



Board Meeting Summary Paper

AUASB
AGENDA
ITEM NO.

10

Meeting Date:
19 April

2010

Subject: ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner (Including the Review of a Financial Report of a Company Limited by Guarantee)*

Date: 7 April 2010

Action Required

For Information Purposes Only

Agenda Item Objectives

To consider the first draft revision of ASRE 2400 in response to the proposed amendments to the *Corporations Act 2001* regarding companies limited by guarantee.

To provide preliminary clearance for the draft document to be issued as an Exposure Draft at a later date, subject to changes requested by the Board; completion of conformity paragraphs and other cross-references and editorial checks; and QA procedures.

Background

The Australian Treasury has proposed amendments to the *Corporations Act 2001* to enable companies limited by guarantee, that fall within prescribed revenue ranges, to be able to elect to have a “review” of their (annual) financial report as an alternative to an “audit”. Accordingly, the AUASB needs to issue a standard that applies to such reviews. Such standard will need to be a legislative instrument and therefore titled “Auditing Standard” in the same way as ASRE 2410.

At the February 2010 meeting of the AUASB, it was agreed that revision of the existing review standard, ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, would be the most appropriate approach to the development of an appropriate standard to address the proposed law reforms.

The existing standard, ASRE 2400, was based on the existing Auditing Standard ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* (issued 04/06 and amended 06/07 and 08/08). The underlying logic to why ASRE 2400 was based on ASRE 2410 was that both standards relate to the review of a financial report—whereas ASRE 2405 *Review of Historical*

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Financial information Other than a Financial Report completes the suite by dealing with reviews of other historical financial information.

ASRE 2410 has been revised in “clarity” format and was issued, along with the other clarity versions of the Auditing Standards, in October 2009.

Revision of ASRE 2400

The approach taken to revise ASRE 2400 is described in the following table:

Step 1	Using the existing ASRE 2400 as the base document, reformat the text into “clarity” format—requirements in one section, Application and Other Guidance Material in another etc.	Changes <i>not</i> shown as mark-ups
Step 2	Add a new application paragraph applicable to a review of a financial report of a company limited by guarantee, under the Act.	Changes shown as mark-ups
Step 3	Compare reformatted text with the “clarity” version of ASRE 2410 (10/09). Where appropriate, add text to ASRE 2400.	Changes shown as mark-ups
Step 4	Where necessary, amend text for consistency with other “clarity” drafting rules.	Changes shown as mark-ups
Step 5	Insert a new illustrative example report in the appendices, based on an ASRE 2410 unmodified review report under the Act.	Outline draft only – to be finalised when legislation approved. Change shown as mark-up

Matters to Consider

The AUASB is requested to review, and comment on, the 1st draft of revised ASRE 2400. In particular, the Board is requested to consider the issues listed in Attachment A (Agenda Item 10.1) and conclude on the recommendations to each issue.

Staff Recommendations

The AUASB to give preliminary clearance for the draft document to be issued as an Exposure Draft—date to be determined. Issuance to be subject to changes requested by the Board; completion of conformity paragraphs and other cross-references and editorial checks; and QA procedures.

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Material Presented

Agenda Item 10	Board Meeting Summary Paper
Agenda Item 10.1	Board Meeting Summary Paper – Issues Paper
Agenda Item 10.2	Proposed Revised Standard ASRE 2400 (Clean Version) [Electronic only]
Agenda Item 10.3	Proposed Revised Standard ASRE 2400 (Marked Up Version)
Agenda Item 10.4	Clarity version of ASRE 2410 [Electronic only]
Agenda Item 10.5	Exiting ASRE 2400 [Electronic only]
Agenda Item 10.6	Proposed law reforms [Electronic only]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1	Preliminary clearance to issue ED	Board's preliminary approval	AUASB	19 April 2010	o/s

Notes

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