



<b>Subject:</b>	<b>Agenda for the 158<sup>th</sup> meeting of the AUASB</b>
<b>Venue:</b>	<b>Virtual</b>
<b>Time:</b>	<b>Tuesday 11 March 2025, 09:00 am – 12.00 pm</b>

Time	No.	Item	Responsibility
<i><b>PRIVATE SESSION</b> [Board Members, Staff Only]</i>			
9:00 am	1	<b>Minutes of meeting 157</b>	Doug Niven
<i><b>PUBLIC SESSION</b> [Open to Members of the Public for Virtual Attendance]</i>			
9:05 am	2	<b>Welcome and Chair Update</b> 2.1 Action items	Doug Niven
9:15 am	3	<b>NZAuASB Chair Update *</b>	Marje Russ
9:20 am	4	<b>IAASB March 2025 meeting papers</b> 4.1 Narrow scope amendments on experts 4.2 Audit evidence and risk response project 4.3 Revised ISA 240 Fraud 4.4 Update on ISRE 2410 and ISAE 3410 *	Rene Herman
10.30 Break			
10:45 am	4	<b>IAASB March 2025 meeting papers (continued)</b>	Rene Herman
11.15 pm	5	<b>Update on adoption of Part 5 of the IESBA Code</b>	Doug Niven / Anne Waters
11.55 pm	6	<b>Close *</b>	Doug Niven

\* *These items are verbal updates only and there are no associated board papers.*

*The timing of Agenda items is subject to change on the day of the meeting.*



**AUASB DECLARATION OF INTERESTS**

*As at 11 March 2025*

AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Doug Niven (Chair)	<ul style="list-style-type: none"> <li>• Fellow, Chartered Accountants Australia and New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>• Chair of the Auditing and Assurance Standards Board</li> <li>• Member, Australia’s Financial Reporting Council</li> <li>• Member, New Zealand Auditing and Assurance Standards Board</li> </ul>	<ul style="list-style-type: none"> <li>• IAASB/IESBA Stakeholder Advisory Council</li> </ul>
Ms Julie Crisp (Deputy Chair)	<ul style="list-style-type: none"> <li>• Registered Company Auditor</li> <li>• Fellow, Chartered Accountants Australia and New Zealand</li> <li>• Fellow, CPA Australia</li> <li>• Fellow, Governance Institute of Australia</li> <li>• Fellow, Institute of Public Accountants Australia</li> <li>• Graduate, Australian Institute of Company Directors</li> <li>• Certified Internal Auditor, Certified Government Audit Professional, Certification in Risk Management Assurance – Professional Member, Institute of Internal Auditors</li> <li>• Member, Association of Certified Fraud Examiners</li> </ul>	<ul style="list-style-type: none"> <li>• Non-Executive Director – CPA Australia</li> <li>• Member – Performance Statements Audit Expert Advisory Panel, Australian National Audit Office</li> <li>• Former Northern Territory Auditor-General (concluded 12 September 2024)</li> </ul>	<ul style="list-style-type: none"> <li>• Director and Shareholder, Family Trust Company</li> <li>• Director and Shareholder, Asterism Assurance and Advisory Pty Ltd</li> </ul>
Ms Meryl Gwan	<ul style="list-style-type: none"> <li>• Fellow, Chartered Accountants Australia and New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>• Partner, Grant Thornton Australia</li> </ul>	<ul style="list-style-type: none"> <li>• Member of Australian Institute of Company Directors Reporting Committee</li> <li>• Member of the Australian Public Policy Committee – Audit Quality working group</li> <li>• Chair of the Australian Public Policy Committee – ESG working group</li> <li>• Director and Shareholder, Family Trust Company(s)</li> <li>• Trustee – personal family trusts</li> </ul>



