



Subject: Minutes of the 125th Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Via Zoom Teleconference
Date: Tuesday 8 June 2021 9:00am – 5:00pm and Wednesday 9 June 2021 9:00am – 1:00pm

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 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
- Mr Justin Reid (Contractor)

Observers:

- Ms Michelle Shafizadeh
- Prof. Roger Simnett (Agenda Item 6 only)

Apologies: None

Minutes

(Agenda Item 1 – Minute 1456) Agenda and introduction

The Chair welcomed members to the 125th AUASB Meeting.

(Agenda Item 1.3 – Minute 1457) Minutes of Previous AUASB Meetings

The minutes for the AUASB meeting held on 20 April 2021 were approved.

(Agenda Item 1.5 – Minute 1458) AUASB Chair Update

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

- Launch of the new AUASB Digital Standards portal and corporate website.
- Possibility of amending the Board Charter to allow Out-Of-Session approval of prior AUASB Meeting minutes.



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- An update on a number of AUASB operational matters, including plans to change the manner in which papers are distributed for future Board Meetings and the AUASB registers of stakeholder meetings and speaking engagements.
 - Future nominations from Australia for the International Auditing and Assurance Standards Board (IAASB).

(Agenda Item 1.8 – Minute 1459) NZAuASB Update

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

- The NZAuASB has approved the New Zealand versions of the Quality Management Standards and conforming and consequential amendments to other ISAs (NZ), with previous New Zealand paragraphs containing public sector specific application guidance not included in the final standards (as was the case for the AUASB).
- Plans for upcoming outreach activities in Extended External Reporting (EER) space.
- An update on progress made in relation to exposure drafts issued by the IESBA changes on non-assurance services.
- Progress with the legislative process for the climate reporting requirements. A submission will be made by the External Reporting Board (XRB) to the New Zealand Parliament, which is likely to include commentary and recommendations on the assurance implications of the Bill, which currently include mandatory assurance on greenhouse gas disclosure requirements and assurance on “no impact” disclosures.
- That the XRB has received additional funding to support their expanded role on climate reporting standards and other operational activities.
- Noting that Ms Sylvia Van Dyk has retired from her position as Director of Assurance Standards and that Ms Misha Pieters will be taking over as Interim Director of Assurance Standards.
- In his capacity as a member of the Public Interest Oversight Board (PIOB), the NZAuASB Chair also:
 - Provided an update to the AUASB on progress made on implementing the Monitoring Group reforms, which will result in the PIOB overseeing the nominations process for, and governance of, the IAASB and IESBA; and
 - Noted that the PIOB’s Annual Report has been published on the PIOB website and that its lists of public interest issues in relation to both international boards are also now being made publicly available.

(Agenda Item 2 – Minute 1460) FRC and Audit Quality Update

The AUASB received an update on the status of the planning for the implementation of the recommendations PJC Inquiry into Regulation of Auditing in Australia, including an update from the AUASB Chair about a recent FRC meeting where the prevailing view was that responding to recommendations before a government response to the final report was not the preferred approach.

The AUASB expressed a view there are some PJC Inquiry recommendations where currently there is evidence of stakeholder support and benefits, and therefore a response to these recommendations should be pursued before a government response may be received.

The AUASB also discussed that it may also be acceptable to issue guidance to encourage non mandatory response to certain recommendations in some circumstances whilst waiting for the Federal Government response.

The AUASB requested that the AUASB Chair communicate to the AASB Chair the AUASB’s perspective that responses to some PJC Inquiry recommendations should be pursued as a matter of priority, rather than deferring this until the Federal Government response to the PJC Inquiry final report is released.



(Agenda Item 3 – Minute 1461) AUASB Preamble – Approval of ED

The AUASB considered a final draft of Exposure Draft ED 02/21 Proposed Auditing Standard ASA 101 *Preamble to AUASB Standards* (the Preamble), which will replace the existing ASA 100 *Preamble to AUASB Standards* (issued 2006) and ASA 101 *Preamble to Australian Auditing Standards* (issued 2009).

