



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **3.1.1**

Meeting Date: 29 October 2018

Subject: ED ASA 540 *Auditing Accounting Estimates and Related Disclosures*

Date Prepared: 16 October 2018

Action Required

For Information Purposes Only

Agenda Item Objectives

1. **To consider responses and disposition of responses received** on Exposure Draft 03/18 Proposed Auditing Standard ASA 540 *Auditing Accounting Estimates and Related Disclosures* (ED 03/18) and Exposure Draft 04/18 Proposed Auditing Standard 2018-2 *Amendments to Australian Auditing Standards* (ED 04/18); and
2. **To provide feedback/input and agree on any compelling reasons** that need to be considered in the final ASA 540.

Background

1. Exposure drafts ED 03/18 and ED 04/18 were issued on 7 August 2018 for a 70 day exposure period that ended 15 October 2018. The ED comprised an explanatory memorandum supporting a revised ASA 540 and an amending standard dealing with conforming amendments.
2. The AUASB received submissions / comments from 12 stakeholders.

Considerations

Submissions Received

- The AUASB technical group (ATG) received 7 formal submissions in relation to ED ASA 540. One submission put forward a potential compelling reason to amend the standard. The disposition of all comments received is included as Agenda Item 3.2.0.
- Three firms* confirmed via email that they would not be providing a submission on ED ASA 540, on the basis that their global firms responded to the international exposure draft. No compelling reasons to amend the standard were identified.
- The ATG received two# emails supportive of the AUASB approving ASA 540 for release. No compelling reasons to amend the standard were identified.

* Grant Thornton, Deloitte, BDO
CAANZ and HLB Mann Judd

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Feedback from Roundtables

The ATG held roundtables in Perth, Hobart, Canberra, Brisbane, Sydney and Melbourne in September and October 2018 where ED ASA 540 was discussed and questions on exposure considered by stakeholders.

The ATG sought feedback specifically on compelling reasons to amend the standard as well as specific comments on the paragraphs highlighted in the Explanatory Memorandum.

Stakeholder feedback was consistent in supporting the adoption of ED ASA 540 without modification.

Other National Standard Setters

NZAuASB

The NZAuASB at their 24 October 2018 meeting approved the final ISA (NZ) 540 (Revised) and related Conforming Amendments to ISAs (NZ) with no NZAuASB compelling reasons identified.

Canada and UK

The Canadian and UK standard setter intend to approve and issue the final ISA 540 with no proposed amendments to the ISA.

“Compelling Reasons” Assessment

The AUASB is requested to specifically consider the disposition of comments paper (Agenda Item 3.2.0), Exhibit 1, Question (b).

Based on the ATG’s assessment of submissions received, feedback from the roundtables and consideration of other national standard setters, the AUASB technical group have not identified any compelling reasons, in accordance with the [Principles of Convergence to International Standards of the International Auditing and Assurance Standards Board \(IAASB\) and Harmonisation with the Standards of the New Zealand Auditing and Assurance Standards Board \(NZAuASB\) \(August 2014\)](#), to be made to modify IAASB standards. This document is included as Agenda Item 3.3.

AUASB Technical Group Recommendations

The ATG recommend that the final ASAs are prepared for approval at the 4 December 2018 AUASB meeting, on the basis of the equivalent ISAs with no compelling reason amendments to the ISA.

Next Steps

1. The ATG will bring final ASA 540 *Auditing Accounting Estimates and Related Disclosures* and final ASA 2018-2 *Amendments to Australian Auditing Standards* to the 4 December 2018 meeting for the AUASB to vote for issuance of the standards, with a view to releasing these standards in late 2018; and
2. Based on the AUASBs approval of ASA 2018-2, the ATG will prepare the impacted compiled standards to be approved for release by the Chair and Technical Director in early 2019.

Material Presented

Agenda Item 3.1.1	AUASB Board Meeting Summary Paper
Agenda Item 3.2	AUASB Comments Received and Proposed Disposition Paper
Agenda Item 3.2.1	Comment letter from R1 (confidential submission)
Agenda Item 3.2.2	Comment letter from IPA
Agenda Item 3.2.3	Comment letter from ACAG
Agenda Item 3.2.4	Comment letter from CPA
Agenda Item 3.2.5	Comment letter from KPMG
Agenda Item 3.2.6	Comment letter from PWC
Agenda Item 3.2.7	Comment letter from EY
Agenda Item 3.3	<u>Principles of Convergence to International Standards of the International Auditing and Assurance Standards Board (IAASB) and Harmonisation with the Standards of the New Zealand Auditing and Assurance Standards Board (NZAuASB) (August 2014)</u>
