



Subject: Minutes of the 78th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 15 September 2015 from 10.00 a.m. to 4.30 p.m.

All Agenda Items were discussed in public.

Attendance

AUASB Members: Ms Merran Kelsall (Chairman)
Ms Robin Low (Deputy Chairman)
Ms Jo Cain
Prof. Nonna Martinov-Bennie
Ms Valerie Clifford
Mr Chris George
Ms Caithlin Mc Cabe
Ms Jane Meade
Mr Colin Murphy
Mr Bernie Szentirmay

Apology: Mr Neil Cherry

AUASB Technical Group: Mr Richard Mifsud (Executive Director)
Ms Susan Fraser (in part)
Ms Marina Michaelides (in part)
Mr Howard Pratt (in part)

Declarations of Interest

(Agenda Item 1 – Minute 995)

“Declarations of Interests” forms for Members were tabled, confirmed, and amended as appropriate.

Members have adopted the standing policy in respect of declarations of interests that a specific declaration will be made where there is a particular interest in an issue before the AUASB.

Minutes

(Agenda Item 2 – Minute 996)

The AUASB approved the minutes of the 77th meeting held on 28 July 2015.



Matters Arising and Action list

(Agenda Item 3 – Minute 997)

The status of matters arising brought forward from previous AUASB meetings and action items were noted.

Exposure Draft 02/15 ASA 720 *The Auditor's Responsibilities Relating to Other Information and Related Conforming Amendments*

(Agenda Item 4 – Minute 998)

The AUASB was requested to consider constituents' submissions in response to ED 02/15 (60 day exposure to 10 August 2015) and the accompanying proposed dispositions thereof. The AUASB was also requested to provide preliminary clearance to the draft standards which incorporated suggestions from constituents that were considered appropriate. The exposure comments and standards related to Revisions to ASA 720 *The Auditor's Responsibilities Relating to Other Information*; and New amending standard ASA 2015-2 dealing with conforming amendments resulting from ASA 720.

The AUASB progressed its consideration of the Board papers by discussing in detail, including:

- (a) Further revising new guidance paragraph Aus A50.1 that provides further detail on the auditor's considerations on the appropriate action to take when there is an uncorrected material misstatement of other information to include a specific s311 *Corporations Act 2001* reference;
- (b) Include specific ASA 720 other information references in ASA 580 *Written Representations* Appendix 2 illustrative management representation letter;
- (c) Include specific ASA 720 other information references in ASA 210 *Agreeing the Terms of Audit Engagements* Appendix 1 illustrative audit engagement letter;
- (d) Re-instatement of appropriate pre-existing references to the *Corporations Act 2001*;
- (e) Agreeing to a revision of the other information illustrative auditor's reports wording in [Aus] Appendix 3 to include a reference to the fact that the auditor also does not express any form of assurance conclusion on the other information (consistent with requirement paragraph 22(c)); and
- (f) Further revising [Aus] Appendix 2 Decision Tree to improve clarity and ease of use.

The AUASB discussed further (technical) matters raised by members and agreement was reached on applicable wording for the standards.

The AUASB provided preliminary clearance for the standards subject to the changes agreed to and further quality assurance procedures. The clearance enables the draft standards to be publicised on the AUASB website to enable constituents to keep apprised of the AUASB's progress. The AUASB agreed to marshal their resources to continue reviewing the standards for any inadvertent errors or omissions.

It was agreed that final approval to issue the standards would occur later in the year but only when the revision of the standards affected by the financial statement disclosures changes had been finalised thereby enabling the entire suite of standards to be considered as a whole by the AUASB.



Auditor Reporting

(Agenda Item 5 – Minute 999)

- (a) The AUASB discussed two draft diagrams aimed at depicting the decision flow an auditor follows in establishing key audit matters (KAM).

The schematics were prepared in response to the AUASB's request at their 28 July 2015 meeting to provide a helpful summary of the KAM requirements.

The AUASB decided that the form and content of the drafts were not appropriate and that only one diagram was required. AUASB members provided suggestions on how to develop the schematic and two Members volunteered to provide AUASB staff with copies of their suggested diagrams.

The AUASB concluded that a single diagram should be drawn up along the lines of the IAASB's top/down illustration contained in their "*At a Glance*" document. It was further agreed that the next iteration would be dealt with "off line".

- (b) The AUASB considered the table of differences between the NZAuASB enhanced auditor reporting standards and those of the AUASB, prepared by the NZAuASB staff. The table did not reveal any differences that the AUASB was not already aware of. The discussion was brief and did not result in any action requirement(s).

- (c) The AUASB discussed briefly the auditor's reports, on three recently published Australian listed companies, which had adopted the new enhanced auditor reporting requirements, including key audit matters sections. The AUASB was complimentary of the reports and reiterated its support and encouragement for the early adoption of the new enhanced auditor reporting requirements. One AUASB Member suggested that examples of other published auditor's reports be included in future AUASB meeting papers.

- (d) The AUASB discussed a recently published article on the inclusion of a disclaimer in an auditor's report. The article referred to a recent UK court ruling relating to Bannerman clarification language. Several AUASB Members advocated for similar inclusions under the AUASB Standards and argued that requirements and/or guidance under the umbrella of the AUASB pronouncements would promote consistency of application.