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Mr Klynton Hankin	<ul style="list-style-type: none"><li>Member, Chartered Accountants Australia and New Zealand</li></ul>	<ul style="list-style-type: none"><li>Partner, PricewaterhouseCoopers</li></ul>	<ul style="list-style-type: none"><li>Member, Finance, Risk and Audit Committee - Cancer Council Australia</li></ul>
Dr Noel Harding	<ul style="list-style-type: none"><li>Member, CPA Australia</li></ul>	<ul style="list-style-type: none"><li>Professor and Head of School of Accounting, Auditing and Taxation, UNSW Sydney</li></ul>	<ul style="list-style-type: none"><li>Editor, International Journal of Auditing</li><li>Deputy Editor, Accounting and Finance</li><li>Co-chair of AFAANZ Auditing and Assurance Standards Committee</li></ul>
Mr Terence L Jeyaretnam	<ul style="list-style-type: none"><li>Degree in Environmental Engineering (UWA)</li><li>Chartered Professional Engineer</li><li>Fellow and Engineering Executive of the Institute of Engineers, Australia</li></ul>	<ul style="list-style-type: none"><li>APAC Leader and Partner, Climate Change and Sustainability Services, Ernst &amp; Young in Melbourne</li><li>Clean Energy Regulator Accredited Category 2 Auditor</li><li>Associate Professor of Practice at Monash University's Department of Accounting, Faculty of Business and Economics</li></ul>	<ul style="list-style-type: none"><li>Chair of the G100 Sustainability Working Group</li><li>Board member, Australian Conservation Foundation</li><li>Board member, Amnesty International Australia</li><li>Chair, Global Citizen, Australia</li></ul>
Ms Joanne Lonergan	<ul style="list-style-type: none"><li>Member, Chartered Accountants Australia and New Zealand</li></ul>	<ul style="list-style-type: none"><li>Partner, Ernst &amp; Young</li></ul>	<ul style="list-style-type: none"><li>Director &amp; Shareholder, Family Trust Company</li></ul>
Mr Andrew Porter	<ul style="list-style-type: none"><li>Fellow, Institute of Chartered Accountants in England and Wales</li><li>Member, Australian Institute of Company Directors</li><li>Fellow, Chartered Accountants Australia and New Zealand</li></ul>	<ul style="list-style-type: none"><li>Chief Financial Officer, Australian Foundation Investment Company Limited</li></ul>	<ul style="list-style-type: none"><li>CFO for Djerriwarrh Investments, Mirrabooka Investments and AMCIL Limited</li><li>Director of Australian Investment Company Services Ltd.</li><li>Director of a Family Trust Company</li><li>Director of the Melbourne Anglican Foundation and trustee of related entities</li></ul>
Ms Marje Russ	<ul style="list-style-type: none"><li>Member, New Zealand Planning Institute</li><li>Chartered Member, New Zealand Institute of Directors</li><li>Member, Resource Management Law Association</li></ul>	<ul style="list-style-type: none"><li>Chair, New Zealand Auditing and Assurance Standards Board</li><li>Technical Director, Environment and Sustainable Business, Tonkin &amp; Taylor Group</li><li>Director, Manaaki Whenua: Landcare Research and Chair of Audit and Risk Committee</li></ul>	<ul style="list-style-type: none"><li>Trustee – personal family trusts</li></ul>



AUASB Member	Professional/Organisational Affiliations	Employment/Other Positions Held	Other Relevant Interests
Ms Jennifer Travers	<ul style="list-style-type: none"><li>Member, Chartered Accountants in Australia and New Zealand</li></ul>	<ul style="list-style-type: none"><li>Partner, KPMG</li></ul>	<ul style="list-style-type: none"><li>Chair of the Australian Public Policy Committee – Audit Quality Working Group</li><li>Participant of the Australian Public Policy Committee – ESG Working Group</li><li>Chair of the Trans Tasman Audit and Advisory Committee (CA ANZ)</li><li>Director and Shareholder, Family Trust Company(s)</li><li>Trustee – personal family trusts</li></ul>
Mr Jason Thorne	<ul style="list-style-type: none"><li>Fellow, Institute of Chartered Accountants in England and Wales</li><li>Member, Chartered Accountants in Australia and New Zealand</li><li>Registered Company Auditor</li></ul>	<ul style="list-style-type: none"><li>Partner, Deloitte Touche Tohmatsu</li></ul>	<ul style="list-style-type: none"><li>Director and Shareholder, family trust company</li></ul>
Mr Chi Mun Woo	<ul style="list-style-type: none"><li>Member, Chartered Accountants Australia &amp; New Zealand</li><li>Member, Institute of Chartered Accountants in England and Wales</li></ul>	<ul style="list-style-type: none"><li>Partner, Climate and Sustainability practice, Deloitte</li></ul>	<ul style="list-style-type: none"><li>-</li></ul>



## AUASB Agenda Paper

### AUASB Action list - From previous meetings

Action	Target Meeting	Comments
List of major stakeholder meetings to be included in future AUASB meeting papers	30 April 2025 and ongoing	Will include in papers for meetings, other than meetings to discuss IAASB agenda items.
Minutes for AUASB minutes to be circulated and approved out-of-session	11 March 2025 ongoing	To facilitate this a voting button will be included in the email circulating the minutes for meeting 158 onwards.
ISA 570 <i>Going concern</i> – the AUASB agreed to remove the optional subheading “No material uncertainty exists” from the illustrative example reports in ASA 570 <i>Going Concern</i> .	TBD	Timing is dependent upon the release of the final ISA 570 and PIOB certification.



# AUASB Agenda Paper

<b>Title:</b>	Narrow scope amendments on experts	<b>Date:</b>	11 March 2025
<b>Office of the AUASB:</b>	Rene Herman Anne Waters	<b>Agenda Item:</b>	4.1

## Objective of this Agenda Paper

- To seek AUASB member comments on:
  - proposed IAASB narrow scope amendments to ISA 620 *Using the Work of an Auditor's Experts* and other IAASB standards flowing from recent IESBA amendments on the use of external experts; and
  - next steps in Australia.
- Member views on the proposed amendments may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and / or the AUASB Chair.

## Question for AUASB members

No.	Question
1	Do AUASB members have any comments on the proposed amendments or the next steps outlined in paragraphs 9 and 10 below?

