



Minutes of the thirtieth meeting of the Auditing and Assurance Standards Board (AUASB), held at the offices of the Australian Securities and Investments Corporation, Sydney from 8.30 a.m. to 4.30 p.m. on Monday 14 April 2008.

All agenda items except Agenda items 1 to 4 and 10 were discussed in public

ATTENDANCE

Members present

Merran Kelsall - Chairman
Jon Tyers – Deputy Chairman
Dianne Azoor Hughes
Mike Blake
Valerie Clifford
John Gavens
Chris Hall
Elizabeth Johnstone
Professor Christine Jubb
Ian McPhee
Clive Mottershead
Greg Pound
David Simmonds

Staff in attendance

Richard Mifsud
Howard Pratt
Susan Fraser
Margaret Salter
Marina Michaelides
Johanna Foyster (in part by teleconference)
Claire Grayston (in part by teleconference)
Alan Marrone (in part by teleconference)

DECLARATIONS OF INTEREST

(Agenda item 1 – Minute 387)

Members have adopted the standing policy of declaring any interest they have in and issue before the AUASB.

No declarations of interest were declared.

MINUTES

(Agenda item 2 – Minute 388)

The Board confirmed the minutes of the twenty-ninth meeting held 25-26 February 2008, subject to the inclusion of an introductory comment on Minute Number 380 – ASA Redrafting (Clarity Format).



MATTERS ARISING FROM ACTION ITEMS NOT DEALT WITH ELSEWHERE (Agenda item 3 – Minute 389)

Matters arising brought forward

The status of matters arising brought forward from previous AUASB meetings was noted

REPORTS FROM AUASB CHAIRMAN AND CORPORATE MATTERS (Agenda item 4 – Minute 390)

(a) Reports on recent meetings attended:

Merran Kelsall

National Standard Setters

Merran Kelsall (Chairman) and Richard Mifsud (Executive Director) attended the National Auditing Standard Setters meeting held in Paris on 27-28 March.

Key issues considered at the NSS meeting included:

- IAASB Strategy 2009-2011
A final document will be issued after the next IAASB meeting.
- SME and SMP considerations
The IAASB is seeking feedback on the guidance statement issued by the IFAC SMP committee, about which we will liaise with ICAA.
- Audit Reporting Standards
Various jurisdictions have not adopted the reporting standard and further work may be done in this area by IAASB.
- Prospectuses project and emissions trading project as proposed
- Impact assessments for ISAs
The IAASB is considering applying impact assessments prior to issuing standards. The UK and Australia will offer assistance based on their experience in this area.
- Implementation Guidance is a potential activity by the IAASB.
- Update on IAASB Clarity project, which is on track for completion by the proposed dates
- Effective date of future standards with adequate lead times was discussed
- Audit Alerts and Newsletters as potential activities by IAASB were discussed.

In addition, several further useful meetings were held outside the formal sessions, including with the Secretary General of the H3C (French audit oversight body); the Chairman and senior staff of the French Auditing Standards Board (CNCC); and the Chairman and Executive Director of the UK Auditing Practices Board.

FRC

Key matters discussed:

- Transition to FMA
- Role of FRC re auditor independence
- XBRL
- Prospectuses and due diligence committees



- G100 wants discussions on IFRS
- Budgets and Business Plans
- Dept. of Climate Change possible audit requirements re Green House Gas Emissions
- Emissions Trading and the topic is on IAASB agenda

John Tyers attended the 26 March 2008 TTAASAG meeting.

Key Issues considered:

- Common policy issues in Australia and New Zealand, including:
 - Emissions trading;
 - Asset valuation in thinly traded markets; and
 - Potential future topics.
- New Zealand's Financial Reporting Framework Review.
- Update on New Zealand's review of its audit regulation framework (including mutual recognition of auditors).
- Report from the nominations sub-committee.
 - Table of Australian and New Zealand representatives on international bodies.
 - Correspondence with the International Accounting Standards Committee Foundation.
 - New Zealand's IPSASB membership.
- International developments.
 - Update on IFRS Regional Policy Forum.
 - General report back on international events / conferences.

