



Subject: Minutes of the 131st Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Dexus Place, 385 Bourke Street, Melbourne VIC 3000 and via Zoom Teleconference
Date: Tuesday 6 September 2022, 9:00am – 5:00pm

Attendance

AUASB Members:

- Mr Bill Edge (Chair)
- Ms Julie Crisp (Deputy Chair)
- Ms Marje Russ (NZAuASB Chair)
- Mr Klynton Hankin
- Dr Noel Harding
- Mr Andrew Porter
- Ms Michelle Shafizadeh
- Ms Joanne Lonergan
- Ms Tracey Barker

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
- Mr James Wake

Observers:

- Ms Misha Pieters (Director – Auditing and Assurance, NZAuASB)

Apologies:

- Mr Jason Thorne

Minutes

(Agenda Item 1 – Minute 1535) Agenda and introduction

The Chair welcomed members to the 131st AUASB Meeting.

(Agenda Item 1.2 – Minute 1536) Out of Session Voting Update

The Board noted that AUASB Consultation Paper *Exposure of the IAASB's Proposed Narrow Scope Amendments to ISA 700 (Revised), Forming an Opinion and Reporting on Financial Statements; and ISA 260 (Revised), Communication with Those Charged with Governance, as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)* was approved by AUASB members out of session on 20 July 2022 following the initial review of this consultation paper at the June 2022 AUASB Meeting.



(Agenda Item 1.3 – Minute 1537) AUASB Chair Update

The AUASB Chair spoke to several items on the current meeting agenda and other projects currently in progress by the AUASB Technical Team. Additionally, other matters raised by the AUASB Chair for the attention of the AUASB were:

- A new AUASB member, Mr Jason Thorne (Partner, Deloitte), has been appointed commencing from 1 July 2022.
- Revised plans for the AUASB Technology Project Advisory Group (PAG), with Tracey Barker to take over as Chair of this PAG and the PAG to next meet in October 2022.
- The AUASB Corporate Plan for 2022-23 and 2021-22 Annual Report are currently being finalised.
- The AUASB Chair will be hosting two stakeholder outreach sessions primarily focused on Sustainability Assurance and Audit Quality in Sydney and Melbourne in October 2022.
- The release of enhanced AUASB Digital Portal and Beta version of AASB Digital Portal.
- An overview of current job vacancies in AUASB staff team.

(Agenda Item 1.4 – Minute 1538) NZAUASB Chair Update

The NZAuASB Chair provided an update to the AUASB on several matters that were addressed at the August 2022 NZAuASB meeting and other issues the NZAuASB is currently focusing on, including:

- Details of a recent joint meeting of the NZASB and NZAuASB and an NZ XRB Strategy Day, which addressed a number of common challenges across both Boards;
- An update of the NZAuASB's initial development of a new standard for Assurance engagements over mandatory greenhouse gas (GHG) emissions disclosures;
- An update on the NZAuASB's Service Performance Information project; and
- A summary of the draft comment letter on IAASB ED *Proposed Narrow Scope Amendments to ISA 700 and ISA 260, as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)*.

(Agenda Item 2 – Minute 1539) FRC and Audit Quality Update

The AUASB received an update on current and planned initiatives to enhance audit quality, including those being carried out by the AUASB staff in conjunction with the Financial Reporting Council. The AUASB discussed the status of the recommendations of the [PJC Inquiry into Regulation of Auditing in Australia](#), and reconfirmed that where possible the AUASB should continue with existing implementation efforts.

An AUASB Member queried whether, considering current developments around Sustainability Reporting and Assurance, whether it would be timely to have the FRC's strategic direction to the AUASB reviewed, especially considering it has not been updated since 2005. The AUASB Chair agreed to raise this matter at the upcoming FRC meeting.

ACTION – AUASB Chair to raise AUASB Strategic Direction from FRC for consideration at the September 2022 FRC meeting.

(Agenda Item 3 – Minute 1540) Agenda Consultation and 2022-23 Work Plan Update

AUASB members were presented with a summary of feedback received from the main topics in the AUASB Agenda Consultation Paper. The Board were then taken through the revised AUASB Strategic Priority areas and key projects that have been included in 2022-23 AUASB Technical Work Program as a result of feedback stakeholders provided and the various outreach activities undertaken by AUASB staff. The AUASB endorsed the areas of focus in the 2022-23 AUASB Technical Work Program and supported the proposal to develop and publish a short feedback statement to communicate the outcomes of the AUASB's Agenda Consultation process.

ACTION – AUASB Technical Staff to draft a short AUASB Agenda Consultation Feedback Statement for publishing on the AUASB Website and distribution through the AUASB's communication channels.