## Background

- At its upcoming March 2025 meeting, the IAASB will be asked to approve a project proposal for an exposure draft *Proposed Narrow-Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project*. The exposure draft would propose narrow-scope amendments to application material in:
  - ISA 620 *Using the Work of an Auditor's Experts*;
  - ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*; and
  - ISRS 4400 *Agreed Upon Procedures Engagements*,arising from amendments recent amendments to the IESBA Code on using the work of an external expert.
- IESBA's amendments establish an ethical framework to evaluate whether an external expert has the necessary competence, capabilities and objectivity.
- At its December 2024 meeting the IAASB agreed to make targeted narrow scope amendments to its standards which deal with using the work of an external expert. The affected standards were expected to be ISA 620, ISRE 2400, ISAE 3000 and ISRS 4400). The IAASB's project teams has since determined that ISRE 2400 is not affected.
- The IAASB's project team has developed proposed amendments to the application material in ISA 620, ISAE 3000 and ISRS 4400 (see [Exposure Draft Narrow Scope Amendments to IAASB Standards Arising from the IESBA's Using the Work of an External Expert Project](#)). These amendments mainly refer to the need to consider provisions of relevant ethical requirements when using external experts.

## AUASB Agenda Paper

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7. It is also proposed to amend the application material in ISA 620 to explicitly state that relevant ethical requirements may prohibit the auditor from using the work of an external expert if they are assessed not to have the necessary competence, capabilities or objectivity. No changes to requirements are considered necessary.
8. The proposal for an exposure draft is expected to be approved at the March IAASB meeting for a 90 day exposure period.

### **Next steps**

9. The Office of the AUASB proposes that the AUASB exposure any IAASB ED in Australia for a 60 day comment period. The AUASB would be asked to approve an Australian wrap around to the IAASB ED out of session.
10. While the proposed effective date of the proposed IAASB amendments would be aligned with the effective date of IESBA's amendments (15 December 2026), the Office of the AUASB proposes that the effective date for any AUASB amendments be aligned with the effective date of amendments made by the APESB to APES 110.



## AUASB Agenda Paper

<b>Title:</b>	Audit Evidence and Risk Response Project	<b>Date:</b>	11 March 2025
<b>Office of AUASB Staff:</b>	Rene Herman	<b>Agenda Item:</b>	4.2

### Objective of Agenda Item:

1. The objective of this Agenda Item is to seek any initial comments from AUASB members on the matters to be discussed on the IAASB's Audit Evidence and Risk Response Project at the upcoming March 2025 IAASB meeting.
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

### Question for AUASB members

No.	Question for AUASB members
1	Do AUASB members have any initial comments on the matters to be considered on the Audit Evidence and Risk Response Project at the March 2025 IAASB meeting as outlined in this Agenda Paper?

### Background and Previous Discussions on Topic

3. The IAASB's *Strategy and Work Plan for 2024–2027* covered pursuing an integrated approach to audit evidence and risk response, including a focus on technology and internal control.
4. The combined Audit Evidence and Risk Response project will consider:
  - a. The 'reference framework' aspects relating to judgments about the sufficiency and appropriateness of audit evidence in ISA 500 *Audit Evidence*; and
  - b. The 'performance' aspects relating to the design and performance of audit procedures in ISA 330 *Materiality* and ISA 520 *Analytical Procedures*.
5. It is proposed to consider technology implications for ISA 330, ISA 500, and ISA 520. The project will also have a strong focus on strengthening auditors' work on internal controls.
5. The IAASB expects to approve exposure drafts of the proposed revised ISA 300, ISA 500, and ISA 520 in December 2025. AUASB member views and input will be sought throughout the development of these exposure drafts in advance of relevant IAASB meetings.

### Matters being considered at the March 2025 IAASB meeting

6. At the upcoming March 2025 IAASB meeting, the IAASB will commence discussions on the combined audit evidence and risk response project. The issues being discussed, and the suggested path forward are still at early stages of discussion and are largely investigative.
7. The AUASB has previously made comments to the IAASB in these areas in previous submissions. A summary of the thinking / direction of the IAASB project team on these matters is provided below.

### Stand-back

8. Feedback provided by the AUASB on ED-ISA 500 *Audit Evidence*: "The AUASB note that there is some duplication of stand back requirements appearing in ED ISA 500 and ISA 330 and suggest further



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consideration is given so there are no unintended consequences with regard to the auditor's work effort required."

9. Stand-back provisions proliferating ISAs started as part of the IAASB professional scepticism working group's recommendations to enhance the exercise of professional scepticism. Recent stakeholder feedback on ED 500 and ED 240 has highlighted a concern with the numerous stand-back provisions. The IAASB has acknowledged that a common understanding of stand-back provisions needs to be addressed.
10. The Taskforce is proposing to discuss criteria to consider stand-backs (re-evaluation or checkpoint to move forward) as well as a discussion around specific requirements (complex, pervasive or special considerations).
11. Furthermore, three options for relocating the current stand-back provision in paragraph 26<sup>1</sup> of ISA 330 are being considered:
  - a. Moved into ISA 500
  - b. Moved into ISA 700
  - c. Moved into ISA 700 and adjusted wording to ISA 500 to refer to sufficient appropriate audit evidence to meet the intended purpose of the audit procedures.

