



Subject: Minutes of the 124th Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Zoom Teleconference
Date: Tuesday 20 April 2021 9:00am – 3:00pm

Attendance

AUASB Members:

- Mr Bill Edge (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 Group Staff:

- 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 1447) Agenda and introduction

The Chair welcomed members to the 124th AUASB Meeting.

(Agenda Item 1.3 – Minute 1448) Minutes of Previous AUASB Meetings

Draft minutes for the AUASB meeting held on 10 & 12 March 2021 via Teleconference were discussed. Minor amendments were requested. 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 1449) AUASB Chair Update

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

- Mr Bill Edge will continue as the acting AUASB Chair until June 2021.
- Mr Justin Reid has resigned from AUASB Board effective at the end of the April 2021 AUASB meeting. Justin will work with the AUASB Technical Staff team as a contractor with effect from 1 May 2021. The AUASB Chair thanked Mr Justin Reid for his contribution as a Board Member and the skillset he brought to the AUASB.



- Updates on a number of AUASB projects not included in the April 2021 AUASB Agenda:
 - The AUASB Quality Management (QM) Standards implementation plan will be worked on over the next 2 months and presented for review at the June 2021 AUASB meeting.
 - The AUASB Digital Standards Portal is nearing completion and will be released in May 2021.
 - AUASB feedback on the AUASB Cybersecurity Bulletin has been considered and it is now being finalised. It will also be released in May 2021.
 - The outcome of out-of-session voting for ED 01/21 *Proposed Conforming and Consequential Amendments to the other AUASB Standards as a result of the New and Revised Quality Management Standards* was that ten Board Members responded with all ten votes in favour of issuing the ED. The ED was subsequently published with the public being given a 30-day comment period until 14 May 2021.
 - Following the March 2021 AUASB meeting there was an Out-of-session approval on an additional paragraph added to *Amending Standard 2021-1* which makes amendments to Australian Auditing Standards arising from consequential and conforming changes as a result of the issuance of the QM Standards. The additional paragraph relates to the commencement date of the legislative instrument. The Board approved the additional paragraph unanimously via email and the Amending Standard was then lodged with the Federal of Legislation in March 2021.

(Agenda Item 1.8 – Minute 1450) NZAuASB Update

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

- An update on Corporate Fundraising project. This project will use ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* as a base and expand the scope to cater to the needs of New Zealand stakeholders.
- An update on the NZAuASB response to IESBA's Non-Assurance Services and Fees proposals, including results of their survey about the impact of non-assurance services on perceptions of independence.
- An update on the introduction of a Bill to the New Zealand Parliament to mandate climate change reporting by regulated entities, which gives XRB Board the mandate on disclosure matters and also requires assurance over greenhouse gas emissions statements.

(Agenda Item 2 – Minute 1451) FRC and Audit Quality Update

The AUASB discussed the release of the UK government's consultation paper 'Restoring trust in audit and corporate governance', which seeks feedback on proposals to address and refine the recommendations of the Kingman, Competition and Markets Authority and Brydon reviews into audit quality. The proposals are wide in scope and will impact directors' / audit committees' responsibilities, auditors, and audit firms. Many of the recommendations of the reviews have been accepted by the UK Government in principle and the consultation paper is seeking views on very specific details on implementation. The AUASB discussed the direction of the more significant proposals relevant to the AUASB (i.e., reporting on internal controls including fraud, resilience reporting, and shared audit model). The AUASB will continue to monitor developments to identify any best practice initiatives which may be relevant to the Australian regulatory environment.

(Agenda Item 3 – Minute 1452) Audit Engagement Related Disclosures

The AUASB received an update on the preliminary work being done on the recommendations of the PJC Inquiry into Regulation of Auditing in Australia that are relevant to the AUASB. The ATG have been working with the Financial Reporting Council (FRC) and collaborating with the Australian Accounting Standards Board (AASB), Australian Securities and Investments Commission (ASIC), Accounting Professional & Ethics Standards Board (APESB) and Australian Institute of Company Directors (AICD) on how to address the recommendations on disclosure of classifications of audit remuneration and audit tenure. The ATG provided an update on the AASB's project to revise the accounting standards in response to the recommendation on



disclosure of classifications of audit remuneration. The ATG also provided an update on the disclosure of audit tenure and presented an analysis of the different options available on:

- where to disclose this information?
- which entities should be in scope?

