



Subject: Minutes of the 97th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: ASIC, Level 5, 100 Market Street, Sydney
Date: 28 November 2017 from 8.45 a.m. to 5.00 p.m.

Attendance

AUASB Members:

- Professor Roger Simnett (Chair)
- Ms Robin Low (Deputy Chair)
- Mr Gareth Bird
- Mr Robert Buchanan (till 4pm)
- Ms Jo Cain (till 3:30pm)
- Mr Chris George (from 12pm)
- Prof. Nonna Martinov-Bennie
- Mr Colin Murphy
- Ms Carolyn Ralph
- Mr Justin Reid

Apologies: Mr Ashley Wood

AUASB Technical Group:

- Mr Matthew Zappulla
- Ms Rene Herman
- Ms Marina Michaelides
- Ms Anne Waters

Observers:

- Ms Fiona Campbell (IAASB Member)
- Ms Lyn Provost (IAASB Member)
- Ms Sylvia Van Dyk (NZAuASB Technical Director)
- Dr Noel Harding (Incoming AUASB Member)
- Ms Julie Crisp (Incoming AUASB Member via teleconference from 9.30am)

Welcome and Declarations of Interest

(Agenda Item 1 – Minute 1167)

The AUASB Chair welcomed Dr Noel Harding (AUASB Member from 1 January 2018), Lyn Provost (IAASB Member), Fiona Campbell (IAASB Member) and Sylvia Van Dyk (NZAuASB Technical Director and IAASB Technical Advisor) who attended the AUASB meeting as observers.

(Agenda Item 1 – Minute 1168)

“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.

Minutes

(Agenda Item 1 – Minute 1169)

The Chair approved the minutes of the 96th (held on 12 September 2017) AUASB meeting. The AUASB requested minutes of the closed teleconference held on 20 October 2017 be prepared and circulated.



Matters Arising and Action List

(Agenda Item 1 – Minute 1170)

The status of matters arising and action items brought forward from the previous AUASB meeting was noted. The AUASB requested that the *Matters Arising* document be reformatted to serve as an action item listing directly linking to minutes of meetings. In addition, the AUASB requested several other actions be noted for future meetings, including:

- the inclusion of updates on each of the AUASB's current strategic projects at each AUASB meeting;
- an update for AUASB members on the communications strategy for the AUASB, including detail of the AUASB Technical Group's communication and engagement plans in relation to upcoming major projects - for example, the impending ISA 540 implementation and the impact this project will have on preparers and auditors in the 2nd half of 2018; and
- a request to target guest speakers for future meetings, including a representative from the Australian Shareholders Association, the AUASB/AASB Communications Manager, the new AUASB/AASB National Director and an expert on Data Analytics.

Speaking Register

(Agenda Item 1 – Minute 1171)

The speaking register brought forward from the previous AUASB meeting was noted with two additions requested.

AUASB members requested the speaking register presented at future meetings consists of solely those items that have occurred since the previous meeting and any future speaking commitments.

NZAuASB Update

(Agenda Item 1 – Minute 1172)

The NZAuASB Chairman provided a report on the latest New Zealand activities including the:

- release of Exposure Draft *The Audit of Service Performance Information* with a closing comment date of 20 December 2017;
- NZ XRB and FMA's joint report on the analysis of *Key audit matters – a stocktake of the first year in New Zealand*; and
- intended amendment to the definition of Public Interest Entity which will assist practitioners with the implementation of the new long association changes.

In addition, the NZAuASB Chairman commented that the December NZAuASB meeting is expected to focus on strategic matters (particularly audit quality issues), and the role of the NZAuASB as an international 'standards-taker'.

Audit Quality Matters (in camera session)

(Agenda Item 2 – Minute 1173)

The AUASB received an update on the work the Financial Reporting Council is currently engaged in through a presentation from the FRC Chair Bill Edge. The AUASB discussed recent press articles on audit quality containing observations critical of the profession by the former ASIC Chair and considered how the AUASB can assist with the response to issues arising from this topic. The AUASB acknowledged that their role on this matter will focus primarily on the challenges practitioners and regulators have in interpreting auditing standards or guidance. The AUASB will seek clarity from both ASIC and practitioners as to instances where the requirements or application material in the standards are insufficient or where there are differences in interpretation.



The AUASB discussed the importance of all groups having a coordinated approach to address the issue of audit quality, so that all stakeholders in the financial reporting supply chain were involved and considered as a collective group. The AUASB discussed potential short and medium term actions it could take in collaboration with the FRC (e.g. engagement with practitioners and ASIC; undertaking a survey of audit committees in relation to audit quality) and ideally with the support of other stakeholders such as the G100 and AICD.

The AUASB requested that the strategic project on *coordinating and cooperating effectively with regulators* be updated to take into consideration the discussions and actions arising from this meeting. In addition, the AUASB requested that the strategic project be renamed and split into two, with one part addressing the regulator's inspection findings/audit quality matters, explicitly referencing audit quality issues; and the other addressing issues with prescribed reports.

International Matters (in camera session)

(Agenda Item 3 – Minute 1174)

The AUASB received an update on current projects, including ISA 540^{*}, ISA 315[#], ISQC 1[†], ISA 220[§] and data analytics, from IAASB members Fiona Campbell and Lyn Provost. The AUASB will hold a teleconference on Tuesday, 5 December 2017 to discuss the international papers on these agenda items to be tabled at the IAASB meeting (11 – 15 December, New York).

