



Subject: Minutes of the 119th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Zoom Teleconference
Date: Wednesday 9 September 2020 9:00am – 3:00pm and Friday 11 September 2020 9:00am – 12:00pm

Attendance

AUASB Members: Professor Roger Simnett (Chair)
Ms Julie Crisp (Deputy Chair)
Mr Gareth Bird
Mr Robert Buchanan (NZAuASB Chair)
Ms Jo Cain
Mr Klynton Hankin
Dr Noel Harding
Mr Rodney Piltz
Ms Carolyn Ralph
Mr Justin Reid
Mr Andrew Porter

AUASB Technical Staff: Mr Justin Williams [Agenda Items 1 & 2]
Mr Matthew Zappulla
Ms Rene Herman
Ms Marina Michaelides
Ms Anne Waters
Ms Johanna Foyster
Mr Tim Austin
Ms See Wen Ewe
Mr James Wake

Apologies: None

Minutes

(Agenda Item 1 – Minute 1393) Agenda and introduction

The Chair welcomed members to the 119th AUASB Meeting.

In particular the AUASB Chair welcomed new AUASB Board member Andrew Porter to his first AUASB meeting, and the newly appointed joint Managing Director of the AASB-AUASB Justin Williams.

(Agenda Item 1.3 – Minute 1394) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meeting held on 9 & 10 June 2020 via Teleconference were discussed.

Minor amendments were requested to the minutes of the AUASB's meeting. It was agreed these changes could be reflected by the AUASB Technical Group (ATG) staff following the meeting and approved by the AUASB Chair out of session.



(Agenda Item 1.5 – Minute 1395) AUASB Chair Update

Matters raised by the AUASB Chair for the attention of the AUASB were:

- Details of the joint Board session with the NZAuASB at the upcoming October 2020 meeting.
- An update on the IAASB's Going Concern & Fraud Discussion Paper which will be issued shortly with a 120-day comment period.
- That the December 2020 meeting will be held via Zoom videoconference due to ongoing restrictions associated with the COVID-19 pandemic.
- A planned joint strategy session with the AASB originally scheduled for December 2020 will also need to be deferred to 2021 due to ongoing restrictions associated with the COVID-19 pandemic.
- Work that the AUASB Technical Staff had recently undertaken to assist the Commonwealth Attorney-General's Department in the development of updated 'Jobkeeper' legislation and requirements for an independence account to sign off on a decrease in turnover certificate.

(Agenda Item 1.5 – Minute 1396) Out of Session Voting

The out of session vote approving the conforming amendments to AUASB Standards arising from the update to the APESB Code of Ethics was noted, with approval of *ASA 2020-2 Amendments to Australian Auditing Standards made under Section 336 of the Corporations Act 2001* and the final wording of Conforming Amendments to other AUASB Pronouncements unanimously passed on 30 June 2020.

The AUASB Technical Staff informed AUASB members that, as part of the final quality control process, additional changes to the Non-Force of Law AUASB Pronouncements (unrelated to the conforming amendments arising from the update to the Code) were identified. These will be processed by the AUASB Technical Staff and brought back for AUASB consideration either at the October 2020 AUASB meeting or also reviewed out-of-session.

(Agenda Item 1.8 – Minute 1397) NZAuASB Update

The NZAuASB Chair provided an update to the AUASB on the significant matters currently impacting the NZAuASB, including:

- An update on the main matters discussed at the September 2020 NZAuASB meeting in the preceding week, notably the NZAuASB's planned response to the ISA 600 ED, the approval of the NZAuASB's AUP ED and an update on the impact of COVID-19 on the public sector auditing environment in New Zealand.
- Details of a presentation at the September 2020 NZAuASB meeting by an IESBA member on technology related issues associated with the Code of Ethics, such as the independence threats and ethical considerations of practising accountants in providing technological products and services to audit clients.
- An update on recent XRB developments, including the XRB Board's evaluation of the potential implications of the recent UK Brydon Report and the interim recommendations of the Australian PJC Report, with a strong commitment to taking leadership within the New Zealand machinery of government.
- A brief discussion of the NZAuASB deliberations about the proposed changes to the AUASB/NZAuASB compelling reason test, including how the proposed public interest framework is incorporated into this and other NZAuASB framework documents.
- In his capacity as a member of the Public Interest Oversight Board (PIOB) the NZAuASB Chair also provided an update on transition plan implementation of the recent Monitoring Group recommendations.