(c) 2008-2009 AUASB Business Plan and Work Program

The Board considered the latest version of the Business Plan and received an update from the Chairman on discussions with the FRC regarding planning issues including:

- The timing of the release and applicable date of ASAs redrafted in clarity format.
- FRC Chairman's concerns that Australia may release redrafted ASAs too soon.
- Transition of the AUASB to an FMA agency
- Funding constraints

The Board:

- Requested amendments to the Business Plan to include references toXBRL, SMSFs and the Research Committee initiatives.
- Stressed that the Business Plan is formulated to meet the Board's statutory mandate, and is not an organisational/operational plan.
- Requested assurance that adequate resources are available to meet the mandate
- Stressed the importance that 45 day exposure period for the redrafted ASAs is maintained.
- Requested that emerging issues be a standing item in future AUASB agendas



- Considered that 1 Jan. 2010 release date for the redrafted ASAs would be best and that the project should continue.
- Stressed importance of communication to stakeholders.

REVIEW ENGAGEMENTS (Agenda item 5 – Minute 391)

The AUASB considered and approved for release as exposure drafts the following Standards on Review Engagements:

- ASRE 2400 *Reviews of Financial Reports Performed by an Assurance Practitioner Who is not the Auditor of the Entity*
- ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*
- ASA 2008-1 *Amendments to Australian Auditing Standards (Amendments to ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity)*

The Board also approved issuance of the *Explanatory Guide to Review Engagements*, which describes the background, development and application of these standards leading to the eventual withdrawal of AUS 902 *Review of Financial Reports*.

The above standards will be applicable for reporting periods and engagements commencing on or after 1 July 2008.

The Exposure Drafts will be issued as soon as possible and will have an exposure period of 45 days.

ASAE 3100 – COMPLIANCE ENGAGEMENTS (Agenda item 6 – Minute 392)

Consider respondents' comments on ED 5/07 and approve ASAE 3100 for release.

The Board discussed the respondents' comments to the exposure draft and were generally satisfied with the approach adopted by the AUASB Technical Group in addressing these matters.

The Board agreed that the standard should remain an adjunct standard to ASAE 3000 and it should include the example reports as given in Appendix 1.

The issue of the interpretation and clarity of the application of the standard as noted by a number of respondents was also discussed by the Board. The Board agreed that there should be a further paragraph included in the "Explanatory Guide" at the beginning of the standard



explaining the objective of the standard - being the issuance of a reasonable or limited assurance conclusion by the assurance practitioner on the entity's compliance. The objective is linked to the output of the engagement primarily being a level of assurance. If this level of assurance is not present then it is unlikely the assurance practitioner is performing an engagement under ASAE 3100.

The Board approved the final draft of the standard, however requested that consideration be given to responses received on the exposure draft of ASAE 3500 Performance Engagements which may impact ASAE 3100.

It is anticipated that the standard will be released in May, and will be operative for reporting periods and engagements commencing on or after 1 July 2008.

ASA REDRAFTING (CLARITY FORMAT) (Agenda items 7 & 8 Minute 393)

The AUASB considered supporting papers and draft versions, in clarity format, of the following auditing standards:

- *ASA 240 The Auditor's Responsibility to Consider Fraud in the Audit of a Financial Report*
- *ASA 315 Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*
- *ASA 260 Communicating with Those Charged with Governance*

The Board approved the approach taken to the redrafting project, including the content and format of supporting papers which will accompany each redraft presented at future Board meetings.

Final redrafts of the standards listed above, together with five other redrafted standards, will be presented for approval to issue as exposure drafts at the 2-3 June AUASB meeting.

ADDENDUM TO GUIDANCE STATEMENT – AUTHORISED DEPOSIT TAKING INSTITUTIONS

(Agenda item 9 – Minute 394)

The Board was provided with an update on progress with the project to develop interim guidance to assist ADI auditors reporting pursuant to the prudential reporting requirements specified in APRA Prudential Standard APS 310 Audit & Related Arrangements for Prudential Reporting – to apply to 31 March 2008 and 30 June 2008 reporting periods.



