ATG) noted this point and will include more granular detail in future minutes of meetings.

(Agenda Item 2 – Minute 1201) Audit Quality Plan Update (in camera session)

The AUASB received an update on work the AUASB Chair and ATG are doing to support the Financial Reporting Council's (FRC) audit quality initiatives. AUASB members also provided feedback on the draft questions for a planned survey of ASX 300 Audit Committee Chairs on their perceptions of current audit quality across the profession, which is planned for release in May/June 2018. The value of short one-on-one interviews with targeted stakeholders was also suggested.

The AUASB received an update on recent activities the ATG had undertaken in relation the AUASB's 'Audit Quality – Working Collaboratively with Audit Regulators' strategic project, including initial discussions which have taken place on this project with large accounting firms and Australian Securities and Investments Commission (ASIC).



(Agenda Item 3 – Minute 1202) International Matters

AUASB International Strategy

An updated AUASB International Strategy, taking into account feedback from the March 2018 AUASB meeting, was tabled and approved by the AUASB for publication on the AUASB website, subject to minor editorial changes which will be reviewed and approved by the AUASB Chair out of session.

Review of AUASB Process for Exposing IAASB Standards

The ATG presented a paper to the AUASB with options to amend the current process by which the AUASB exposes the Australian versions of the International auditing and assurance standards issued by the IAASB. AUASB members discussed the current process the AUASB uses to expose IAASB standards and whether this should be changed so that an exposure draft (ED) is issued in Australia concurrently with the IAASB's ED (the 'proposed process'). The AUASB discussed the merits of both the existing and the proposed processes, with a particular emphasis on:

- Retaining the ability to source high quality and timely feedback on EDs;
- Releasing final AUASB standards as promptly as possible after the standards are issued by the IAASB; and
- Preserving the ability to obtain feedback on EDs from the widest possible range of stakeholders.

Whilst the current process is not considered to be "broken", in the spirit of continuous improvement, the process was reviewed towards optimising process effectiveness and efficiency. Consequently the AUASB agreed to trial the proposed process (i.e. option B as recommended by the ATG), in connection with the upcoming ISA 315 *Identifying and Assessing the Risk of Material Misstatement through Understanding the Entity and its Environment* ED, which is currently scheduled for release by the IAASB in June 2018.

Report on March 2018 IAASB Meeting

The AUASB received a summary of the highlights from the March 2018 IAASB meeting attended by the AUASB Chair, with a particular focus on how issues raised by the AUASB at its March 2018 meeting were addressed at the IAASB meeting and what the implications might be for upcoming AUASB projects and pronouncements. The paper reported in particular the progress of the IAASB in relation to upcoming standards, ISA 540, ISA 315 and ISQC 1 and also noted IAASB discussions on EER Assurance and the upcoming development of the IAASB's 2020-2023 strategy.

ISA 540

The AUASB received an update on the progression of ISA 540 *Auditing Accounting Estimates and Related Disclosures*, noting that the areas of concern raised at the 7 March 2018 AUASB meeting were being addressed by the IAASB in the development of the standard. The AUASB discussed whether ISA 540 would be re-exposed by the IAASB and the potential for delay to the application date of the standard. With the IAASB looking to finalise ISA 540 at their next meeting in June 2018, further discussion on ISA 540 will occur at the June 2018 AUASB meeting.

In addition to discussing the technical content of the standard and the IAASB's progress on ISA 540 the AUASB also considered the draft project plan prepared by the ATG on the timing of the Australian exposure of ISA 540. The AUASB commented that the exposure draft should be released for public comment as soon as practical with the exposure period still to be determined, but taking into account the needs of our stakeholders.

ISA 315

The AUASB received an update on ISA 315 *Identifying and Assessing the Risk of Material Misstatement through Understanding the Entity and its Environment* and noted that the areas of concern raised at its meeting on 7 March 2018 were discussed by the IAASB and will be monitored as the drafting of the standard progresses. An exposure draft on ISA 315 is scheduled to be approved at the June 2018 IAASB meeting and, as described above, the ED will be issued concurrently in Australia with the international ED as part of the trial of a new process for exposing IAASB standards.



Monitoring Group Roundtables

The AUASB Technical Group informed the AUASB of the upcoming Monitoring Group Roundtables occurring 21st June 2018 in Melbourne and 22nd June 2018 in Sydney. The roundtables will be targeted at a range of different constituents and presented by representatives from the Monitoring Group, with invitations to the sessions being coordinated by the AUASB in conjunction with the APESB, CA ANZ and CPA Australia.

(Agenda Item 4 – Minute 1203) AASB/AUASB Office Matters (in-camera)

The AASB/AUASB National Director gave an update to the AUASB on initiatives to simplify processes of the Office of the AUASB and the progress of the office toward meeting the objectives of its corporate plan.

