



Subject: Minutes of the 133rd Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Dexus Place, 385 Bourke Street, Melbourne VIC 3000 and via Zoom Teleconference
Date: Wednesday 15 March 2023, 9:00am – 5:00pm

Attendance

AUASB Members:

Mr Bill Edge (Chair)
Ms Julie Crisp (Deputy Chair)
Ms Marje Russ (NZAuASB Chair)
Ms Tracey Barker [via Zoom]
Mr Klynton Hankin
Dr Noel Harding
Mr Terence Jeyaretnam
Ms Joanne Lonergan
Mr Andrew Porter
Ms Michelle Shafizadeh
Mr Jason Thorne
Mr Chi Mun Woo

AUASB Technical Group Staff:

Mr Matthew Zappulla (Technical Director)
Ms Rene Herman
Ms Marina Michaelides
Ms Anne Waters
Ms Johanna Foyster
Ms See Wen Ewe
Ms Rebecca Mattocks

Guests:

Ms Rebecca McCallum (Director, Climate Disclosure Unit, The Treasury) [Agenda item 3, via Zoom]
Dr Keith Kendall (Chair, AASB) [Agenda Item 4]

Apologies:

None

Minutes

(Agenda Item 1 – Minute 1568) Agenda and Introduction

The Chair welcomed members to the 133rd AUASB Meeting, with a particular welcome to the AUASB's two new members, Mr Terence Jeyaretnam and Mr Chi Mun Woo, who were attending their first AUASB Meeting.

(Agenda Item 1.2 – Minute 1569) Out of Session Voting Update

The Board noted the following items that were approved by the AUASB out of session since the last AUASB meeting in November 2022:

- Amending Standard ASA 2022-2 *Amendments to Australian Auditing Standards*; and
- ED 01/23 *Audits of Group Financial Statements of the Proposed International Standard on Auditing for Audits of Financial Statements of Less Complex Entities (ISA for LCE Group Audits)*.



(Agenda Item 1.3 – Minute 1570) Update from the AUASB Chair

The AUASB Chair updated AUASB members on several items not already included in the current AUASB meeting agenda, including the AUASB's recent publications on Technology ("Enhancing Audit Quality using Technology"), the latest AUASB Sustainability Assurance Update, and other items included in the February 2023 AUASB Update newsletter.

(Agenda Item 1.4 – Minute 1571) NZAuASB Update

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

- Exposure of NZ SAE 1 *Assurance Engagements over Greenhouse Gas Emissions Disclosures*;
- Exposure of NZ AS 1 (Revised) *Audit of Service Performance Information*
- The new NZAuASB pronouncement relating to Assurance over Fundraisings;
- Issuance of a report on Enhancing Audit Quality which encompasses observations from the FMA's Audit Quality Monitoring Report;
- Recent consultation by the New Zealand Government in relation to the licensing and registration of GHG, climate (and in future, potentially sustainability) assurance providers;
- NZAuASB engagement with ACE (profession services member body) and Exemplar Global (auditor certification body); and
- Other items on the NZAuASB agenda relating to ethics.

(Agenda Item 2 – Minute 1572) FRC and Audit Quality Update

The AUASB received an update on current initiatives being undertaken by the FRC to support improvements in audit quality in Australia. The AUASB was informed that the FRC are commencing a project to review the system of monitoring the quality of auditors in Australia that will build on the 2019 report prepared by the FRC on Auditor Disciplinary Processes. AUASB staff will assist the FRC on this project.

The FRC are reviewing the appropriateness of Australian representation on international standard setting boards and supporting working groups and committees. This will be an ongoing focus of the FRC to ensure that Australia is adequately represented and positioned to influence international standard setting.

(Agenda Item 3 – Minute 1573) Treasury Update – Climate-related Financial Disclosure

Rebecca McCallum (Director, Climate Disclosure Unit, The Treasury) provided an overview of responses received to date in relation to the Climate-related financial disclosure Consultation Paper, and a summary of Treasury's proposed actions in response to the initial feedback provided. Ms McCallum noted that nearly 200 submissions were received with strong support of the implementation of mandatory climate disclosures that are internationally aligned. The Board was provided with the opportunity to deliberate on the matters raised and were informed that further consultation from The Treasury is expected by mid-year.

