

Highlights of Auditing and Assurance Standards Committee Meeting on 18 April 2016

The Institute of Singapore Chartered Accountants (ISCA) Auditing and Assurance Standards Committee (AASC or Committee) met on 18 April 2016. The following are highlights of the meeting:

1. Auditor Reporting

The Committee had completed a number of initiatives in 2015 and Q1 2016 to create awareness of, encourage adoption of and provide implementation guidance on the new and revised auditor reporting standards. More initiatives had been planned for the remaining of 2016 to reach out to the various stakeholders.

The upcoming initiatives for 2016 would include, but not limited to, the following:

- (a) Breakfast Talk for preparers on 11 May 2016;
- (b) Lunchtime Talk with the Investment Management Association of Singapore (IMAS) to reach out to the institutional investors on 12 May 2016; and
- (c) Sharing of experience by an early adopter (or a company which carried out a dry run) in Singapore at the 2016 Singapore Accountancy Convention.

Application of Singapore Standard on Auditing (SSA) 701 on Private Entities with Listed Debts

The Committee noted that concerns had been raised on whether auditors should be reporting key audit matters (KAM) for private entities with listed debts as some of these entities might be special purpose vehicles (SPVs) or statutory boards. In particular, SPVs would not have an audit committee and their debt securities were normally offered to institutional investors.

The Committee considered the different viewpoints and concluded that private entities with listed debts should not be scoped out from communication of KAM (i.e. remain status quo) due to reasons as follows:

- There was an element of public interest regardless of the listing vehicle (i.e. whether via listed equities or listed debts) and regardless of whether the investors were institutional or retail investors.
- KAM enhanced the quality of information in auditor's report and would be useful to the users of financial statements.
- There were no strong justifications to deviate from international best practices.

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

The Committee would publish an article in the IS Chartered Accountant Journal in July, to be written by one of the professional accounting firms, to create awareness of Singapore Standard on Assurance Engagements (SSAE) 3000 (Revised) and the reports that could be issued under the SSAE 3000 (Revised) framework.

3. Review of ISCA's Locally Developed Pronouncements

Other than Appendix 3 in Audit Guidance Statement (AGS) 1, *Sample Independent Auditor's Reports* which was issued in December 2015, the other appendices in AGS 1 would be amended based on the agreed timeline shared at the previous AASC meeting.

The other locally developed pronouncements, including SAP 2, *Auditors and Public Offering Documents*, SAP 3, *Audit of Listed Companies*, and other AGSs, would similarly be reviewed based on agreed timelines.

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

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

Potential Implementation Issue 1 - Directors' Statement

The Committee deliberated and agreed on the following:

- Directors' Statement would be considered Other Information (OI) based on the definitions of "OI", "annual report" and paragraph A3 in SSA 720 (Revised).
- No changes to the reporting obligations of private companies would be necessary.
- Sample auditor's report of a private company with only Director's Statement as OI could be included in AGS 1 to provide guidance to the profession.

An article would be published in the IS Chartered Accountant Journal to provide guidance in this area.

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

The Committee deliberated on the implementation challenges of reporting OI in the auditor's report arising from the timing of receipt of OI from management.

Given the multiple ways to address the implementation challenges, it was recommended that the auditors engage their clients individually rather than for the Committee to decide on a particular approach which might not be feasible for every entity.

The Committee would also explore other possible options with other jurisdictions.

5. 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*

The exposure drafts (EDs) on SSA 800 (Revised) and SSA 805 (Revised) were issued for public consultation from 7 March 2016 to 6 April 2016. No comments were received during public consultation.

The revised standards would be finalised for the Committee's and ISCA Council's review and approval prior to issuance.

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

The ITC and Overview to ITC were issued for public consultation from 1 February to 29 February 2016 with no comments received. Three focus groups were conducted in March 2016 to solicit comments from the preparers of financial statements, audit committees, regulators and the public accounting firms. The Committee also engaged the ISCA Quality Assurance team who provides support to small and medium practices on their implementation of Singapore Standard on Quality Control (SSQC) 1.

The Committee would submit the comment letter to the International Auditing and Assurance Standards Board (IAASB) subsequent to ISCA Council's approval.

7. AGS 11, *Comfort Letters and Due Diligence Meetings*

The ED on AGS 11 was issued for public consultation from 28 March to 27 April 2016 following AASC's and ISCA Council's approval. Subsequent to the public consultation, the Committee would finalise the AGS for issuance.

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

The revised standard issued by the IAASB would be localised and approved by the ISCA Council prior to public consultation.

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