



Subject: Minutes of the 141st Meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Dexus Place, Level 6, 80 Collins Street, Melbourne & via Zoom Teleconference
Date: Monday, 19 February 2024, 9:30 am – 5:00 pm

Attendance

AUASB Members: Mr Doug Niven (Chair) Mr Terence Jeyaretnam
Ms Julie Crisp (Deputy Chair) Mr Chi Mun Woo
Ms Marje Russ (NZAuASB Chair) Mr Andrew Porter
Mr Klynton Hankin Ms Michelle Shafizadeh
Professor Noel Harding Ms Tracey Barker
Mr Jason Thorne Ms Joanne Lonergan [Agenda Items 1 – 4 and 6.5 – 10]

Office of the AUASB Staff: Mr Matthew Zappulla (Technical Director) Ms Joanna Foyster
Ms Anne Waters Ms See Wen Ewe
Ms Marina Michaelides Dr Rebecca Mattocks

Guests: Ms Deepika Patwardhan, The Treasury [Agenda Item 4]
Mr Justin Williams, AASB/AUASB [Agenda Items 1 – 6]

Minutes

(Agenda Item 1 – Minute 1657) Private Discussion on Agenda

The AUASB discussed, in a private session, confidential information relating to the current meeting Agenda.

(Agenda Item 2 – Minute 1658) Opening and Chair Update

The AUASB Chair welcomed members to the 141st meeting. Matters arising from the previous December 2023 meeting and the finalisation of AUASB meeting dates for 2024 were discussed.

Board members also acknowledged the out of session approval of the PIE Track 2 Consultation Paper by the AUASB on 5 February 2024.

(Agenda Item 4 – Minute 1659) Treasury Update – Climate-related Financial Disclosures

Ms Deepika Patwardhan, Assistant Director at the Treasury, provided an update on the status of The Treasury's Draft Climate-related Financial Disclosures legislation, including an initial analysis of some of the submissions received during their consultation process, which ended on 9 February 2024.

Treasury will continue to work alongside the Office of the Parliamentary Council to redraft the proposed legislation in preparation for introducing the Bill to the House of Representatives.

(Agenda Item 5 – Minute 1660) AASB Update – Climate-related Financial Disclosures

Mr Justin Williams, AASB/AUASB Managing Director, provided an update on the current consultation process relating to AASB Exposure Draft SR1 *Australian Sustainability Reporting Standards – Disclosure of Climate-related Financial Information*, which is scheduled to conclude on 1 March 2024.

(Agenda Item 3 – Minute 1661) NZAuASB Update

The NZAuASB Chair, Ms Marje Russ, provided an update on the recent and planned activities of the NZAuASB, including planned standards relating to Assurance over Service Performance Information, proposals for a possible LCE audit standard for the New Zealand market and the NZAuASB's review of the IESBA's proposed amendments to the Code in respect of Sustainability and Experts.



(Agenda Item 6.1 – Minute 1662) Sustainability Assurance - Overview

The AUASB received an overview of the Office of the AUASB's planned approach to Sustainability Assurance topics to be discussed in further detail under individual Agenda Items below.

(Agenda Item 6.2 - Minute 1663) Sustainability Assurance - Draft Legislation

Building on matters discussed previously under Agenda Item 4, the AUASB reviewed a summary of the possible and potential impact of The Treasury's proposed Draft Climate-related Financial Disclosures legislation on the AUASB's mandate and functions, and how this is being addressed by the Office of the AUASB as part of its planned response.

(Agenda Item 6.3 – Minute 1664) Sustainability Assurance - Project Plan

The AUASB discussed a draft high-level Project Plan reflecting the AUASB's role and responsibilities as detailed in the Government's Policy Position Statement. The AUASB was supportive of the draft Project Plan which detailed the AUASB's responsibility to:

- Develop assurance standards in line with the IAASB's final standard.
- Consider developing standards or guidance under the local sustainability reporting framework.
- Set out a pathway for phasing in assurance requirements over time (assurance phasing).

The AUASB also discussed the importance of stakeholder engagement with investors, preparers and regulators. It was agreed that there must be flexibility to respond to external factors as they emerge.