(Agenda Item 4 – Minute 1574) AASB Update (Incl. Climate and Sustainability)

The Chair of the Australian Accounting Standards Board (AASB), Dr Keith Kendall, provided an update on the AASB's current and future activities relating to Australian and International reporting standards on sustainability and climate-related disclosures. Dr Kendall went through the criteria the AASB intend to apply when determining if any Australian differences to the ISSB standards are required. The Board was provided with the opportunity to deliberate on matters raised and ask questions for further clarification.

(Agenda Item 5 – Minute 1575) Sustainability Assurance – Review of IAASB Proposed Standard

The AUASB discussed and provided input into the proposed International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements*. Overall, the AUASB was supportive of the draft ISSA 5000, noting that the proposals were largely representative of current practice. The AUASB discussed and provided feedback on several aspects of the draft standard including:



- Including additional application material to assist auditors to determine which disclosures are likely to be considered material;
- Broadening the definition of management's expert so that it covers an individual or organisation with subject matter expertise, whether they are an assurance practitioner or not;
- Including additional examples beyond those currently included which are all Greenhouse Gas specific;
- Updating the engagement leader definition, which may be considered too vague and judgemental, by elevating certain application material to be a requirement;
- Potentially including additional material relating to Group Audits in the proposed standard;
- Enhancing what is in the proposed standard relating to the auditor's requirements to review 'Other Information', potentially aligning with the concepts in the ISSB's S1 relating to Connected Information;
- Supporting that 'Key Sustainability Matters' are not required (however noting that some local regulators already require this); and
- Noting that assurance over Scope 3 reporting remains a particularly challenging area and that proposed ISSA could contain additional guidance and considerations on this topic.

(Agenda Item 6 – Minute 1576) IAASB Update and Discussion

The AUASB discussed and provided input into the following IAASB agenda matters to be discussed by the IAASB at the upcoming March 2023 meeting:

Less Complex Entities

The AUASB received a general update on the development of the proposed standard and the specific proposals due to be discussed at the March 2023 IAASB meeting.

ACTION – *The AUASB to schedule a discussion on the scope and application of the proposed LCE standard for the Australian market later in 2023 when the standard is finalised by the IAASB.*

Going Concern

The AUASB considered the final draft of the IAASB's exposure draft (ED) of the proposed Going Concern standard (ISA 570) and noted no fatal flaw comments, other than dissatisfaction of the IAASB's proposals to include differential reporting for Listed Entities in relation to 'close call' scenarios and material uncertainties relating to Going Concern in the audit report.

ACTION – *The AUASB Technical Group to develop an AUASB Consultation Paper and Australian specific Explanatory Memorandum to accompany the release of the IAASB's final version of ISA 570 (Revised) Going Concern. This will be distributed and sent for out of session approval once released by the IAASB.*

Listed Entities and PIE – Track 1

The AUASB received an update on the IAASB's responses to the Listed Entity/PIE Track 1 Exposure Draft. Most respondents to the IAASB supported that the differential independence requirements as required by the IESBA Code are publicly disclosed through the Auditor's Report. Final changes to the IAASB standards arising from this project will be presented to the IAASB June 2023 meeting for approval.

(Agenda Item 7 – Minute 1577) 2022-23 AUASB Technical Work Plan Update

The AUASB Technical Director presented the AUASB with an update of the 2022-23 AUASB Technical Work Program, detailing key projects delivered to date, key projects currently underway and planned projects which have yet to commence. There was also discussion about matters currently being addressed by the IAASB and the status of the AUASB's collaboration with the AASB.

(Agenda Item 8 – Minute 1578) GS 023 – Engagement Leader Guidance – Approval

The AUASB considered and unanimously approved a revised version of AUASB Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*. Changes to GS 023 include the provision of additional application and explanatory guidance (paragraphs 130-184) to support public sector auditors in applying ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.



(Agenda Item 9 – Minute 1579) AUASB Amending Standard for AASB 101 Update and Other Changes – Approval

The AUASB was taken through proposed ASA 2023-1 *Amendments to Australian Auditing Standards* which makes amendments to Australian Auditing Standards arising from changes made by the Australian Accounting Standards Board (AASB) to AASB 101 *Presentation of Financial Statements*, changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* and editorial corrections to revise minor inaccuracies, including misspellings and numbering or grammatical errors.

