



2009 AUASB Consultative Meeting

Summary of topics, issues, recommendations and action items

Held in Melbourne, 8 December 2009

Topic 1: Clarity Australian Auditing Standards: Implementation Issues

Discussions included costs (and benefits) in implementing the *Clarity* Auditing Standards and the effect of changes in legislation. The following points were discussed:

1. Proposed changes in the Corporate Law Reform Bill may have implications for audits of certain companies limited by guarantee, which would have the option of a review rather than an audit.
2. Review engagements as an assurance service are generally not well understood by clients.
3. Some not-for-profit clients want more assurance than an audit currently provides (i.e. even greater than reasonable assurance).
4. The possibility should be considered of conducting an update of the costs and benefits study on regulatory reforms affecting audits.
5. The possibility of examining the costs of auditing two comparable clients; one under existing standards and one under the *Clarity* standards.
6. The possibility of conducting a survey to ask questions about lessons learned from implementation of the *Clarity* standards, how firms are responding to the new standards and the adequacy of communication.

Recommendations	Action/Status
(a) Revise Guidance Statements	Revision of certain Guidance Statements to conform with the <i>Clarity</i> Standards is reflected in the AUASB work program.
(b) The Corporate Law Reform Bill should be closely monitored, with special emphasis on the implication of the introduction of thresholds with respect to audits of companies limited by guarantee and the circumstances when review engagements would be permitted. In particular, implications for review engagements	Changes in the Corporate Law Reform Bill are currently being finalised and it is expected that the Bill will be introduced in Parliament in the first half of 2010. Review Standard 2400 will be amended in the first half to reflect these changes.
(c) Consider conducting market research on the costs and benefits of implementing the ASAs in <i>Clarity</i> format	To be considered by the AUASB as part of its <i>Clarity</i> ASA post-implementation strategy.



Topic 2: Auditing SMEs

The following points were raised:

1. It would seem that there is duplication of work involved with undertaking numerous grant acquittal audits and a financial statement audits for the same entities. Much duplication could be avoided by early discussion with government bodies when determining which audit requirements should be specified.
2. Concern that if reviews are adopted for small companies they may find themselves never having an audit, possibly making the reviews less reliable.
3. There are continuing user expectation gaps. In particular, there is a question as to whether users understand what a reduction in assurance from audit to review actually means.
4. Concern was expressed that less experienced auditors may be more uncertain about their judgements on compliance with standards.
5. There is a need to ensure ASIC inspection teams understand that there is no requirement to document why a requirement is not relevant. Additionally, ASIC needs to understand that a checklist approach to documentation is also not acceptable.
6. There are continuing questions about the adequacy of documentation.
7. There is a need for standard setters to liaise with banks and other financial institutions to determine what financial information is actually required for audit purposes.
8. The distinction between general purpose and special purpose financial reporting frameworks is not clear with some SME engagements.
9. The new requirement to determine the acceptability of the financial reporting framework may be problematic due to recognition and measurement issues.

Recommendations	Action/Status
(a) AUASB to engage with regulators, legislators and relevant bodies regarding audit requirements for SMEs. AUASB to also issue guidance on documentation requirements, including adequacy, for audits of SMEs and grant acquittal engagements, with emphasis on the wording of the auditor's report.	The AUASB is engaging with regulators, Treasury and the professional accounting bodies. The AUASB will develop guidance in the second half of 2010 on documentation requirements for SME engagements.
(b) The AUASB should liaise with ASIC to agree on appropriate documentation levels and on the application of requirements of the auditing standards.	This issue will be raised as part of the agenda for quarterly meetings with ASIC.
(c) AUASB to liaise with regulators/state bodies/Treasury to discuss reducing the burdens resulting from duplication.	The AUASB will continue to raise this issue with relevant bodies to discuss improving the statutory auditing requirements made by different jurisdictions..



