



Subject: Minutes of the 89th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Meeting Room, Tower Level 14, 530 Collins Street, Melbourne
Teleconference
Date: 7 March 2017 from 10.00 a.m. to 12.00 p.m.

Attendance:

AUASB Members:	Ms Merran Kelsall (Chairman) Mr Gareth Bird Mr Robert Buchanan Mr Chris George Prof. Nonna Martinov-Bennie Mr Colin Murphy Ms Carolyn Ralph Mr Justin Reid Mr Ashley Wood
NZAuASB / IAASB	Ms Lyn Provost (IAASB) Ms Sylvia van Dyk (NZAuASB)
AUASB Technical Group:	Mr Matthew Zappulla Ms Rene Herman Ms Marina Michaelides Ms Anne Waters Mr Mark Dowling
APOLOGIES	Ms Jo Cain Ms Robin Low (Deputy Chairman)
OBSERVER	Ms Claire Grayston (CPA)

Welcome and Declarations of Interest

(Agenda Item 1 – Minute 1101)

Members were welcomed to the meeting, which was to discuss and provide feedback on the matters included in the IAASB March 2017 Meeting Papers. The Chairman particularly welcomed IAASB Board Member Lyn Provost and her Technical Advisor Sylvia van Dyk to the meeting as Observers.

“Declaration of Interests” forms for members were tabled and confirmed. Members have adopted a standing policy in respect of declarations of interests that a specific declaration will be made where there is a particular interest in an issue before the AUASB.



ISA 540 Auditing Estimates, Including Fair Value Accounting Estimates and Related Disclosure

(Agenda Item 2 – Minute 1102)

The AUASB discussed feedback on the final draft of the ISA 540 Exposure Draft in the IAASB March 2017 Meeting Papers. The following key points were raised during the discussion:

- Overall the ED is moving in the right direction and is an improvement from the previous version.
- Expecting 540 ED to be approved at the IAASB meeting 13-17 March 2017 and issued in late March/early April).
- Timing is important due to IFRS 9.
- Suggest the use of flowcharts to explain certain requirements (e.g. para 13) as currently very wordy.
- The extensive application guidance may be very difficult to convert into a firm based methodology.
- ISA 540 is far more granular in relation to sufficient and appropriate audit evidence (SAAE) – this is different from other standards and may lead to unintended consequences.
- Paragraph 8(d) requires the testing of controls, is this better placed in ISA 315?
- The requirement to obtain written representation in relation to data to support valuation models extends beyond requirements of other standards. Auditor should use judgement when seeking a representation from management (it should not be a requirement) e.g. only seek representation when there is a lack of evidence.

ISA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding One Entity and its Environment

(Agenda Item 3 – Minute 1103)

The AUASB discussed the ISA 315 Issues and Task Force Recommendations paper included in the IAASB March 2017 Meeting Papers. The following key points were raised during the discussion:

- IT needs to be updated to reflect developments and cover less complex environments
- Need to include IT general and application controls
- ISA 315 changes include concept of separate or combined assessment of risk.
- Important to understand control environment even if not intending to rely as this needs to be communicated with TCWG.
- The current definition of significant risk in ISA 315 is circular and needs to be improved. The AUASB reviewed the proposed “working definition” of significant risk outlined in paragraph 69 of the agenda paper.
- There is no point in increasing numbers of references to professional scepticism. Better to use guidance to influence behaviours through the use of examples.



Professional Scepticism

(Agenda Item 4 – Minute 1104)

The AUASB discussed the IAASB March 2017 Meeting Papers relating to Professional Scepticism. The following key points were raised during the discussion:

- Briefly discussed key points from the agenda paper including the use of the term “critical mindset”
- No specific comments for consideration at the IAASB meeting.

Quality Control – Engagement quality control review (EQCR)

(Agenda Item 5 – Minute 1105)

The AUASB discussed the IAASB March 2017 Meeting Papers relating to Quality Control and the EQCR. The following key points were raised during the discussion:

- Papers focus on the skills and competence of an EQCR. There are some good ideas but it's a bit over engineered in some areas – better to keep to a principles based approach.
- Overall sensible change, although a bit on the prescriptive side. Concepts of competence/qualifications/time & capacity possibly too granular for this straightforward subject matter.
- Needs more guidance in relation to the appointment of a EQCR – this is a firm decision, not an engagement one.
- A bit confused about cooling off period – is this two years or two cycles?
- Need to recognise issues with smaller firms. Some proposals would be difficult to implement when EQCR pool is limited.

SMP / SME Audits

(Agenda Item 6 – Minute 1106)

The AUASB discussed the IAASB March 2017 Meeting Papers relating to SMP/SME Audits. The following key points were raised during the discussion:

- The agenda paper covers a lot of the issues discussed at the SMP conference in Paris.
- Asked the AUASB to have a look at suggested definition to scalability/proportionality as well as looking at the new framework.
- Key focus needs to be on 540 (315 is not as urgent).
- Good to see that the IAASB is addressing SMP issues.

IESBA Co-ordination

(Agenda Item 7 – Minute 1107)

The AUASB discussed the IAASB March 2017 Meeting Papers relating to IESBA Co-ordination. The following key points were raised during the discussion:

- Paper addresses the “thorny issue” in relation to the IESBA being under pressure from regulators.
- No specific comment to make on paper.



Next Meeting

The next regular meeting of the AUASB will be held in the Sydney, on Wednesday, 26 April 2017, commencing at 8.30 a.m.

Close of Meeting

The Chairman closed the meeting at 12.00 p.m.

Approval

Signed as a true and correct record.

R Simnett
Chairman

Date: 26 April 2017