

Highlights of Auditing and Assurance Standards Committee Meeting on 12 July 2016

The Institute of Singapore Chartered Accountants (ISCA) Auditing and Assurance Standards Committee (AASC or Committee) met on 12 July 2016. The following are highlights of the meeting:

1. Auditor Reporting

The Committee had completed a number of initiatives in 2015 and first half of 2016 to create awareness of, encourage early adoption of and provide implementation guidance on the new and revised auditor reporting standards. The planned initiatives for the remaining of 2016 included the following:

- (a) Securities Investors Association (Singapore) (SIAS) Forum for retail investors;
- (b) Sharing of experience by an early adopter in Singapore at the 2016 Singapore Accountancy Convention on 25 August; and
- (c) An article to share the experiences of early adopters in Singapore.

2. International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

The article authored by the Climate Change and Sustainability Services team in Ernst & Young LLP would be published in the August issue of the IS Chartered Accountant Journal. This article would create awareness of Singapore Standard on Assurance Engagements (SSAE) 3000 (Revised) and explore the opportunity of issuing reports under the SSAE 3000 (Revised) assurance framework.

3. Review of ISCA's Locally Developed Pronouncements

The amended Appendices 1 and 4 in Audit Guidance Statement (AGS) 1, *Sample Independent Auditor's Reports* were in order except for Appendix 4F.

In the essence of time, the Committee agreed to remove Appendix 4F in the interim and proceed with the issuance of the other reports in Appendices 1 and 4 in AGS 1.

4. Guidance on Audit Documentation

To drive consistency amongst the practitioners, the questionnaire on understanding the component auditor was developed to provide guidance on the nature of documentation required. The Committee approved the questionnaire to be published on the ISCA website.

5. SSA 720 (Revised), The Auditor's Responsibilities Relating to Other Information and Related Conforming Amendments

The Committee discussed two implementation issues arising from the application of SSA 720 (Revised).

Potential Implementation Issue 1 - Directors' Statement

To address potential implementation issue 1, the following initiatives had been completed:

- Sample report of a private company with only Directors' Statement as other information (OI) included in Appendix 1 of AGS 1
- Two educational articles by A/Prof Foo See Liang to be published in the July and August issues of ISCA Journal
- Issuance of practical guidance with regard to directors' statement

Potential Implementation Issue 2 - OI Received after Date of Auditor's Report

The Committee deliberated on the multiple ways to address the implementation challenge of reporting OI in the auditor's report, arising from the untimely receipt of OI from management and was not in favour of dual dating.

The Committee concluded that it would be critical to engage the directors and investors on the auditors' responsibilities on OI and the implications on the auditor's report. The Committee would also explore other possible options with other jurisdictions.

6. ISA 800 (Revised), Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks and ISA 805 (Revised), Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

SSA 800 (Revised) and SSA 805 (Revised) were issued on 27 May 2016 and uploaded on the ISCA Knowledge Centre. Members were informed via ISCA Weekly on 2 June 2016.

7. IAASB's Invitation to Comment (ITC), Enhancing Audit Quality in the Public Interest: A Focus on Professional Skepticism, Quality Control and Group Audits

The approved comment letter was submitted to the IAASB on 13 May 2016.

8. Electronic Bank Confirmations

Confirmation.com is a web-based platform that allows users to request, authorise and respond to audit confirmations online. The Hongkong and Shanghai Banking Corporation (HSBC) Singapore adopted Confirmation.com with effect from December 2015. Going forward, more banks in Singapore might come onboard this platform.

The Committee discussed whether electronic bank confirmations received from Confirmation.com were acceptable by ACRA as audit evidence.

The Committee obtained the Service Organisation Control (SOC) 3 report from Confirmation.com and reviewed for the scope of work performed and their applicability in Singapore. Based on the examination and certification, the Confirmation.com system comes across as robust and secure and the profession in Singapore should have no major issues relying on the electronic bank confirmations from Confirmation.com.

The Committee agreed to explore issuing some clarification on the Confirmation.com platform only if more banks with a local presence utilise the platform.

9. AGS 11, Comfort Letters and Due Diligence Meetings

AGS 11 was issued on 23 June 2016 and uploaded on the ISCA Knowledge Centre. Members were informed via ISCA Weekly on 30 June 2016.

10. ISA 810 (Revised), Engagements to Report on Summary Financial Statements

The exposure draft was issued for public consultation from 22 June 2016 to 21 July 2016. Subsequent to the public consultation, the Committee would finalise the revised standard for issuance.

11. AASC Updated Work Programme for 2016/2017

The Committee discussed the AASC Updated Work Programme for 2016/2017.

The key focus of the Committee for the term would be the IAASB publication on data analytics and its effect on audits and the exposure draft on agreed-upon procedures. The Committee would also continue outreach efforts to prepare the profession and key stakeholders for implementation of the enhanced auditor reporting. The Committee would also be working on reviewing and revising its current suite of locally developed pronouncements.

In addition, the Committee suggested issuing a guidance to clarify the definition of OI and the corresponding scope of work for auditors as there appears to be some confusion in the market with regard to the extent of work required on OI.

The Committee also considered exploring the topic on cyber security risks and its implications on audits of financial statements.

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