(Agenda Item 2 – Minute 1398) Audit Quality

The AUASB received an update on Audit Quality initiatives currently being undertaken by the AUASB Technical Group, including the positive feedback received from auditors on the recent guidance issued in response to the impact of COVID-19.

The ATG also provided a summary of its observations on auditor reporting by ASX listed entities to date during the June 2020 reporting period. The AUASB requested that the ATG continue to monitor auditor reporting over the rest of the June 2020 reporting period and there was support for the ATG to develop and issue a report summarising the key findings and observations. The format and content for this report will be determined by the ATG in consultation with the AUASB Chair.

(Agenda Item 3 – Minute 1399) AUASB Framework and Process Plan

Due Process Documentation

The AUASB reviewed and provided feedback on an updated draft of the *AUASB's Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications*, which will replace the existing *AUASB Functions and Process* publication.

Whilst there was general support for changes made since the June AUASB meeting, Board members provided feedback (prior to and at the meeting) on a number of areas of the document which required further amendments, including:

- separating out policy, principles and other explanatory material from the process sections in the document (For example, moving the criteria for re-exposure of a proposed standard out of the process section to the front of the document, and including cross-references);
- removing the paraphrasing of the Compelling Reasons Test throughout the process sections (which risks misunderstanding or misapplication of the actual test), and instead cross referencing to one section to the front of the document where the test is explained;
- emphasising in the document that Compelling Reasons modifications to international standards are not common, and that no ISA-minus changes are to be made;
- developing a flowchart of document hierarchy and how these documents feed into each other/interrelate;
- ensuring the focus on public interest is explained and effectively integrated throughout the document, linking to the Public Interest Framework in Appendix 1, but not diverting to it;
- refining and clarifying further the criteria for re-exposure of proposed standards, including consideration of whether changes may give rise to a compelling reason modification;
- referencing the APESB, IESBA, and international or domestic Codes of Ethics where relevant;
- clarifying further the criteria that applies when determining whether to issue either a new domestic standard or guidance where a gap is identified in the AUASB's existing framework; and
- explaining how significant guidance material will be reviewed post implementation of a new or revised pronouncement.

The Board considered the suggested process for the re-exposure of a proposed standard that has undergone significant change as a result of feedback from the original public exposure process. After discussion, the Board agreed that the voting sequence should be first to decide whether to re-expose or not, and then approval of the final standard, which is different to the IAASB due process when considering whether re-exposure is required. Where the decision is to re-expose there will be no vote for final approval at this point in time.

AUASB members were asked to provide further feedback to the ATG out of session. The ATG will incorporate all AUASB's feedback into the framework document and undertake a full editorial review before sharing an updated document, which will include relevant flowcharts to enhance understanding, with the Board for final review and feedback.



The ATG noted that finalisation of this publication is subject to completion of the AUASB's revised 'Compelling Reasons Test' and the AUASB/NZAuASB harmonisation policy, currently under review.

Compelling Reasons Test

The AUASB reviewed an updated draft of the AUASB's policy shared with the NZAuASB on the conformance and harmonisation of standards across the two boards. AUASB members support the general direction of the proposed changes to the policy but also there was a number of points of feedback from AUASB board members in relation to the policy. Suggested changes were noted by the ATG staff and will be incorporated into a revised version of the policy which will be presented for consideration by both the AUASB and NZAuASB at a joint meeting of the two boards scheduled for 21 October 2020.

ASA 100 & ASA 101

The AUASB was presented with a paper reviewing the effectiveness of the two preambles to AUASB Standards, *ASA 100 Preamble to AUASB Standards* and *ASA 101 Preamble to Australian Auditing Standards*. The paper recommended that the AUASB initiate a project to review and possibly amend ASA 101 to improve stakeholder understanding of key components of AUASB Standards but to also consider how ASA 101 could be expanded to include standards other than auditing standards so that the AUASB only has one preamble for all AUASB Standards.

The AUASB approved the proposed actions outlined in the paper and the ATG will prepare a project plan to outline the next steps and begin drafting amendments to ASA 101 and ASA 100.