The AUASB agreed that the next course of action was to establish an appropriate articulation of the matter, informed by further research and the opinions of those firms willing to share their views and the bases for their opinions. In its research the AUASB is to reach out to the UK FRC and look to the disclaimers used in the UK and NZ.

The AUASB would then seek formal legal advice and discuss the matter with ASIC. The matter is to be brought to the AUASB's 30 November 2015 teleconference meeting for further consideration.

GS 009 Auditing Self-Managed Superannuation Funds

(Agenda Item 6 – Minute 1000)

The AUASB considered and approved for issue the revised version of GS 009 *Auditing Self-Managed Superannuation Funds* subject to final editorials, quality review being completed and clearance by the Chairman. The revised guidance statement is expected to be released by the end of September 2015.



GS 003 Audit and Review Requirements for Australian Financial Services Licensees under the Corporations Act 2001

(Agenda Item 7 – Minute 1001)

Further to discussions at the 28 July 2015 AUASB meeting, the AUASB considered a further version of revised FS71 as issued by ASIC. As this version is now expected to be final, the AUASB considered a revised draft of GS 003. The AUASB was agreeable to finalise its approval of this guidance statement on an out-of-session basis pending discussion of one outstanding matter with ASIC over the coming week. It is planned that GS 003 will be considered further and approved out of session by 30 September 2015¹.

Revision of Assurance and Other Standards

(Agenda Item 8 – Minute 1002)

(a) ASAE 3100 Compliance Engagements

The AUASB considered a second draft of a proposed ED of revised ASAE 3100 *Compliance Engagements* and outcomes from the most recent PAG meeting. Work will continue on this project with the PAG and a final exposure draft will be considered at the 1 December 2015 AUASB meeting for approval.

(b) Standard on Service Performance Information

The AUASB received an update on the NZAuASB project to develop an auditing standard on service performance information and the AASB's project to issue ED 270 Reporting Service Performance Information. The AUASB will continue to monitor the NZAuASB audit project and the comments received on the AASB's ED 270 and how assurance engagements on service performance information as required, may be addressed in Australia in due course.

(c) ASAE 3500 Performance Engagements

The AUASB considered a second draft of a proposed ED of revised ASAE 3500 *Performance Engagements* and outcomes from the most recent PAG meeting. It was recognised that there are a number of issues with this project that require further discussion with the PAG. Once these issues are further articulated, another draft ED will be brought to an AUASB meeting.

International

(Agenda Item 9 – Minute 1003)

(a) IAASB Meeting 21-25 September 2015

The AUASB received a report on key matters to be discussed at the IAASB meeting to be held on 21-25 September 2015 in New York including :

- Audit Quality;
- Group Audits;
- Professional Scepticism;
- Integrated Reporting;
- Data Analytics; and
- Financial Institutions

¹ Subsequent to the 15 September 2015 AUASB meeting, GS 003 was approved for issue by the AUASB. GS 003 was issued on 1 October 2015.



(b) *ISA 810 Engagements to Report on Summary Financial Statements*

The AUASB considered and approved the draft AUASB submission to the IAASB on the Proposed *ISA 810 Engagements to Report on Summary Financial Statements*.

(c) *Non-Compliance with Laws and Regulations (NOCLAR)*

The AUASB considered the IAASB exposure draft on proposed changes to *ISA 250 Consideration of Laws and Regulations* in an Audit of a Financial Report and other ISAs as a result of conforming changes brought about by the IESBA NOCLAR project. The AUASB agreed on a way forward with a view to approving the proposed submission to the IAASB at a special teleconference meeting which will be held on 13 October 2015.

(d) *Integrated Reporting*

The AUASB received an update on current assurance related <IR> activities being undertaken both internationally and within Australia.

Corporate Matters

(Agenda Item 10 – Minute 1004)

(a) *Emissions Reduction Fund and Clean Energy Regulator*

The AUASB received an update on the activities of the Clean Energy Regulator and Department of Environment, including the timing of the first Emissions Reduction Fund (ERF) audits and the AUASB's involvement in providing feedback on the draft audit requirements for ERF audits to be included in the update to the Audit Determination Handbook being undertaken by the Clean Energy Regulator.

(b) *Report from AUASB Chairman on Recent Meetings*

The AUASB noted the Chairman's key meetings attended and presentations given since the last AUASB meeting.

(c) *Report from NZAuASB Chairman on Recent Activities*

An update was provided by Misha Pieters on key matters considered at the recent NZAuASB meeting.

(d) *AUASB Strategy 2015-2019 and updated Technical Work Program*

The AUASB noted the AUASB Strategy 2015-2019 document and the updated AUASB Technical Work Program for the year ending 30 June 2016.

(e) *Current AUASB PAG memberships*

The AUASB noted the current PAG membership listing.

(f) Other

It was agreed that the AUASB would consider and approve at a special teleconference meeting on 13 October 2015, the proposed exposure draft of changes to various ASAs as a result of the IAASB changes to ISAs emanating from its disclosures project. The exposure draft would have a 30-day comment period to enable these changes to be consolidated with changes from the enhanced auditor reporting and ASA 720 projects in a timely manner.



Next Meeting

The next regular meeting of the AUASB will be held in the Board Room, on Level 14, 530 Collins Street, Melbourne, on Tuesday, 1 December 2015 commencing at 9.00 a.m.

Close of Meeting

The Chairman closed the meeting at 4.30 p.m.

Approval

Signed as a true and correct record.

M H Kelsall
Chairman

Date: 1 December 2015