The AUASB discussed the AUASB's plan for its consultation activities and final response to the Monitoring Group Consultation Paper – *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest*. Outreach activities on this matter are underway with other impacted stakeholders to ensure knowledge can be shared and reduce duplication of effort. The AUASB discussed how to best be involved in meetings coordinated by other stakeholders on the topic and requested the AUASB Technical Group to arrange a separate AUASB meeting in January 2018 to finalise its response.

AUASB-UNSW Roundtable and AUASB Consultative Meetings Debrief

(Agenda Item 4 – Minute 1175)

The AUASB discussed feedback received from constituents at the AUASB-UNSW Roundtable held in Sydney on 13 October 2017 and the AUASB Agenda Consultation Forums held in November 2017 at various locations. Participants at these sessions were invited to provide feedback on the AUASB's most recent technical work program and current strategic projects.

Stakeholders provided positive feedback that the technical work program was appropriate and that the AUASB was addressing relevant strategic projects. The AUASB acknowledged that the technical work program will likely be amended based on timing of when projects are likely to be completed by the IAASB. The AUASB discussed stakeholder's commentary on the need for timelier action by the AUASB in relation to providing guidance for local practitioners in relation to the application of Data Analytics in the audit and requested the AUASB to make this area a higher priority in its current work program.

A separate summary of matters raised by participants at the AUASB Agenda Consultation Forums held in November 2017 will be prepared and the current AUASB technical work program updated in early 2018 to reflect the feedback received from stakeholders at these sessions.

Additionally, the AUASB discussed and agreed to commence planning for the form and content of the 2018 Consultative Meetings early in 2018.

* See ED ISA 540 *Auditing Accounting Estimates and Related Disclosures*

See ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

† See ISQC 1 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*

§ See ISA 220 *Quality Control for an Audit of Financial Statements*



Auditor Reporting

(Agenda Item 5 – Minute 1176)

The AUASB discussed the status of the auditor reporting project, including the need for a revision to GS 010 *Responding to Questions at an Annual General Meeting*. While the AUASB agreed that such a revision would remain on the AUASB's technical work program, the AUASB did not consider this to be a priority project and accordingly the guidance would not be updated at this time.

In addition, the AUASB discussed that a number of national standard setters have released reports on their jurisdictions' first year experience in implementing the enhanced auditor's report. The AUASB noted that there have been consistent implementation findings across a range of different jurisdictions, but it is still too early to form concrete conclusions on any local auditor reporting matters that require immediate attention. The AUASB Technical Group was requested to consider how to raise awareness of the enhanced auditor's report in the investor / user community as part of future initiatives on this topic.

NZ Auditing Standard on the Audit of Service Performance Information

(Agenda Item 6 – Minute 1177)

The AUASB were presented with a summary of the latest exposure draft from the New Zealand Auditing Standards Board (NZAuASB), ED 2017-2 *Service Performance Information*. This included discussion on how the NZASB and NZAuASB had developed their standards and the interplay between the accounting and assurance frameworks in New Zealand.

AUASB Members were very complimentary of the work the NZAuASB and its staff had done on the ED and noted a number of innovative methods the NZAuASB had applied to address some of the challenges faced by assurance practitioners who operate in the NZ Charities and Not-for-profit sector. AUASB Members discussed some of the differences that applied in the Australian and New Zealand environment which impact this proposed auditing standard and would need consideration should an equivalent assurance standard be developed in our local jurisdiction. The AUASB authorised the AUASB Technical Group to develop a response to key questions which the NZAuASB has requested feedback on in the Invitation to Comment released with the exposure draft. The response will incorporate feedback from, and be reviewed by, an AUASB Member with specific knowledge and experience related to the subject matter.

ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements

(Agenda Item 7 – Minute 1178)

The AUASB considered and provided feedback on draft ASA 2017-3 *Amending Standard to ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* and draft ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. The AUASB requested the drafts to be brought back to the 7 March 2018 AUASB meeting for final consideration and approval to issue.

Other Business

(Agenda Item 8 – Minute 1179)

(a) ASIC form FS 71 *Auditor's Report for AFS Licensee*

The AUASB discussed newly issued ASIC form FS 71 and requested the Chair to raise the matter of prescribed reports with ASIC when meeting with ASIC representatives.



(b) *ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*

The AUASB were updated on the NZAuASB project on a new assurance standard based on *ASAE 3450 Assurance Engagements involving Corporate Fundraising and / or Prospective Financial Information*. The NZAuASB have requested input from the AUASB Technical Group in relation to feedback on the use of ASAE 3450 in Australia. The AUASB Technical Group will seek and consider feedback on ASAE 3450, and monitor the NZAuASB project to determine if any amendments to ASAE 3450 are required.

(c) Retiring Members

Prof. Roger Simnett AO, acknowledged the tremendous contribution that retiring AUASB members Colin Murphy and Nonna Martinov-Bennie had made to the AUASB. All the remaining AUASB members and AUASB Technical Group staff echoed Prof. Simnett's sentiments in wishing them both well in their future endeavors.

Next Meeting

The next AUASB meeting will be held in Sydney on Wednesday, 7 March 2018 commencing at 8.45 am. The meeting will be open to the public.

Close of Meeting

The Chair closed the meeting at 5.00 p.m.

Approval

Signed as a true and correct record.

Prof Roger Simnett
Chair

Date: 7 March 2018