In discussing these questions, the AUASB agreed that their preference is to require this disclosure in the Directors' Report for entities required to prepare audited financial statements under the *Corporations Act 2001*. This would require a change in the *Corporations Act 2001* which would be a responsibility of Treasury. However, acknowledging that amending the *Corporations Act 2001* may not be achievable on a timely basis the AUASB also agreed that including a requirement in the Accounting Standards for audit tenure to be disclosed in the financial statements would also be acceptable. This would be the responsibility of the AASB. The AUASB discussed that this option would potentially require this disclosure for all entities required to prepare financial statements in accordance with the Accounting Standards. For the non-*Corporations Act 2001* entities in this population, there is likely to be fewer if any independence disclosures and requirements, such as those related to auditor independence declarations, partner rotation or long association. In the absence of in-context independence disclosures, the AUASB discussed the risks of users misunderstanding the tenure disclosures. It was agreed these would be shared with AASB and APESB in finalising the positioning, and in support for the AUASB's preference.

The ATG will continue to work with the FRC and collaborate with the AASB, ASIC, APESB and AICD on the implementation of the recommendations of the PJC Inquiry into Regulation of Auditing in Australia that are relevant to the AUASB.

(Agenda Item 4 – Minute 1453) AUASB Preamble

The AUASB considered a first draft of the AUASB's proposed revised preamble ASA 101 *Preamble to AUASB Standards*. The proposed revised ASA 101 will apply to all AUASB Standards and will replace the existing ASA 100 *Preamble to AUASB Standards* (issued 2006) and ASA 101 *Preamble to Australian Auditing Standards* (issued 2009).

The Board discussed and supported proposed amendments to ASA 101 (as marked up in Agenda Paper 4.2) and, specifically, to:

- (a) move the "Requirements" set out in paragraphs 11 and 12 of the extant ASA 101 to the "Application and Other Explanatory Material" section of the revised standard;
- (b) include revised explanatory material on early adoption of standards, based on wording used in paragraph A56 of ASA 200 (which will be amended to align with the international equivalent) and section 336 of the *Corporations Act 2001*; and
- (c) not carry forward to the revised Preamble the explanatory material included in the extant ASA 100 on words and phrases used in AUASB Standards. The AUASB will continue to monitor developments at the international level where the IAASB is currently developing revised drafting principles and guidelines for drafting of future international standards, as part of its CUSP project.

The Board deliberated on whether relegating the requirement in paragraph 12 of extant ASA 101 to application and explanatory material in the revised ASA 101 may create any future enforcement challenges. Technical staff indicated the intention to request legal advice on this matter before the June AUASB meeting.

The AUASB requested the following additional changes to the proposed standard:

- delete paragraph A17 dealing with professional scepticism;
- amend paragraph 8 to align closer to paragraph Aus 4.2 of ASQM 1 (March 2021); and
- include additional explanatory material to clarify the status of Application paragraphs Aus 0.1 (mandatory component) and Aus 0.2 (explanatory material) for Australian Auditing Standards.

The Board was informed that, time permitting, an updated draft of the proposed ASA 101 will be circulated to the Board for a final fatal flaw review during May, once it has been cleared by legal advisors. A final draft of



the proposed standard will be brought to the June 2021 AUASB meeting for approval to expose it publicly for a 30-day comment period.

(Agenda Item 5 – Minute 1454) Extended External Reporting

The IAASB issued its *Non-Authoritative Guidance – Extended External Reporting (EER) Assurance with the Non-Authoritative Support Material: Illustrative Examples of Selected Aspects of EER Assurance Engagements* on 7 April 2021. This raised the question of how the AUASB would promulgate the guidance under its due process. The AUASB were asked to consider the ATG recommendation of issuing an AUASB Bulletin as non-authoritative materials under the AUASB Due Process to contextualise and wrap the IAASB Non-Authoritative guidance on EER Assurance in Australia. This course of action was agreed by the Board.

The AUASB were also asked for feedback on the AUASB EER Strategy on a page and a number of points were raised by the Board as follows for further consideration as the plan is implemented in the short and medium term. Key areas noted by the AUASB relating to the EER guidance: accessibility and useability, expanding examples for Australian specific scenarios and providing where possible examples or reference to EER assurance reports in the public domain. Other areas the AUASB noted for consideration in the EER plan were around stakeholder engagement through webinars and/or podcasts to push the guidance out to the wider stakeholder group and engaging more actively with the academic community on this subject.

(Agenda Item 6 – Minute 1455) Technology

The AUASB was provided with an update on the work being done by the AUASB Technical Staff in response to Technology and its impact on audit and assurance. The AUASB was supportive of the direction of current priorities and projects which are being supported by the AUASB's Technology Project Advisory Group (PAG).

Next Meeting

The AUASB will be holding its next meeting in Melbourne on Tuesday 8th June 2021 and Wednesday 9th June 2021.

Close of Meeting

The Chair closed the meeting at 3.00 pm on Tuesday 20th April 2021.

Approval

Signed as a true and correct record.

W R Edge

Chair

Date: 8 June 2021