The AUASB was briefed on further changes made to the draft standard that was considered by the Board at the April 2021 meeting. The Board was presented with a copy of independent legal advice obtained subsequent to the April 2021 meeting which supports the general approach taken and decisions made by the AUASB in updating the Preamble. Board members requested further minor changes to the proposed standard, for example, to include assurance engagements that relate to information other than historical financial information as an example of “Auditing and Assurance Standards for other purposes” (paragraph 6), clarify differences in the operative dates of standards applicable to audits or reviews of financial reports and other AUASB Standards (paragraph A33), and to further clarify the circumstances where AUASB Standards will be legally binding (paragraph A7).

The AUASB was also asked to consider and provide fatal flaw comments on the Explanatory Memorandum document that will accompany ED 02/21, which outlines to Australian stakeholders the approach followed by the AUASB in updating the Preamble to AUASB Standards. An AUASB Member suggested minor changes to the structure of the Explanatory Memorandum which will further improve reader accessibility of the document.

The Board unanimously approved ED 02/21 to be issued for public comment, subject to minor agreed amendments, with comments due by 30 July 2021.

(Agenda Item 4 – Minute 1462) ASA 560 – Approval of ED

The AUASB deliberated and provided input into the draft Exposure Draft ED 03/21 Proposed Auditing Standard ASA 2021-2 *Amendments to Australian Auditing Standard ASA 560 Subsequent Events*, which has been updated to align with changes made to the equivalent NZAuASB standard in accordance with the AUASB’s Policy and Process for Harmonisation of Standards with the NZAuASB.

Discussion focused on wording of the proposed amendments to ASA 560, with a number of AUASB members requesting minor changes to the updated application material paragraphs that the NZAuASB had previously made. The AUASB also raised that the Board Papers associated with the update of this standard were unnecessarily long and detailed for a project such as this which constituted only a limited scope amendment to the standard. Subsequently the AUASB Technical Group Staff will review the AUASB Due Process Framework to identify a different, more streamlined approach to future limited scope amendments.

A revised Exposure Draft 03/21 and Explanatory Memorandum addressing the changes requested by the AUASB will be shared with the AUASB for Out-of-Session approval.

(Agenda Item 5 – Minute 1463) Implementation Plans

The AUASB reviewed draft implementation plans for ASA 315 and the Quality Management Standards prepared by the AUASB Technical Group Staff. Whilst AUASB members were supportive of the implementation plans as presented they requested additional communications are developed to summarise the benefits and impact on work effort each of the new standards entails, especially for stakeholders other than auditors (e.g., those charged with governance).

(Agenda Item 6 – Minute 1464) IAASB Matters

LCE Project

The AUASB were presented with a summary of the updated IAASB draft for the separate standard for Less Complex Entities (ISA-LCE). Board members provided input into the main elements of the proposed standard, expressing varied views on the draft ISA-LCE but still supporting that the IAASB undertake this project and recognising the need for a global solution for LCE clients. Additionally, the AUASB recognised that while many of the larger network firms may have global methodologies that are scaled for smaller audit engagements, this is not necessarily the case across the smaller practitioners, so whilst adoption of an LCE standard may not be required across all practitioners in Australia, there was commitment to conduct outreach with stakeholders once the final ISA-LCE exposure draft is released.



The matters discussed and areas where the AUASB expressed concern included:

- Whether or not the ISA for LCEs is expected to improve audit quality and the perception that this standard may be viewed as an 'ISA diluted product', particularly if the standard may not result in a reduced cost or work effort in some cases;
- The authority of the standard and whether firm and practitioner's consideration of qualitative characteristics may lead to inconsistencies in the use of the standard;
- Whether the IAASBs current approach to excluding group audits from using the ISA for LCE was appropriate, particularly as the proposed ISA 600 captures branches and divisions;
- The proposed 3-year maintenance of the standard, which was not supported and seen to potentially reduce the quality of the standard;
- Whether or not the auditor's report should reference that the audit was conducted in accordance with the standard for LCEs was appropriate as also, this may impact the perception of the quality of the audit undertaken;
- Timing of the release of the exposure draft and what this means for the AUASB proposed Australian outreach activities.

The AUASB anticipates that the IAASB will vote to issue ED ISA-LCE for a 6-month exposure period at the June 2021 IAASB meeting. Once the ED ISA-LCE is released internationally, the AUASB will determine the timing for exposure locally. The AUASB expects that Australian outreach will be conducted September-November 2021 with a draft response to ED ISA-LCE presented to the AUASB for deliberation at the December 2021 AUASB meeting.