The Board was informed that the proposed interim guidance was based on an APRA consultation paper, entitled 'Working Draft of Proposed Amendments to APS 310', which was approved by APRA on 1 April 2008 and circulated only to the AUASB Technical Group and Big 4 accounting firms. This paper will form the basis of APRA's comprehensive revision of APS 310, which is expected to be formally issued in late June 2008.

Furthermore, the Board was informed of APRA's decision that the proposed new auditor prudential reporting requirements will now apply only to ADIs approved by APRA to adopt the advanced approaches under the BASEL II Capital Framework (approved ADIs).

In light of the above, the Board decided that it would be inappropriate to issue a formal AUASB Guidance Statement based on APRA's 'working draft' consultation paper.

The working draft example report to be used by auditors of "approved ADIs" reporting pursuant to APRA's proposed revised APS 310 reporting requirements (for reporting periods ending 31 March 2008 and 30 June 2008), will be updated following consultation with the AUASB's Project Advisory Group on ADIs. A copy will be provided to APRA for review (and comment if necessary). The working draft example report will be made available to practitioners upon request under the clear understanding that it is only a working draft that will be developed further, once APRA has formally issued its revised APS 310.

ISQC 1 – QUALITY CONTROL FOR FIRMS THAT PERFORM AUDITS AND REVIEWS OF HISTORICAL INFORMATION AND OTHER ASSURANCE AND RELATED SERVICES ENGAGEMENTS (Agenda item 10 – Minute 395)

The Board considered the need to include the clarity version of ISQC 1 as part of the suite of legally enforceable standards.

After due consideration, the AUASB was of the view that there was a convergence obligation on the AUASB to adopt ISQC 1. In this regard, the AUASB will continue to consult with the APESB on this matter in light of APES 320 which presently incorporates the current ISQC 1.

GUIDANCE STATEMENT – AUDIT IMPLICATIONS OF AASB 1049

(Agenda item 11 – Minute 396)

The AUASB discussed the project issues on the audit implications of AASB 1049 *Whole of Government and General Government Sector Financial Reporting* – the main issues being:

- Whether the General Government Sector financial report was a general purpose or special purpose financial report?
- What is the applicable financial reporting framework for GGS and whole of government financial reports?



The Chair of the PAG (Mr Mike Blake) advised of an upcoming meeting with the Chair of the Heads of Treasuries to discuss and understand the expectations of state and federal treasuries on the major issues.

PROJECT PLANS TO REVISE OR WITHDRAW GUIDANCE STATEMENTS

(Agenda item 12 – Minute 397)

(a) The AUASB approved project plans to revise and reissue the following Guidance Statements:

- AGS 1038 *Access to Audit Working papers*
- AGS 1042 *Reporting on Control Procedures at Outsourcing Entities*
- AGS 1054 *Auditing Revenue of Charitable Entities*

(b) The AUASB approved the withdrawal of the following pronouncements effective 14 April 2008:

- AGS 1026 *Superannuation Funds – Auditor Reports on Externally Managed Assets Special Considerations in the Audit of Small Entities*
- AGS 1048 *The Special Considerations in the Audit of Small Entities*
- AGS 1056 *Electronic Commerce – Effect on the Audit of a Financial Report*

INTERNATIONAL MATTERS

(Agenda item 13 – Minute 398)

The Board received reports on the following:

- (a) March IAASB meeting
- (b) March NSS meeting
- (c) Other International matters.



OTHER MATTERS

(Agenda item 14 – Minute 399)

- (a) ASIC Regulation Guide 69.

The Board agreed that this again be revisited with ASIC.

- (b) Anti Money Laundering

The AUASB considered and approved a project plan to issue a guidance statement on the legislative considerations in the Audit of Risk Management and Compliance requirements under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006*.

MEETINGS

The next meeting of the AUASB will be held in Melbourne on Monday 2 June and Tuesday 3 June 2008.

There being no further business, the Chairman declared the meeting closed.

Signed as a true and correct record

MH Kelsall Chairman