

Highlights of Auditing and Assurance Standards Committee Meeting on 17 January 2018

The Institute of Singapore Chartered Accountants (ISCA) Auditing and Assurance Standards Committee (AASC or Committee) met on 17 January 2018. The following are highlights of the meeting:

1. Auditor Reporting

Study on First Year Implementation of Enhanced Auditor's Reports (EARs) in Singapore (Study)

The article titled "*Enhanced Auditor's Report – One Year On, The Real Test Begins*" contributed by Mr Goh Kia Hong reviewed some of the key findings on the communicative value of Key Audit Matters (KAM) as reported in the Study and discussed some potential areas of improvement for the second year of implementation of EARs.

Post Implementation Review of the New and Revised Auditor Reporting Standards

A focus group for auditors was held on 5 December 2017 where auditors shared the implementation issues they had encountered, and suggested guidance and support they require. The Committee shared views on the feedback received at the focus group and discussed ways to address the concerns raised.

In view of the observation that some audit committees (ACs) might not provide a commentary as it was not a requirement while some ACs might have described the issues in a similar manner as the KAM reported by the auditor, the Committee agreed to work with the Singapore Institute of Directors (SID) and ACRA to promote AC commentary and to further the involvement of ACs as part of the entire process.

The Committee noted the importance of aligning the level of work performed by auditors on KAM with the disclosure in the auditor's report. The Committee agreed to feedback to the ISCA Professional Development team to consider covering courses related to audit documentation and group audits.

On the possibility of developing a best practice guide on tailored KAMs, the Committee noted the feedback from the focus group that entities might use the guide as a basis to challenge auditors if auditors include additional descriptions beyond what was shared in the guide. Hence it might in fact be a hindrance to auditors in drafting tailored, entity specific KAM.

The Committee agreed not to develop the best practice guide in view that it might not be relevant and useful for the profession.

FAQs

The FAQ publication on EARs, comprising five FAQs, was issued in November 2017.

The Committee discussed the following implementation issues identified:

- (a) Change of Wordings to "Auditor's Responsibilities for the Audit of the Financial Statements" Section when Financial Statements are Prepared on a Basis other than Going Concern
- (b) Scope of Other Information: Sustainability Report

The discussions and decisions reached by the Committee on the implementation issues identified would be added to the FAQ publication to provide continuous guidance to the audit profession.

2. Review of ISCA's Locally Developed Pronouncements

The Committee is in the process of reviewing the illustrative agreed-upon procedures report in Audit Guidance Statement (AGS) 1, *Sample Independent Auditor's Reports* and amending Statement of Auditing Practice (SAP) 2 (Revised), *Auditors and Public Offering Documents*.

3. Guidance on Cybersecurity Risks Considerations in a Financial Statements Audit

ISCA is in the process of working with PricewaterhouseCoopers on developing a guidance on cybersecurity risks considerations in a financial statements audit which was targeted to be issued in Q1 2018.

4. Monitoring Group (MG) Consultation: *Strengthening the Governance and Oversight of the International Audit-Related Standard-Setting Boards in the Public Interest*

The Committee discussed and shared their views on the various options for reforms as proposed in the MG's Consultation Paper.

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