(Agenda Item 4 – Minute 1400) ASRS 4400 Agreed Upon Procedures – Approval

The AUASB approved a revised version of *ASRS 4400 Agreed-Upon Procedures Engagements* after reviewing, providing input into and finalising a number of Australian amendments to the standard. The Australian amendments were subject to the 'Compelling Reasons Test'. The Australian amendments reflect principles and practices that are considered appropriate in Australia and improve the understandability of the nature of an AUP engagement and improve the quality of AUP engagement reporting.

The Australian standard conforms with the International Standard on Related Services Engagements ISRS 4400 *Agreed-Upon Procedures Engagements*, but include the following Australian amendments:

- Additional requirements that restrict the use of AUP reports to intended users identified in the AUP report;
- A requirement for the AUP report to include an explicit statement that the practitioner has complied with the principle of objectivity;
- Changes to the wording relating to independence in the illustrative example engagement letter for situations where the practitioner is independent; and
- An additional Australian appendix containing a table of differences between an AUP engagement and an assurance engagement.

The final version of the standard and the Basis of Conclusions document is expected to be released in October 2020.

(Agenda Item 5 – Minute 1401) AUASB Guidance Statement Revision

The AUASB was provided with a brief summary on the outcome of the responses to the AUASB Guidance Statement Revision Discussion Paper and Survey distributed in late 2018. The ATG presented a table analysis that incorporated the principles that determine when an AUASB Guidance Statements (GS) is developed or updated and the responses received from the Discussion Paper/Survey. The AUASB reviewed the proposed list of AUASB GS to be updated (GS 003, GS 008, GS 022, GS 019, GS 016 and GS 010) and requested an update to GS 007 also be added as a priority.

The withdrawal of two GS's (GS 014 and GS 021) was supported in-principle, however board members requested more information should be obtained from potential impacted stakeholders before the withdrawal can be actioned. Further communication will be made to stakeholders prior to the withdrawal. One board



member suggested that the withdrawal process to be included as part of the Due Process Framework and this will be addressed in the revised Due Process Framework currently being updated by the ATG.

(Agenda Item 6 – Minute 1402) GS 012 Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups – Approval

The AUASB was presented with a revised version of AUASB Guidance Statement GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups* (GS 012), for approval to be issued.

The AUASB Technical Group (ATG) provided a brief update of the steps undertaken to finalise the revision of GS 012 since the 3 March AUASB meeting, noting a delay in APRA providing feedback due to the COVID-19 Pandemic, which delayed the project's completion.

The AUASB was asked to consider revisions to GS 012 since the March meeting, including changes arising from:

- incorporating APRA's Prudential Standard APS 910 *Financial Claims Scheme* into GS 012's scope;
- consultation with the GS 012 Working Group of practitioners from the Big 6 audit firms;
- consultation with APRA and the Agencies (Reserve Bank of Australia and the Australian Bureau of Statistics); and
- the ATG's internal quality review process.

As there was insufficient time to consider GS 012 on Day 1 of the meeting as planned, AUASB members were requested to provide their feedback to the ATG off-line before the second day of the meeting. The ATG considered these comments, together with comments provided by the Board before the meeting, and prepared a mark-up of proposed changes to the original GS 012 tabled at the meeting (see Agenda Item 6.0.1 - Proposed revised GS 012 Clean Copy). These proposed changes were considered to be editorial or non-controversial in nature. This updated marked-up version of GS 012, supported by a table to explain changes made, were presented to the Board on Day 2 of the meeting for consideration, and subsequently agreed by the Board.

In response to a Board member requesting the ATG to provide further clarification, AUASB members deliberated the following matters further:

- (a) The Board discussed the concept of opining on the 'reliability' of financial information included in APRA reporting forms (Part A of the Appendix 4 assurance report), noting that the reliability concept is mandated in APRA Prudential Standard APS 310 and that APRA's reporting framework includes suitable criteria for measuring reliability. The Board felt that as GS 012 serves as the bridge to APRA's compliance framework, this could be made more transparent and explicit in the Guidance Statement.
- (b) The Board sponsor for the project explained why it may not be practicable for auditor's to identify the controls subject to Part C of the APS 310 assurance report, to the extent required under paragraph 89 of ASAE 3150 (which deals with the basic elements to be included in an assurance report). However, the Board member noted that both ASAE 3100 and ASAE 3150 permit an alternative form of assurance report where this is prescribed by regulation and the intended users would not misunderstand the alternative form. This matter was raised and cleared with APRA, the primary user of the auditor's APS 310 report. The Board was informed that APRA has agreed the form and content of the APS 310 assurance report set out in Appendix 4 of GS 012 as sufficient to meet its needs as prudential regulator. The Board asked that additional wording be included in the Guidance Statement to clarify this further.
- (c) The Board discussed and considered whether the going concern concept would be relevant for APS 310 engagements to report on financial information included in APRA reporting forms. The Board concluded that consideration of going concern will not be the same as for a financial report audit. The purpose of APRA Reporting Forms are to collect raw or factual data that is reliable and prepared in accordance with APRA Prudential Requirements and which would feed into APRA's own analysis or



models which will then be used to assess, for example, capital adequacy for individual ADIs, as well as industry wide trends.

Finally, the Board asked that specific reference to the APESB's code of ethics be included in the Appendix 4 and Appendix 5 example assurance reports.

The AUASB voted to approve and issue GS 012, subject to the above final changes being made.

(Agenda Item 7 – Minute 1403) ISA 600 – Outreach Summary

The AUASB was provided with a brief summary on the AUASB Technical Groups outreach on ED-ISA 600. The comments and disposition paper along with a draft AUASB submission to the IAASB will be discussed at the AUASB teleconference on 21 September 2020.

(Agenda Item 8 – Minute 1404) Turnaround of Approval Documents from Day 1

The AUASB were taken through the ASRS 4400 and Due Process turnaround documents. Refer to Agenda Item 3 and 4 for further details.

(Agenda Item 9 – Minute 1405) IAASB Matters

ISQM 1

The AUASB was provided with an overview of the updates to ISQM 1 since it was last presented to the AUASB in full at the March 2020 AUASB Meeting. The AUASB supported the new specified response (paragraph 34(e)) for the firm to establish policies or procedures that:

- Require communication with TCWG when performing an audit of a listed entity about how the system of QM supports the consistent performance of quality engagements;
- addresses when it is otherwise appropriate to communicate with external parties about the firm's system of QM and the information to be provided under such circumstances.

The AUASB was provided with a summary of the matters raised by the AUASB during the course of the development of the standard and the IAASB's responses to the matters. No additional matters were raised by the AUASB.

ISQM 2

The AUASB were provided with an update on the final draft ISQM 2 standard which is being presented for approval at the September IAASB meeting. No substantive changes had been made to ISQM 2 since March 2020 and no fatal flaw comments were raised by the AUASB.

ISA 220

The AUASB was provided with an overview of the updates to ISA 220 since it was last presented to the AUASB in full at the March 2020 AUASB Meeting as well as a summary of the matters raised by the AUASB during the course of the development of the standard and the IAASB's responses to the matters.

AUASB members were asked for fatal flaws with the standard to be provided for the AUASB Chair to raise at the upcoming IAASB Meeting. An AUASB Member raised that the changes to paragraph 8 (formerly 9) regarding requirements which are the sole responsibility of the Engagement Partner or those that can be assigned to other members of the engagement team was confusing and potentially creating a third hybrid bucket of requirements. The AUASB Chair commented that this was a matter which had been raised in a previous IAASB teleconference and was likely to be raised again at the upcoming IAASB Meeting.

EER

The AUASB were provided with an update on the IAASB's EER Non-Authoritative Guidance project and how the EER Task Force (TF) are dealing with the key themes from submissions received from stakeholders. The



AUASB are satisfied that its key points are being adequately considered by the TF and we will continue to monitor the outcomes from the September IAASB meeting.

Next Meeting

The AUASB will be holding its next meeting via Videoconference on Wednesday, 21st October 2020 commencing at 1.00 p.m. Part of this meeting will be a joint session with the New Zealand Auditing and Assurance Standards Board.

Close of Meeting

The Chair closed the meeting at 12.00 pm on 11 September 2020.

Approval

Signed as a true and correct record.

Roger Simnett
Chair

Date: 1 December 2020