(Agenda Item 5 – Minute 1204) AUASB Technical Matters

Technical Work Program update

An updated AUASB Technical Work Program was tabled for the AUASB's consideration with the ATG providing an update on the AUASB strategic projects currently in progress and two new project plans for audit issues for small and medium entities/small and medium practices and superannuation funds.

Emerging Forms of External Reporting

A three-tiered approach to the strategic project plan to build credibility and trust in EER was discussed and supported by the AUASB covering:

- Contribution to international effort to address EER assurance challenges with guidance.
- Collaboration with like-minded national standard setters.
- Pro-active stakeholder consultation in Australia to identify any specific guidance needed in our jurisdiction.

Ensuring that the international guidance developed has a clear basis and addresses emerging and strategic issues in the Australian market, such as workplace culture, was highlighted as important.

A strategic approach to external communications was discussed and supported, to highlight work underway to build credibility and trust in EER, of which assurance represents an important part.

The need for a research strategy to ensure that past/current/future EER-related research is drawn on was also emphasised.

Public Sector Audit Issues

An updated strategic project plan relating to public sector audit issues was presented for the AUASB consideration. The updated plan highlighted recent discussions held with representatives from the Australasian Council of Auditors-General (ACAG) and refined the scope of the project, with emphasis being placed on addressing specific issues ACAG has requested the AUASB prioritise as a matter of urgency. The plan also includes consideration of whether a new 'Probity Audit' standard may be necessary and further outlines activities the ATG will continue to perform to monitor and support the implementation of ASAE 3500 *Performance Engagements* in the public sector.

Financial Reporting and Assurance Frameworks

The AUASB discussed their continued involvement supporting the AASB on this project, following the AASB's expansion of the project to the public and for-profit sectors. The AUASB directed the ATG to continue to assist the AASB with the project, however to limit activities to where there is a genuine amendment or possible amendment to frameworks which have an auditing or assurance impact. The AUASB reiterated that the current framework of assurance standards are flexible in scope and level of assurance, but this needs to be monitored should any financial or reporting frameworks be subject to legislative or regulatory change.



SME/SMP Audit Issues Discussion

A paper to facilitate discussion of the AUASB's options in relation to the SME/SMP Strategic Project in response to recent developments on this topic by the IAASB was tabled. The paper proposed 5 options regarding the nature and extent of focus the AUASB could undertake in relation to SME/SMP issues. The advantages and disadvantages of each option were discussed by the AUASB, with Option 2 ('Continue to provide SME/SMP related feedback on the IAASB agenda') supported by the board. This approach does not result in any Australian-specific SME/SMP pronouncements but more actively attempts to influence the IAASB agenda on this topic and considers where the AUASB may be able to develop some local guidance on SME/SMP Issues supported. The AUASB Chair and Technical Director will monitor this issue closely at the upcoming IAASB National Standards-Setters and June 2018 meetings.

Superannuation Discussion

The AUASB received a briefing paper on the current regulation regime of approved auditors of Self-Managed Superannuation Funds and APRA Regulated Registrable Superannuation Entities. Whether any AUASB actions were required in response was considered, but the AUASB agreed developments in this area were currently best dealt with by other regulators and the Financial Reporting Council (FRC). A short paper on this matter will be prepared by the ATG and presented by the AUASB Chair at the next FRC meeting.

AUASB Research Strategy

The AUASB was presented with an issues paper to present options and support discussions about the development of an AUASB Research Strategy document. The AUASB supported the need for research to support strong evidence based decisions being made. Whilst the AUASB agreed that research had a key role to play, there was discussion regarding whether a formal research strategy document needs to be developed or that research should be built into the processes that the ATG go through when preparing papers. Integrating the research strategy into the Project Plan for each strategic priority was discussed as a more effective approach to embedding research into the AUASB approach across the board.

A revised Research Strategy document considering these matters will be presented at a future AUASB meeting (likely September 2018) to progress this matter.

AUASB Glossary

The AUASB was presented with a draft project plan to update the AUASB Glossary. The AUASB approved the project plan and an updated glossary will be brought to the AUASB June 2018 meeting for approval.

(Agenda Item 6 – Minute 1205) Other Business

A Board member brought to the attention of the AUASB the recently effective *Safe harbour* provisions of the *Corporations Act 2001*. The ATG was requested to consider whether there are any assurance implications for the AUASB as a result of this legislative change and report back to the AUASB at its June 2018 meeting.

Next Meeting

The Chair closed the meeting at 4.00 p.m.

The next regular meeting of the AUASB will be held in Sydney, on Wednesday, 13 June 2018 commencing at 8.30 a.m.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 13 June 2018