All 3 options would come with a new requirement in ISA 330 to evaluate if sufficient appropriate audit evidence has been obtained from the further audit procedures performed.

### ***Audit procedures used for more than one purpose***

12. AUASB roundtables on technology and audit evidence highlighted this topic as an area of concern.
13. In response to stakeholder concerns that audit procedures may serve more than one purpose (i.e. serve as both a risk assessment procedure and a further audit procedures) and that further audit procedures may be dual purpose (i.e. may be a test of control and a test of details), the IAASB project team is proposing in ISA 500 to:
  - a. Provide a description and examples of an audit procedure used for more than one purpose; and
  - b. Introduce a requirement that where the auditor obtains audit evidence from an audit procedure that is used for more than one purpose: *the auditor shall evaluate separately whether the audit evidence obtained meets each identified purpose of the audit procedure.*

### ***Material classes of transactions, account balances and disclosures***

14. Feedback provided by the AUASB on ED-ISA 315:
  - a. Stakeholders have expressed concerns that the introduction of new definitions to describe significant classes of transactions, account balances and disclosures and relevant assertions is confusing and there needs to be guidance on how this is different to material classes of transactions, account balances and disclosures and relevant assertions applied in ISA 330.
  - b. If a class of transactions, account balances or disclosures has not been assessed as having an identified risk of material misstatement then ISA 330 paragraph 18 is not relevant and is no longer required.
15. Paragraph 18 of ISA 330 requires the auditor to design and perform substantive procedures for each material class if transaction, account balance, disclosure (COTABD), irrespective of the assessed risk of material misstatement. Practitioners and some Jurisdictional and National Auditing Standard Setters have challenged the extent to which the requirement is consistent with the concept of a risk-based audit.

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<sup>1</sup> The auditor shall conclude whether sufficient appropriate audit evidence has been obtained. In forming an opinion, the auditor shall consider all relevant audit evidence, regardless of whether it appears to corroborate or to contradict the assertions in the financial statements

## AUASB Agenda Paper

16. Others point to the application material in paragraph A43 of ISA 330 emphasising the need for some substantive testing given the judgemental nature of the auditor's risk assessment and the inherent limitations to controls (including management override). Further, some hold the view that the requirement in paragraph 18 of ISA 330 should apply at the assertion level consistent with PCAOB standards.
17. The project team recognises that the concepts of a material COTABD and a significant COTABD may be causing confusion and contribute to the challenges in this area.
18. The project team will undertake further outreach and investigation.

### ***Substantive analytical procedures***

19. The AUASB raised the need to revise ISA 520 in submissions on the IAASB's strategy and workplan.
20. Challenges noted by stakeholders included issues with the level of precision of expectations developed when designing substantive analytical procedures, and the amount of unexplained difference between expected and recorded amounts that is acceptable.
21. Additionally, the increased use of technology by auditors, which may facilitate the use of more disaggregated information when performing substantive analytical procedures, has raised questions as to whether the distinction between a test of details and substantive analytical procedures in the standards remains appropriate. This includes whether substantive analytical procedures could provide sufficient appropriate audit evidence to respond to a significant risk.
22. A procedure to evaluate the reasonableness of a recorded amount by comparing it to a precise expectation of that amount (i.e. a substantive analytical procedure) is different to a procedure to confirm or disconfirm items selected from the population (i.e. a test of details). The project team is of the view that this difference continues to support the distinction and that substantive analytical procedures are insufficient by themselves to provide sufficient appropriate evidence to respond to a significant risk.
23. The IAASB will be presented with recommendations, such as defining or describing the terms 'test of detail' and 'substantive analytical procedures', and other proposed enhancements to ISA 520 to support auditor's judgments about the effectiveness of the design of substantive analytical procedures.

### TOPICS WHERE THE AUASB HAS NOT PREVIOUSLY PROVIDED COMMENTS TO THE IAASB

#### ***Tests of control***

24. The IAASB project team will further investigate:
  - a. Whether the ISAs allow for tests of controls alone, and if so in what circumstances. There would need to be conditional requirements and application material that identifies features of circumstances where such an approach may be appropriate.
  - b. Circumstances when tests of controls are required to obtain sufficient appropriate audit evidence.

#### ***Professional scepticism***

25. The IAASB project team will further investigate requirements in ISA 330:
  - a. To design and perform further audit procedures in an unbiased manner.
  - b. To evaluate whether sufficient appropriate audit evidence has been obtained and to consider all evidence obtained, whether corroborative or contradictory.

### **NEXT STEPS**

26. The Office of the AUASB will continue to monitor the progress of this project, provide updates to the AUASB, seek AUASB member input as necessary and provide input to the IAASB.



## AUASB Agenda Paper

<b>Title:</b>	Revised ISA 240 <i>The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statement</i>	<b>Date:</b> 11 March 2025
<b>Office of AUASB Staff:</b>	Rene Herman	<b>Agenda Item:</b> 4.3

### Objective of Agenda Item:

1. The objective of this Agenda Item is to seek member views as to whether there are any fatal flaw comments on the proposed revised ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statement* (revised ISA 240); and
2. Member views may inform Bill Edge in providing his views to the IAASB as a member. Significant issues (if any) may also be communicated to the IAASB by the AUASB's IAASB Technical Advisor and/or the AUASB Chair.

