



**Subject:** Highlights from the 106<sup>th</sup> Meeting of the Auditing and Assurance Standards Board  
**Venue:** ASIC Offices, Level 5, 100 Market Street, Sydney  
**Meeting Date:** Wednesday 6 March 2019, 9:00am – 5:00pm

Further discussion of the meeting highlights are available via [the meeting podcast](#) (15 minutes) featuring AUASB Member and NZAuASB Chair **Robert Buchanan**, newly appointed AUASB Member **Klynton Hankin**, AUASB Technical Director **Matthew Zappulla** and AUASB Project Manager **Tim Austin**.

**1. Review of the AUASB Exposure Draft (ED) Process and EDs for the Quality Management Standards (ASQM 1, ASQM 2 and ASA 220)**

Having deliberated and piloted a new process to expose IAASB standards in 2018, the AUASB considered a paper proposing further revisions to the ED process to facilitate the release of the EDs for the Quality Management Standards ('the QM Standards'). AUASB members requested some changes to the process which will provide greater clarity to AUASB staff and stakeholders about the ED process in future. These changes require further amendments to the EDs and associated documentation relating to the QM Standards, so the final review and approval of these EDs has been deferred to an AUASB teleconference which will be convened on 20<sup>th</sup> March 2019.

The AUASB also agreed in light of this delay that the proposed deadline for responses to the EDs for the QM Standards will be pushed back to the second week of June to allow more time for stakeholder analysis and responses to be submitted. A comprehensive engagement and outreach program relating to the QM Standards is also to be developed and approved at the April AUASB meeting.

**2. Agreed-Upon Procedures (AUP)**

The AUASB reviewed the draft response to the IAASB in relation to the revised International ED on AUP, ISRS 4400. The AUASB considered responses received from a range of stakeholders on the AUASB Consultation Paper released in December 2018 seeking feedback on the proposed version of this ED, with particular emphasis on where the ED differs from ASRS 4400 *Agreed-Upon Procedures to Report Factual Findings*.

The AUASB deliberated over a number of elements of the ED based on the current Australian requirements and feedback received on the Consultation Paper – specifically in respect of professional judgment, independence and restriction of use of the AUP report. Feedback from the AUASB will be captured in a revised response to the IAASB which will be sent to AUASB member for final 'fatal flaw' review and then submitted to the IAASB before the closing date for submissions on 15 March 2019.

**3. Audit Quality Plan Update**

The AUASB discussed Audit Quality considerations arising from:

- The latest ASIC Audit Inspection Report which was released in January 2019;
- A report recently issued by the Parliamentary Joint Committee on Corporations and Financial Services which includes an analysis of the committee's ongoing concerns on audit quality matters overseen by ASIC and the Financial Reporting Council (FRC); and
- Recent public inquiries about the audit market and implications for audit quality that have recently been completed or are in progress in the United Kingdom.



The AUASB also received an update on the joint publication currently nearing completion by the FRC and AUASB about Investors' current perceptions on audit quality in Australia.

#### **4. Review of March 2019 IAASB Papers**

The AUASB were informed about and discussed the key matters on the IAASB's March 2019 Agenda, with the two main topics being:

- An update on changes to Exposure Draft ISA 315 *Identifying and Assessing the Risks of Material Misstatement* proposed by the ISA 315 Task Force, which outlines different approaches to address concerns raised by stakeholders about the complexity and scalability/proportionality of this proposed standard. Feedback from AUASB members on these different approaches was mixed, but the AUASB was pleased to note many of the other matters raised in their submission to the IAASB on this ED have been acknowledged and are likely to change.
- Review of the IAASB proposed Discussion Paper on "Audits of Less Complex Entities: Exploring Possible Options to Address the Challenges" which sets out the IAASB's commitment to exploring what more can be done in relation to audits of Less Complex Entities (LCE's). AUASB members were very supportive of this initiative from the IAASB and the overall approach of the Paper, but some members had concerns about how the options to address LCE audits had been presented. Feedback from AUASB members on this topic is being provided directly to the Chair of the IAASB LCE Working Group, AUASB Chair and new IAASB member Prof. Roger Simnett.

#### **5. ED 05/19 ASRE 2410 *Review of a Financial Report Performed by the Auditor of the Entity***

The AUASB reviewed a revised version of the Exposure Draft for ASRE 2410, with some minor amendments requested. This ED is being compiled in conjunction with the New Zealand Auditing and Assurance Standards Board, and will be brought back to the AUASB for review and approval at the next regular meeting on 16 April 2019.

***The AUASB will be holding its next meeting via Teleconference on 20<sup>th</sup> March 2019 (time to be confirmed), to review and approve the Exposure Drafts for the Quality Management Standards (ASQM 1, ASQM 2 and ASA 220)***

***The next AUASB regular meeting will be held in Melbourne on the 16<sup>th</sup> April 2019 commencing at 9:00 am.***

***Both meetings will be open to the public. Please register via the AUASB website ([www.auasb.gov.au](http://www.auasb.gov.au)) or send an email to [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au) if you wish to attend.***