When discussing the specifics of the AUASB Technical Work Program, an AUASB member expressed support for the AUASB to prioritise additional reporting and assurance on Internal Controls, which was a recommendation from the [PJC Inquiry into Regulation of Auditing in Australia](#) but is yet to be progressed as



there has been no response to this issue by the federal government. Other AUASB members supported this suggestion, and it has therefore been given greater prominence in the AUASB's work program.

ACTION – AUASB Technical Staff will convene a staff workshop on Internal Controls to chart the way forward and present a plan of action to the AUASB at a future AUASB meeting.

(Agenda Item 4 – Minute 1541) Sustainability

The AUASB received a sustainability reporting update from AASB staff, including a brief on the AASB's response to the ISSB's exposure drafts.

The AUASB then received an update on the IAASB's sustainability project plan and proposed approach to drafting the new Sustainability Assurance standard. While the AUASB supported the proposed approach of the IAASB, some concern was expressed around the seemingly lack of engagement with other global standard setters in this area. The AUASB highlighted the importance of collaboration and consultation with other sustainability standard setters. The AUASB understands that ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* is the predominant standard under which assurance engagements in Australia are currently being performed, but also recognised the immediate need for the development of additional guidance addressing specific areas such as use of experts and forward-looking information.

(Agenda Item 5 – Minute 1542) IAASB Update and Discussion

The AUASB discussed and provided input into the following IAASB agenda matters to be discussed at the upcoming September 2022 IAASB meeting:

Less Complex Entities

The AUASB received an update on the IAASB's proposals to address the Authority of the LCE Standard. The AUASB continued discussions on the AUASB's position on the potential adoption of the International Standard, noting that further discussions on the matter were required and the AUASB position will be dependent on the scope of the IAASB's final standard. The AUASB recognised that with the narrowing of the Authority it was looking like a limited number of entities would be permitted to be audited under the proposed standard. The AUASB supported the Authority being amended for local jurisdictions to set quantitative thresholds.

Going Concern and Fraud

The AUASB considered the IAASB's proposals for transparency in the auditor's report in relation to Going Concern both at an individual level and holistically (PIE independence, going concern and fraud). There was concern expressed by the AUASB that the auditor's report is becoming too long and complex and that too much additional reporting may widen the expectation gap and diminish credibility of the audit. The AUASB would like the IAASB to consider all reporting expansion considered holistically.

At an individual level, the AUASB supported additional disclosure in the auditor's report related to going concern however the AUASB did not support boiler plate reporting for entities where there was no material uncertainty and no events or conditions identified.

At an individual fraud level, the AUASB did not support the proposed additional disclosures in the auditor's report and expressed particular concern in relation to reporting identified significant deficiencies in internal control that are relevant to the prevention and detection of fraud.

Furthermore, in relation to both projects, the AUASB did not support differential reporting requirements for Listed and Non-Listed Entities.

Audit Evidence

The AUASB received an update on the revisions to Proposed ISA 500 *Audit Evidence* as well as the timing of the proposed Exposure Draft. The AUASB expressed some concern that the proposed standard may not address concerns of stakeholders particularly around the use of technology in the audit and the sufficiency of audit evidence. The proposed ISA 500 is expected to be brought to the November 2022 AUASB meeting to be voted out as an Australian Exposure Draft with stakeholder outreach expected early 2023.



(Agenda Item 6 – Minute 1543) GS 023 – Engagement Leader Guidance Issues Paper

The AUASB received an update on the next stage of the AUASB's ongoing Public Sector Audit Issues project to develop supplementary guidance to address issues presenting challenges in applying certain AUASB Standards in the public sector. An Issues Paper outlining the key issues identified in applying the ASA 220 definition of 'engagement partner' in the public sector, based on the input received from the AUASB Public Sector PAG, was included in the meeting papers for the Board's information. Board members expressed support for proposed supplementary guidance to be developed to address issues identified. AUASB technical staff will proceed to develop guidance material for consideration and feedback by the PAG at its next meeting in October 2022. A revised GS 023 *Special Considerations – Public Sector Engagements*, which will include the new section with guidance related to the role and responsibilities of the Engagement Leader and Signing Officer under ASA 220 and ASA 700, will be presented at the November 2022 AUASB meeting for Board consideration and approval to issue.

(Agenda Item 7 – Minute 1544) GS 003 – Limited Scope Amendments

The AUASB was provided with a summary of the process undertaken on GS 003 to establish the narrow scope amendments to the guidance statement. The amendments were primarily related to changes to the reporting framework under ASIC Form FS 70 *Australian financial services licensees: profit and loss statement and balance sheet* and AASB 1053 *Application of Tiers of Australian Accounting Standards* from 1 July 2021 with some transitional arrangements. One Board member requested a change to paragraph 94 to ensure wording around breach reporting is consistent throughout GS 003. The AUASB approved the narrow scope amendments to GS 003 subject to the change.