### Questions for AUASB members

No.	Questions for AUASB members
1	Do AUASB members have any comments in relation to the IAASB's proposed change in approach to the risk of management override of controls and conforming amendments to ISA 600 as outlined in paragraphs 6 and 7 below?
2	Do AUASB members agree that the AUASB's substantive comments on ED-240 have been addressed by the IAASB – see table in paragraph 9 below?
3	Do AUASB members agree that the AUASB's other significant comments on ED-240 have largely been addressed by the IAASB and that there are no 'fatal flaw' areas that have not been addressed – see table in paragraph 10 below?
4	Do AUASB members have any other fatal flaw comments on the proposed revised ISA 240?
5	Do AUASB members agree with the Office of the AUASB's recommendation in relation to Australian amendments that may be required to ISA 240 as outlined in paragraph 11 below?

### Background

3. The revised ISA 240 is expected to be approved by the IAASB at its March 2025 meeting. It is unlikely that the IAASB will make substantial changes to the proposed revised standard at this stage other than as outlined below. See the links provided for the proposed [revised standard](#) and [consequential amendments](#).
4. The revised ISA 240 would be effective for periods beginning on or after 15 December 2026, which would coincide with the effective period for the revised ISA 570 *Going Concern*.
5. The AUASB made a [written submission](#) on the IAASB's exposure draft of a proposed revised ISA 240 (ED-240). AUASB members have considered IAASB board papers outlining proposed changes to the ED and provided feedback to the Australian IAASB member and the AUASB's IAASB Technical Advisor.

## Matters of substance being considered at the March 2025 IAASB meeting

6. Recognising that the risk of management override of controls is generally pervasive, impacting many assertions and isn't necessarily identifiable at an account or disclosure level the task force is proposing that the risk of management override of controls be treated at the financial statement level rather than as a significant risk at the assertion level. In line with ISA 315, for identified ROMMs at the financial statement level, the auditor will then be required to determine whether such risks affect the assessment of risk at the assertion level and then if so, these will be treated as a significant risk. In most cases, this will result in the same risks being identified at assertion level. The Office of the AUASB is supportive of this approach.
7. Conforming amendments being proposed to ISA 600 to:
  - a. Clarify that the group auditor takes responsibility for obtaining an understanding of fraud identified by the component auditor; and
  - b. Require the component auditor to communicate all identified instances of fraud to the group auditor.

The Office of the AUASB is supportive of these amendments.

8. ISA 240 is expected to be voted to issue at the March 2025 IAASB meeting with no re-exposure.

## Summary of comments in AUASB submission and how the IAASB addressed them in revised ISA 570

9. The AUASB's submission largely supported the overall direction of proposed ISA 240 but identified several areas of concern for consideration by the IAASB. The Office of the AUASB considers that the substantive comments (where there AUASB had disagreed with the position taken in ED-240) in the AUASB submission have either been addressed by the IAASB in the revised ISA 240 or the Office accepts the position of the IAASB as explained (see table below).

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
1	Transparency in reporting	
1.1	Replacing the heading 'Key Audit Matters Including Matters Related to Fraud' in the audit report with 'Key Audit Matters (Including Matters Related to Fraud and Error)' for consistency with the text that appears immediately after the heading. This will avoid over-emphasising the importance of fraud risk compared to risk of error.	<i>This matter has been addressed in revised ISA 240.</i> The IAASB has removed the words "Including Matters Related to Fraud" in the section heading. There is a requirement in paragraph 61 is to use an appropriate subheading for each KAM that clearly describes that the matter relates to fraud sufficiently emphasises the KAMs related to fraud. Application material supports this requirement, refer 1.2 below.
1.2	Including appropriate examples in the application material demonstrating that fraud related KAMs are often interlinked with KAMs related to error (e.g. a KAM related to an estimate). Otherwise, KAM related fraud risks may always be treated as stand-	<i>This matter has been partially addressed by the IAASB.</i> <i>While the IAASB has not addressed the AUASB's encouragement for additional guidance, the AUASB's concern with the requirements themselves has been addressed.</i> Combined with the change to the heading, AM paragraph A185 further explains:

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No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
	alone KAMs, which may drive boilerplate statements.	<i>If a matter related to fraud is determined to be a key audit matter and there are a number of separate, but related, considerations that were of most significance in the audit, the auditor may communicate the matters together in the auditor's report. For example, long-term contracts may involve significant auditor attention with respect to revenue recognition and revenue recognition may also be identified as a risk of material misstatement due to fraud. In such circumstances, the auditor may include in the auditor's report one key audit matter related to revenue recognition with an appropriate subheading that clearly describes the matter, including that it relates to fraud.</i>
1.3	Some practitioners were concerned with possible litigation where a material fraud is later discovered but there was no KAM in the auditor's report. Additionally, a fraud matter may still be under investigation at the time of the audit report and communicating the matter in a KAM could create legal risk for both the company and the auditor.	<i>This matter has been addressed in revised ISA 240.</i> The IAASB acknowledged respondents' comments and that the concern with respect to suspected fraud, on-going investigations and uncertain outcomes, as well as disclosing original information, and believes it is covered by ISA 701 paragraph 14(b) (which does not require a key audit matter to be disclosed in the rare circumstances where the consequence of disclosure outweighs the public interest benefits) and related application material. Paragraph A189 addresses cases where a KAM is not communicated in the auditor's report and includes a reference to ISA paragraph 14(b) of 701. Furthermore, application material paragraph A189 highlights that ISA 701 includes considerations and guidance on original information that may be particularly relevant in the context of communicating KAMs related to fraud.
1.4	Australian practitioners expressed concern that some auditors could include boilerplate fraud related KAMs (e.g. on management override of controls) to avoid stating that there are no KAMs related to fraud to communicate.  The AUASB suggested that where there are no KAMs related to fraud, highlighting in the auditor's report that the auditor's objective is to obtain reasonable assurance that the financial report as a whole is free of material misstatement, whether due to fraud or error.	<i>This matter has been addressed in revised ISA 240.</i> The IAASB has deleted the requirement to disclose when there are no KAMs related to fraud.
2	Work Effort Requirements	
2.1	The AUASB submission raised concerns with the proposed work effort in ED 240 where clearly trivial fraud has been identified. Instead,	<i>This matter has been partially addressed by the IAASB. The Office of the AUASB accepts the position that the stand-back will be looked at holistically within the Audit Evidence and Risk Response project currently underway.</i>

## AUASB Agenda Paper

No.	Substantive comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
	there could be a stand-back provision to address the possibility of an accumulation of matters that alone might be considered clearly trivial.	<p>A 'clearly inconsequential' exception threshold has been added to paragraphs 55.</p> <p>The IAASB reaffirmed its position that a separate stand-back requirement is not needed given existing stand-back requirements in other ISA to consider, among other things, whether the audit evidence obtained adequately supports the auditor's risk identification and assessment and responds to assessed risks. An integrated and coherent approach to stand-back requirements across the suite of ISAs will be considered in the Audit Evidence and Risk Response project.</p>
2.2	Making the requirement in paragraph 55(a) (now paragraph 54(a)) to inquire about the matter with a level of management that is at least one level above those involved, subject to any legislation that may prevent the auditor from making a direct enquiry to management, such as where the auditor is notified of a fraud or suspected fraud by an anti-corruption regulator. Indirect enquiry may be possible.	<p><i>This matter has been addressed by the IAASB</i></p> <p>The IAASB has addressed this by inserting the words 'when appropriate in the circumstances' to paragraph 54(a). The IAASB considers that the determination of which level of management is appropriate is a matter of professional judgement.</p>
2.3	The assessment in paragraph 56 (now paragraph 55) should be imposed on the auditor rather than the engagement partner. In practice it may be made by the engagement partner but that may not be practical in some scenarios, such as large groups with component audits.	<p><i>This matter has partially been addressed by the IAASB. The Office of the AUASB accepts the position of the IAASB in relation to the engagement partner's responsibilities</i></p> <p>The IAASB has deliberated this matter but continues to believe that these determinations should be made by the engagement partner (other than for matters that are clearly inconsequential) due to the importance of appropriately assessing the impact of fraud or suspected fraud on the audit. The IAASB considers that this requirement is scalable and proportional and that it is appropriate for the engagement partner to use information obtained by other members of the engagement team, including component auditors in the case of a group audit, to make these determinations.</p> <p>The IAASB have included new application material paragraph at A162 reminding practitioners that in fulfilling this requirement, the engagement partner (as described in ISA 220) may obtain information from other members of the engagement team (e.g. component auditors).</p>

10. The AUASB submission included other less substantive matters for the IAASB's consideration. The more significant of these comments appear in the table below.

## AUASB Agenda Paper

No.	Other comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
1	Professional Scepticism	
1.1	<p>The IAASB should consider limiting ED-240 paragraph 21 (now paragraph 20) to events or conditions that indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud to clarify that the auditor is not required to always undertake extensive fraud related procedures throughout the audit. The auditor should be more proactive and challenging but there should not be a requirement to consider fraud in relation to all information as this would create an unduly burdensome documentation requirement.</p>	<p><i>This matter has been addressed by the IAASB</i></p> <p>Paragraph 20 has been revised to require the auditor to ‘remain alert throughout the audit for information <u>that indicates that one or more fraud risk factors are present and circumstances that may be</u> indicative of fraud or suspected fraud’.</p>
1.2	<p>The IAASB should consider Reinstating the text from extant ISA 240 paragraph 13 “notwithstanding the auditor’s past experience of the honesty and integrity of the entity’s management and those charged with governance” to remind the auditor to set aside any potential biases and encourage the exercise of professional scepticism.</p>	<p><i>This matter has been considered but has not been actioned by the IAASB. The Office of the AUASB accepts the position of the IAASB.</i></p> <p>The IAASB’s have not reinstated the extant paragraph 13 wording on the basis of this shifting the focus from the current audit to prior audits.</p>
1.3	<p>The IAASB should consider that the second sentence in paragraph 14 of extant ISA 240 on authenticity of documents remains in paragraph 20 of ED-240 (now paragraph 22) - ‘If conditions identified during the audit cause the auditor to believe that a document may not be authentic or that terms in a document have been modified but not disclosed to the auditor, the auditor shall investigate further.’ The AUASB is supportive of the removal of the first sentence in paragraph 14 of the extant ISA 240 and in ISA 200 - ‘Unless the auditor has reason to believe the contrary, the auditor may accept records as genuine’.</p>	<p><i>This matter has been considered but has not been actioned by the IAASB. The Office of the AUASB accepts the position of the IAASB to address this matter as part of the Audit Evidence and Risk Response project.</i></p> <p>The first sentence in paragraph 14 of the extant ISA 240 has been removed - ‘Unless the auditor has reason to believe the contrary, the auditor may accept records as genuine’. The words in A23 of ISA 200 have not been amended as the IAASB decided that a possible consequential amendment is best addressed as part of the IAASB’s Audit Evidence and Risk Response project.</p>