ISA 600

The AUASB was taken through a presentation on, and provided input into, the revised ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*. The matters discussed and areas where the AUASB provided input included:

- Review of component auditor's documentation;
- Sufficiency and appropriateness of audit evidence;
- Documentation;
- Professional scepticism;
- Access issues.

The AUASB will continue to monitor and provide feedback to the IAASB as this project progresses towards a December 2021 finalisation.

Going Concern and Fraud

The AUASB was provided with a summary of the IAASB's preliminary analysis of comments on the IAASB's Discussion Paper on these two topics, noting the alignment of feedback with the AUASB's submissions on these topics provided in late 2020. Further information about the status and main proposals the IAASB focuses on as part of these projects will be provided to the AUASB as it progresses through to final global project proposals in 2022.

IAASB National Standards Setters Meeting

The AUASB was provided with an overview of the key matters discussed at the May 2021 IAASB National Standards Setters Meeting, where the AUASB was represented by the AUASB Chair and Technical Director.

(Agenda Item 7 – Minute 1465) ASIC Update

The AUASB welcomed the ASIC Chief Accountant, Doug Niven, who presented an ASIC Audit Update that covered a number of current developments impacting the auditing and assurance environment. This led to a broad dialogue on different aspect of ASIC's audit oversight role, including current resourcing challenges being experienced in the audit market, ASIC's desire for auditing standards on Sampling and Analytical Procedures to be revised, and how ASIC communicate their audit inspection findings.



(Agenda Item 8 – Minute 1466) Strategy Discussions – Topical Issues and AUASB Work Program

AUASB members held a wide-ranging discussion on topical and strategic issues across the accounting and auditing profession, and the potential AUASB response to these matters. Included in these discussions was a review of the current AUASB Technical Work Program and a preliminary review of the AUASB's response to the IAASB's 2022-23 Work Plan Survey. Key themes raised by AUASB members included:

- Whether the effective dates of some upcoming AUASB standards may be deferred to provide small/medium practitioners greater time for implementation activities;
- How the AUASB can promote and support the increased use of Technology as part of the audit process; and
- Opportunities the AUASB should consider promoting assurance related activities in the Sustainability and Extended External Reporting space.

The AUASB Technical Staff will undertake further research and outreach in relation to items raised by the AUASB in order to develop a revised AUASB Technical Work Program for 2021-22. Also under consideration is an Agenda Consultation Process for the AUASB later in 2021.

(Agenda Item 9 – Minute 1467) Public Sector PAG Update

The AUASB received an update on the activities of the Public Sector Audit Issues Project Advisory Group (PAG) which was set up to address specific issues raised by the Australasian Council of Auditors-General (ACAG). The project was put on hold early 2020 due to the AUASB reallocating resources to respond to higher priority issues related to the COVID-19 pandemic. The Board was informed that the PAG has resumed its activities in April 2021 and that the AUASB Technical Group has started developing a Guidance Statement which will be considered by the PAG at its June 2021 meeting. The PAG agreed on the principle to develop and issue guidance in such a fashion that each topic is added incrementally to a framework, as opposed to issuing a 'single issue' Guidance Statement that covers all issues and may take a long time to develop. The short-term priorities for the PAG will be on addressing the challenges faced by public sector auditors in applying auditing standards in the key areas of Terms of Engagement, Going Concern and Engagement Leader responsibilities.

(Agenda Item 10 – Minute 1468) AUASB Digital Standards Portal

The AUASB Technical Group provided an update to the AUASB on the AUASB Standards Portal which has now been released. The presentation highlighted key features for AUASB Members to promote to stakeholders and outlined the AUASB Technical Group's plan to continue to develop and support the portal.

Overall AUASB Members were extremely supportive of the outcome and the AUASB continuing to improve the accessibility of the AUASB Standards.

Next Meeting

The AUASB will be holding its next meeting via Videoconference on Tuesday 7th September 2021 and Friday 10th September 2021.

Close of Meeting

The Chair closed the meeting at 1.00 pm on Wednesday 9th June 2021.

Approval

Signed as a true and correct record.

W R Edge
Chair

Date: 30 June 2021