ACTION – AUASB technical staff to finalise changes to GS 003 to address additional feedback provided by AUASB Board Member on paragraph 94.

(Agenda Item 8 – Minute 1545) Approval of AUASB Quality Management Amendments

The AUASB was taken through comments received on ED 01/22 *Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards* and ED 02/22 *Proposed Conforming and Consequential Amendments to the other AUASB Standards to align to the IAASB Other Standards* and unanimously approved the amendments proposed in ED 01/22 and ED 02/22.

(Agenda Item 9 – Minute 1546) KAM reporting beyond Listed Entities – Project Plan

At the time of issuing ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* the AUASB committed to considering its scope (i.e., should it be expanded beyond listed entities) as part of its post implementation review. The AUASB discussed that whilst feedback received to date was favourable in relation to the value of KAMs, we had not received consistent feedback that this reporting should be mandated for other types of entities. However, importantly the AUASB had yet not asked this question formally, and it was agreed it was now appropriate to commence a project to consider this matter. The AUASB discussed the importance of gathering feedback from a wide range of stakeholders and considering the value of reporting key audit matters to users of financial reports. This feedback will be sought through issuing a Discussion Paper with questions for stakeholders, as well as interviews of stakeholders who would not usually respond to outreach (for example director community, regulators, user groups). The AUASB will consider the Discussion Paper at its December 2022 meeting.

(Agenda Item 10 – Minute 1547) Response to IAASB ED on ISA 700 and ISA 260

The AUASB considered and discussed an initial draft response to the IAASB, prepared by AUASB technical staff. Several Board Members expressed concern with the IAASB's proposal that the Auditor's Report be used as the vehicle to facilitate the new IESBA Code transparency requirement to publicly disclose that differential independence requirements for certain entities (such as PIEs) have been applied in the audit. These Board Members were not convinced that the proposed additional disclosures in the Auditor's Report will contribute to transparency and confidence in the audit, expressing concern that such disclosures could instead confuse users and may have unintended consequences.



After further discussion, the Board requested staff to update the AUASB's response to reflect the AUASB's feedback that:

- The Auditor's Report is not the appropriate mechanism to disclose that differential independence requirements for PIEs have been applied in the audit.
- If the IAASB determines that this information is to be included in the Auditor's Report, then the proposed changes to the Auditor Report is not appropriate. For example, the IAASB should consider whether such information should be disclosed in a different location in the report – that is, not in the Basis of Opinion section.
- The IAASB consider including an alternative option which will allow these disclosures to be made in accordance with local requirements. For example, in Australia, these additional disclosures could be included in the Auditor's Independence Declaration required under the *Corporations Act 2001*.

AUASB technical staff will update the AUASB submission to incorporate Board feedback as well as any feedback received from constituents in response to the AUASB Consultation Paper.

ACTION – AUASB technical staff to update the AUASB's proposed IAASB response to incorporate Board feedback, as well as any feedback received from constituents in response to the AUASB Consultation Paper. AUASB technical staff to then share the final proposed AUASB submission with AUASB Members out-of-session in the last week of September, for consideration and approval to submit to the IAASB before the 4 October 2022 closing date.

(Agenda Item 11 – Minute 1548) Reapproval of ASA 600 Explanatory Statement

The AUASB approved the amended wording in the revised Explanatory Statement of ASA 600, noting however that this final version of the Explanatory Statement is still subject to review by Treasury and the Senate Standing Committee. Therefore, a further version may need to be sent for AUASB Members approval out of session.

Postscript – Following the September 2022 AUASB Meeting the AUASB staff were advised by The Treasury and Senate Standing Committee that a revised version of the ASA 600 Explanatory Statement did not need to be relogged with the Federal Register of Legislation. Accordingly, the original version of the ASA 600 Explanatory Statement approved at the April 2022 AUASB Meeting will remain on the Federal Register of Legislation, with the amended wording requested by the Senate Standing Committee being incorporated into all future AUASB Explanatory Statements.

(Agenda Item 12 – Minute 1549) AUASB Digital Standards Portal Update

The AUASB was taken through a verbal presentation of the recently released enhanced AUASB Digital Portal. The feedback from AUASB was positive and well received.

Next Meeting

The AUASB will hold its next meeting in Melbourne on Monday 28th November and Tuesday 29th November 2022.

Approval

Signed as a true and correct record.

W R Edge
Chair

Date: 13 October 2022