## AUASB Agenda Paper

No.	Other comments in the AUASB submission	How addressed in the revised ISA 240 or why not an impediment to Australian standard
2	<p>Documentation</p> <p>The documentation requirements in paragraph 70 of ED 240 (now paragraph 67) are not complete. For example, paragraph 70(c) (now paragraph 67(c)) does not require documentation on the responses to identified and assessed risks. The IAASB should consider whether listing many detailed documentation requirements but excluding some others might imply that the excluded matters do not apply in the case of fraud.</p>	<p><i>This matter has been considered but has not been actioned by the IAASB. The Office of the AUASB accepts the position of the IAASB.</i></p> <p>The IAASB considers that the IAASB has achieved its objective of enhancing clarity around what needs to be documented for fraud-related procedures. The requirements in paragraph 67 build on the requirements in ISA 230.</p>
3	<p>Rebuttal of the presumption of the significant risk of fraud in revenue</p> <p>The rebuttal of the presumption of the significant risk of fraud in revenue recognition should be at the assertion level rather than the account level.</p>	<p><i>This matter has not been actioned by the IAASB. The Office of the AUASB believes this is not a 'fatal flaw' with the revised standard.</i></p> <p>This has not been addressed in the revised ISA 240. However, application material makes it clear that it is ordinarily inappropriate for the audit to rebut the presumption that there are risks of material misstatement due to fraud in revenue recognition.</p>

### Australian specific paragraphs

11. Extant ASA 240 currently contains two Australian specific paragraph that references the Corporations Act as a footnote.

	Extant paragraph in ASA 240	Proposed paragraph in ISA 240 revised
1	<p>Aus A62.1 Legislation may require the auditor or a member of the audit team to maintain the confidentiality of information disclosed to the auditor, or a member of the audit team, by a person regarding contraventions or possible contraventions of the law*. In such circumstances, the auditor or a member of the audit team may be prevented from communicating that information to management or those charged with governance in order to protect the identity of the person who has disclosed confidential information that alleges a breach of the law. In such circumstances, the auditor may consider obtaining legal advice to assist in determining the appropriate course of action and may need to consider the implications for the audit engagement.</p>	<p>A193 In some jurisdictions, law or regulation may restrict the auditor's communication of certain matters with management and those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the auditor is required to report the fraud to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the auditor may be complex and the auditor may consider it appropriate to obtain legal advice.</p> <p><i>The Office of the AUASB considers that the proposed application material in ISA 240 adequately addressed this matter but recommends the footnote be carried over and associated to paragraph A193.</i></p>



## AUASB Agenda Paper

	Extant paragraph in ASA 240	Proposed paragraph in ISA 240 revised
	* See, for example, the Corporations Act 2001, Part 9.4AAA Protection for Whistleblowers.	
2	<p>Aus A67.1 An auditor is required by the Corporations Act 2001 to notify the Australian Securities and Investments Commission (ASIC) if the auditor is aware of certain circumstances.*</p> <p>*See ASIC Regulatory Guide 34 Auditor’s obligations: reporting to ASIC (May 2013), which provides guidance to help auditors comply with their obligations, under sections 311, 601HG and 990K of the Corporations Act 2001, to report contraventions and suspected contraventions to ASIC</p>	<p><i>The Office of the AUASB considers it appropriate to include this AUS paragraph in the revised ASA 240.</i></p>

### Next steps

12. The AUASB will monitor the NZAuASB’s deliberations on the adoption of ISA 240 in New Zealand. The next NZ AuASB meeting is on 9 April 2025.
13. An Australianised revised ISA 240 will be brought to a future AUASB meeting for consideration to issue in Australia after it is approved by the IAASB and certified by the PIOB.



