

Highlights of Auditing and Assurance Standards Committee Meeting on 7 July 2015

The Institute of Singapore Chartered Accountants (ISCA) Auditing and Assurance Standards Committee (AASC) met on 7 July 2015. The following are highlights of the meeting:

1. Auditor Reporting

The AASC Auditor Reporting Sub-Committee had deliberated on the comments received from public consultation and prepared the proposed standards for the approval of ISCA Council and the Public Accountants Oversight Committee (PAOC).

The Committee had planned for a number of initiatives to create awareness and to provide implementation guidance on the new and revised auditor reporting standards.

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

The International Auditing and Assurance Standards Board had issued the revised ISAE 3000, which covered assurance engagements other than audits and reviews of historical financial information. Conforming amendments were also made to the International Framework for Assurance Engagements and other assurance engagements standards.

Following ISCA Council's and PAOC's approval, the revised standards were issued and uploaded on the ISCA Knowledge Centre on 29 May 2015 and members were informed via ISCA Weekly.

The Committee would be exploring the possibility of providing implementation guidance to help the profession.

3. Review of Audit Guidance Statements (AGSs)

As part of the exercise to review the current AGSs to ensure that they remain relevant to the audit profession, the AASC AGS 2 and 4 Sub-Committee had reviewed AGS 2, *Verification of Debtor Balances – Confirmation by Direct Communication* and AGS 4 *Existence and Valuation of Inventories in the Context of the Historical Cost System*.

The Committee agreed with the Sub-Committee's recommendations to withdraw AGS 2 and retain and revise AGS 4 on the basis that:

Withdrawal of AGS 2

- (a) There were no major differences between SSA 505, *External Confirmations* and AGS 2;
- (b) The auditing principles in SSA 505 were adequate to effectively perform audit procedures in relation to external confirmations of debtor balances; and
- (c) There was no perceived value-add in retaining AGS 2.

Retain and Revise AGS 4

- (a) AGS 4 was still of significant relevance and value to the audit community, especially for practices which did not have a robust inventory audit programme;
- (b) Some topics in AGS 4, such as valuation of inventories and work-in-progress, were not covered in SSA 501, *Audit Evidence – Specific Considerations for Selected Items*. The Sub-Committee was also not aware of any other guidance available in the market which addressed these topics;
- (c) Practical challenges in auditing inventories still existed as evident from Practice Monitoring Programme (PMP) findings; and
- (d) The Sub-Committee considered other platforms where guidance could be provided but concluded that the outreach and impact of AGS 4 would be more extensive as compared to other platforms.

4. Guidance on Audit Documentation

The Committee agreed with the AASC Audit Documentation Sub-Committee that guidance could be provided in light of implementation challenges faced by the profession surrounding audit documentation. The guidance would likely be a principle-based document with illustrative examples. The ISCA Quality Assurance Seminar on 22 September 2015 would be a suitable platform to showcase the guidance as ACRA would be sharing the PMP findings at the seminar followed by ISCA, who would then present on how to address some of the PMP findings through audit documentation.

5. AASC Updated Work Programme for 2015/2016

The Committee discussed the updated work programme for the term.

The key focus of the Committee for the term would be the project related to auditor reporting which included the issuance of the new and revised auditor reporting standards, the related conforming amendments to other standards arising from the changes to the auditor's report as well as the outreach efforts to create awareness and prepare the profession and key stakeholders for implementation. The Committee would also be working on reviewing and revising its current suite of locally developed pronouncements and to provide relevant guidance surrounding audit documentation. Efforts would also be channelled to advocacy work to present the views of the stakeholders in Singapore in response to the IAASB's upcoming discussion papers on audit quality.

6. Min 5: Changes to Singapore Standards on Auditing (SSAs) and Audit Guidance Statements (AGSs) Arising from the Companies (Amendment) Act 2014

The amended SSAs and AGSs arising from the Companies (Amendment) Act 2014 were issued and uploaded on the ISCA Knowledge Centre and members had been informed via ISCA Weekly.

The amendments to the director's report and the statement by directors (i.e. the requirement to only present one statement) were effective for financial statements with financial years ended on or after 1 July 2015. On the other hand, the terminology changes to the auditor's report were effective for auditor's reports dated on or after 1 July 2015. The terminology changes that applied to the auditor's reports need not be applied to the statement by directors if the financial years ended prior to 1 July 2015. Notwithstanding that, the directors can choose to apply the same terminology changes if they wish to do so.

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