The AUASB unanimously approved ASA 2023-1 and the accompanying Explanatory Statements, as well as corresponding amendments to ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity* arising from changes made by the AASB to AASB 101.

(Agenda Item 10 – Minute 1580) Not-for-Profit Guidance and Withdrawal of GS 019 – Approval

The AUASB considered and provided input into the proposed final draft of the AUASB Bulletin – *Auditing Fundraising Revenue of Not-for-Profit Entities in a Digital Age*. The AUASB were also asked to approve the withdrawal of the extant GS 019 *Auditing Fundraising Revenue of Not-for-Profit Entities*. The AUASB approved the withdrawal of GS 019 subject to a few requested amendments being reflected in the final AUASB Bulletin.

ACTION – *The AUASB Technical Group to incorporate feedback from AUASB members into a further draft of the AUASB Bulletin – Auditing Fundraising Revenue of Not-for-Profit Entities in a Digital Age and send it to the AUASB Board for ‘fatal flaw’ review out of session, and then commence the process to officially have GS 019 Auditing Fundraising Revenue of Not-for-Profit Entities withdrawn as an AUASB pronouncement.*

(Agenda Item 11 – Minute 1581) IAASB Strategy and Work Plan – AUASB Submission

The AUASB was provided with an overview of the AUASB’s proposed submission to the IAASB’s Consultation Paper – Proposed Strategy and Work Plan for 2024-2027. Several key themes were discussed and deliberated on, including the timeliness of standards development, the AUASB’s preference for the IAASB to focus on additional implementation support and feedback on potential future projects the IAASB may include in its Work Plan over the next 3-year cycle from 2024–27.

ACTION – *The AUASB Technical Group to develop a final draft of the AUASB’s submission to the IAASB’s Consultation Paper – Proposed Strategy and Work Plan for 2024-2027 and send it to the AUASB Board for ‘fatal flaw’ review out of session.*

(Agenda Item 12 – Minute 1582) ISA 500 Audit Evidence – Review and Update

The AUASB was provided with an update on the AUASB’s consultation activities and feedback from recent stakeholder outreach sessions concerning ED ISA 500 *Audit Evidence*. The AUASB provided feedback on key themes addressed by ED ISA 500, including the development of a principles-based reference framework, the use of a management’s expert, the revised definition of audit evidence, the use of technology, exercising appropriate professional scepticism, sources of information used as audit evidence and the interrelationship between relevance, reliability, and persuasiveness. There were also queries raised by the AUASB about the use of some terms in the proposed standard, which prompted the AUASB Chair to note the AUASB should be briefed on how the IAASB uses certain terms under its CUSP (i.e., complexity, understandability, scalability, and proportionality) Drafting Principles and Guidelines at a future meeting.

ACTION – *Subject to additional feedback from stakeholders being received, the AUASB Technical Group to develop a final draft of the AUASB’s submission to the IAASB on ED ISA 500 Audit Evidence and send it to the AUASB Board for ‘fatal flaw’ review out of session.*

ACTION – *AUASB to receive a briefing on the IAASB’s CUSP proposals as part of the IAASB update at the next in person AUASB meeting.*



(Agenda Item 13 – Minute 1583) KAM Reporting Beyond Listed Entities – Update

The AUASB received an update on the feedback received to date from stakeholders at roundtables conducted in February 2023 in relation to AUASB Discussion Paper *Expanding Key Audit Matters Beyond Listed Entities*.

The AUASB noted that submissions from stakeholders are due by 31 March 2023 and that outreach activities will continue being conducted ahead of the next Board meeting.

(Agenda Item 14 – Minute 1584) GS 007 Information Gathering – Update

The AUASB received an update from AUASB Technical staff on information gathering activities undertaken with stakeholders to date to determine whether an update to AUASB Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* is required. Feedback to date noted that a revision of GS 007 is likely to be necessary, however there were not overall concerns with the main purpose and objectives of the Guidance Statement. Board members were informed that any updates to GS 007 are likely to be ‘narrow scope’ amendments that targets gaps due to changes since the Guidance Statement was developed, as opposed to a full review of the whole pronouncement.

Next Meeting

The AUASB will hold its next virtual meeting on 2 May 2023 and its next in person meeting in Melbourne on 14 & 15 June 2023.

Approval

Signed as a true and correct record.

W R Edge
Chair

Date: 3 April 2023