# AUASB Agenda Paper

<b>Title:</b>	ASSA 5000 Ethics Requirements	<b>Date:</b>	11 March 2025
<b>Office of the AUASB:</b>	Anne Waters / Doug Niven	<b>Agenda Item:</b>	5.1

## Objective of this Agenda Paper

1. The objective of this agenda item is to update AUASB members on practical matters raised in relation to the requirement in *ASSA 5000 General Requirements for Sustainability Assurance Engagements* for assurance practitioners to apply Part 5 of IESBA Code from 1 January 2025.

## Question for AUASB members

No.	Question
1	Do AUASB members have any questions or comments on the matters discussed below?

## Background information

2. On 28 January 2025 the AUASB approved ASSA 5000 effective for assurance engagements on sustainability information reported:
  - (a) For periods beginning on or after 1 January 2025; or
  - (b) As at a specific date on or after 1 January 2025.A footnote to the relevant application paragraph notes that (b) above does not require ASSA 5000 to apply to any engagements for periods beginning before 1 January 2025.
3. *ISSA 5000* applies from 15 December 2026 with early application encouraged. *ISSA 5000* requires compliance with 'relevant ethical requirements' defined as:

'Principles of professional ethics and ethical requirements that are applicable to practitioners when undertaking assurance engagements on sustainability information. Relevant ethical requirements comprise the provisions of the IESBA Code related to sustainability assurance engagements, together with applicable legislative or other requirements that are more restrictive, or professional requirements or requirements in law or regulation that an appropriate authority has determined to be at least as demanding as the provisions of the IESBA Code related to sustainability assurance engagements (Ref: Para. A62–A63)'

For provisions of Part 5 of the IESBA Code related to sustainability assurance engagements see [Part 5 of the IESBA International Ethics Standards for Sustainability Assurance \(including International Independence Standards\)](#).
4. APES 110 is not expected to be updated to include Part 5 of the IESBA Code until mid-2025. In the meantime, ASSA 5000 requires the application of Parts 1 to 3 of APES 110 and Part 5 of the IESBA Code. This ensures consistency with *ISSA 5000* and recognises that Part 5 of the IESBA Code and *ISSA 500* were intended to operate together. Matters have been raised about the adequacy of transitional provisions in Part 5 of the IESBA Code given the 1 January 2025 application dates under ASSA 5000. These matters concern provisions in Part 5 of the IESBA Code that apply for assurance over reports on sustainability information of public interest entities (PIEs) under general purpose reporting frameworks.

5. The majority of the matters raised are covered by transitional provisions in Part 5 of the IESBA Code and can be addressed by providing information and explanations through FAQs. Matters raised that are adequately covered at present include new requirements for:
  - (a) Independence of assurance providers in value chains which do not apply until 1 July 2028; and
  - (b) Rotation requirements where, for example, an individual with six or more years on an engagement can continue for another two years.
7. We are looking further into the practical implications of a matter raised with the rotation requirements in Part 4A of the existing APES 110 in the context of audits of PIE financial reports. However, this matter does not arise from the application of Part 5 of the IESBA Code under ASSA 5000.

## **Possible amendments to ASSA 5000 and FAQs**

8. As noted verbally at the AUASB meeting on 19 February 2025, two possible practical matters have been identified with the increased requirements under Part 5 of the IESBA Code compared to the existing APES 110 that may require retrospective amendments to ASSA 5000:
  - (a) The prohibition of specified non-audit services (NAS) where safeguards can no longer be applied. While Part 5 Of the IESBA Code allows engagements for otherwise prohibited NAS already contracted and commenced to continue in accordance with the original engagement terms for one reporting cycle, there may be instances where auditors have commenced engagements after 1 January 2025 and either:
    - (i) the prohibition did not exist at the time (ASSA 5000 was approved on 28 January 2025); or
    - (ii) the prohibition could not reasonably be expected to be generally known to assurance practitioners.
  - (b) The requirements on independence of external experts used by an assurance practitioner. These experts may need time to establish systems and processes to identify and address independence threats.
9. The Office of the AUASB has circulated drafted FAQs and the possible areas for amendments to ASSA 5000 to representatives of large and mid-tier audit firms, the APESB, CA ANZ, CPA Australia and ASIC. Initial comments have been sought by close of business on Wednesday, 5 March 2025. This will enable any preliminary feedback to be provided to the APESB for their Board meeting on Thursday, 6 March 2025 which will consider an exposure draft on adopting Part 5 in APES 110.
10. The Office of the AUASB is working to address practical matters in applying Part 5 of the IESBA Code as quickly as possible and provide certainty to assurance practitioners.

## **Next steps**

11. AUASB members will be updated verbally at the AUASB meeting on 11 March 2025 on preliminary feedback from stakeholders and discussions at the APESB Board meeting.
12. The Office of the AUASB will continue to work through these matters with the APESB and stakeholders. Draft FAQs updated following feedback from stakeholders, will be sent to AUASB members for any informal comments.
13. An AUASB meeting will be arranged to cover any amendments required to ASSA 5000. An exposure draft may be required with a minimum 30-day comment period. If the revised APES 110 includes appropriate transitional provisions for the use of external experts, consideration may be given to addressing the external experts matter by adopting the revised APES 110 retrospectively in mid-2025. However, a revised APES 110 may not fully address practical matters relating to the commencement of non-audit services in the first half of 2025.