Recommendations	Action/Status
(d) Discuss how to clarify the distinction between general purpose and special purpose financial reporting frameworks.	Once the AASB proposals for SME reporting have been progressed, the AUASB staff will amend the audit reporting standards.
(e) AUASB to liaise with Treasury to ensure that any new provisions in the <i>Corporations Act</i> , that deal with review of financial statements of companies limited by guarantee, are sufficiently robust.	The AUASB has forwarded a submission to and is liaising with Treasury on the draft legislation.



Topic 3: National Greenhouse and Energy Reporting Scheme (NGERS)

Participants agreed that there is strong public interest for robust controls on emissions reporting. Key areas discussed include:

1. There is a need to educate relevant stakeholders on audit requirements.
2. There may be a need to broaden the AUASB expertise to include members with environmental/science backgrounds who have an interest in audit and assurance.
3. An international assurance standard on carbon emissions is expected from the IAASB in late 2010 or 2011.
4. A question was raised as to whether the NGERS audit approach provides adequate audit evidence and documentation.
5. Practitioners should be aware of their own client base i.e. whether or not their clients are subject to the NGERS system.
6. There is potential for inconsistency in the scope of assurance engagements and the level of assurance provided for different entities if NGERS engagements are undertaken as reviews or assurance procedures.
7. NGERS audits may be conducted by “non accountants”, which could lead to inconsistencies in reporting. The Greenhouse and Energy Data Officer (GEDO) will have to monitor consistency in reporting.
8. There is confusion as to the use of the terms “audit”, “review” and “verification” in the NGERS legislation.

Recommendations	Action/Status
(a) Consider drawing expertise to the AUASB who have environmental/science experience.	The AUASB will establish a sustainability assurance advisory group to support the Board on environmental matters.
(b) AUASB to discuss how to address potential inconsistencies in the scope of assurance engagements and the level of assurance provided for different entities.	To be considered further as part of the revisions to and development of new assurance standards.
(c) AUASB to further discuss with the Department of Climate Change (DCC) issues of potential inconsistencies in the scope of assurance engagements and the level of assurance provided; monitoring of consistency and confusion regarding terms used in the legislation.	The AUASB has raised the issue in a submission to the DCC on its proposed NGERS guidelines -and continues to liaise with the DCC.



Topic 4: Standard Business Reporting

The group was briefed on SBR initiatives implemented by Treasury.

1. The aim of SBR is to reduce the reporting burden.
2. What controls are needed over mapping and changes to mapping? A question was asked as to whether assurance over the mapping will be needed?
3. Small practitioners have limited knowledge of SBR; we need to help auditors become familiar with it.
4. Whether an organisation in Australia is going to look into the taxonomy that was developed overseas and determine whether it fulfils the requirements of Australian accounting standards.
5. Possible expectation gap by analysts/ASIC on the data below the financial report.
6. There may be a role for continuous audit, in light of the SBR reporting live data.
7. Implementation experiences from international regulatory bodies should be monitored and shared with potential users of XBRL.

Recommendations	Action/Status
(a) The AUASB should help auditors become more familiar with SBR	The AUASB will develop a Bulletin on SBR assurance matters in 2010.
(b) The AUASB should closely monitor Standard Business Reporting activities and to provide relevant audit guidance on a timely basis	Standard Business Reporting is on the AUASB work program and audit guidance will be issued as required.
(c) The AUASB should monitor international implementation issues	The AUASB is monitoring the implementation and audit implications of SBR programs in other countries, and more generally, the international use of XBRL.



Topic 5: Other Issues

Recommendations	Action/Status
(a) The AUASB should engage with users of audit services – Stakeholder Engagement Plan to be documented	The AUASB Stakeholder Engagement Plan has been updated for 2010.
(b) The AUASB should better communicate alignment with the IAASB agenda to its stakeholders, such as the Big 4, firms, professional bodies, regulators and legislators – so users can understand the degree of conformity of Australian standards with international standards.	The AUASB will communicate alignment with the IAASB agenda through its various communications vehicles, including its website, email alerts and e-newsletter.