(Agenda Item 6.4 – Minute 1665) Sustainability Assurance - Assurance Phasing

The AUASB received an update on the information gathering performed to date to inform the development of a possible approach to Assurance Phasing in line with The Treasury's proposed Draft Climate-related Financial Disclosures legislation. The Board paper included a possible assurance phasing within the start and end points outlined in the Government's Policy Position Statement (i.e. commencing with limited assurance of Scope 1 and 2 emissions disclosures from years commencing 1 July 2024 and with reasonable assurance of all climate disclosures from years commencing 1 July 2030). In the draft possible assurance phasing, it is assumed that the entity's financial statement auditor would provide assurance over climate-related financial information as outlined in the Government's Policy Statement.

The AUASB supported including a possible assurance phasing in a Consultation Paper to gather feedback from stakeholders on the demand for assurance and the ability of auditors and experts to meet that demand. A Board Member requested that the possible phasing cover Group 3 as well as Groups 1 and 2. It is important to understand the demand for assurance from both preparers and investors on what types of disclosures, and evaluating the auditing profession's capacity and capability to meet such demand. The AUASB discussed the interconnectivity of information and the importance of ensuring consistency in assurance levels over certain types of information, for example, risk assessment and strategy.

The AUASB agreed that the final assurance phasing should be in an auditing standard to have the force of law under the *Corporations Act 2001*.

ACTION – *The Office of the AUASB will incorporate suggested amendments into the AUASB's possible assurance phasing proposal and this will be reflected in the AUASB's Consultation Paper before it is issued for public comment.*

(Agenda Item 6.5 – Minute 1666) Sustainability Assurance - Australian Financial Reporting Framework Considerations

Given that ISSA 5000 will be framework-neutral, the AUASB agreed to consult on a possible local pronouncement that is intended to address assurance requirements arising from local climate reporting standards being issued by the AASB. Board members reviewed a paper which summarises the key auditing and assurance related matters under the proposed Australian reporting framework that might be covered in such a pronouncement. The AUASB decided on two areas for consultation:

- The proposal to adopt the final ISSA 5000 *General Requirements for Sustainability Assurance Engagements* (subject to seeing the final standard) for both mandatory and voluntary assurance over mandatory Climate-related Financial Information and other sustainability information; and



- Key topics that may supplement ISSA 5000 for assurance over mandatory Australian Climate-related Financial Information.

The AUASB requested that the key topics contained in Paragraph 17 of Agenda Item 6.5 be ranked based on their expected level of priority before these are finalised for consultation.

ACTION – *The Office of the AUASB will incorporate feedback from AUASB members on local reporting considerations into the AUASB's Consultation Paper before it is issued for public comment.*

(Agenda Item 6.6 – Minute 1667) Sustainability Assurance - Draft Consultation Paper

The AUASB discussed a Draft Consultation Paper covering the possible assurance phasing, the proposed approach to ISSA 5000, and the matters that might be addressed in a possible local pronouncement to supplement ISSA 5000. This will inform the development of possible AUASB exposure drafts in future. An updated version of the Consultation Paper will be provided to the AUASB for consideration out of session.

ACTION – *The Office of the AUASB to recirculate an updated Consultation paper to the Board for consideration out of session. The AUASB will issue the AUASB Consultation Paper for public comment shortly thereafter.*

(Agenda Item 7 – Minute 1668) Update on 2023-24 AUASB Work Plan

The AUASB received an update on the 2023-24 AUASB Work Plan detailing key projects delivered to date, key projects currently underway, and planned projects that have yet to commence. It was noted that whilst assurance over sustainability information is a key priority for the AUASB, there are several other matters currently being addressed, including the PIE Track 2 Consultation Paper released in late January 2024, proposed revisions to ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements* and the development of narrow-scope amendments to ASAE 3500 *Performance Engagements*.

(Agenda Item 8 – Minute 1669) Approval of AUASB Consultation Paper on Revised ISA 240 (Fraud)

AUASB members were asked to review and approve the proposed AUASB Consultation Paper containing the IAASB's Exposure Draft of the Revised ISA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*. One Board member requested some additional points were added to the list of planned enhancements to the proposed standard included in paragraph 13 of the Consultation Paper.

Following this matter being agreed, AUASB members unanimously approved the AUASB Consultation Paper subject to minor amendments being approved out of session by the AUASB Chair.

ACTION – *The Office of the AUASB to issue the revised Consultation Paper subject to the approval of the AUASB Chair.*

(Agenda Item 9 – Minute 1669) Other Business

No other matters were discussed.

Next Meeting

The AUASB will hold its next virtual meeting on Wednesday, 13 March 2024.

Approval

Signed as a true and correct record.

Douglas Niven
Chair

Date: 4 December 2024