



Subject: Minutes of the 74th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 24 February 2015 from 10.00 a.m. to 5.00 p.m.

All Agenda Items¹ were discussed in public.

Attendance

AUASB Members: Ms Merran Kelsall (Chairman)
Ms Jo Cain
Mr Neil Cherry (by phone)
Ms Valerie Clifford
Mr John Gavens (until 1.00 p.m.)
Mr Chris George
Prof. Nonna Martinov-Bennie
Ms Caithlin Mc Cabe
Ms Jane Meade
Mr Colin Murphy
Mr Bernie Szentirmay (until 4.00 p.m.)

Apologies Ms Robin Low

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

Declarations of Interest

(Agenda Item 1 – Minute 975)

“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 976)

Subject to a minor editorial, the AUASB approved the minutes of the 73rd meeting held on 24 November 2014.

¹ With the exception of the Board Peer Review



Matters Arising and Action list

(Agenda Item 3 – Minute 977)

The status of matters arising brought forward from previous AUASB meetings and action items were noted. The AUASB requested that the implications of the *Westpac Case* with reference to ASA 508 *Enquiry Regarding Litigation and Claims* be maintained as a matter arising under “projects on hold”.

Auditor Reporting

(Agenda Item 4 – Minute 978)

Agenda Item 4(1) – Overall Planning

The AUASB discussed the proposed planning documents outlining the methodology and timetable for revising its auditing standards as a consequence of the IAASB’s changes outlined in the auditor reporting, other information and disclosures projects. The AUASB agreed to adopt the IAASB’s effective date for all standards being financial reporting periods ending on or after 15 December 2016, with early adoption to be permitted. The AUASB noted that this effective date was consistent with the intentions of the NZAuASB. The AUASB agreed on the methodology for making AUASB changes to the underlying IAASB standards and also agreed that the exposure period for all exposure drafts is to be 60 days. The AUASB requested changes to the plan and timetable to be discussed at the next meeting.

The AUASB agreed to combine [see footnote² below] the IAASB-issued auditor reporting standards with those of ISA 720 *The Auditor’s Responsibilities Relating to Other Information* when they have been approved and issued, and to issue one AUASB exposure draft. The AUASB noted that the planned timing for release of the exposure draft depends on when the IAASB receives approval from the PIOB to issue ISA 720 (expected early April 2015) and hence the AUASB has planned to review a draft of the exposure draft at the 20 April 2015 meeting. Separate exposure drafts related to changes proposed by Disclosures and the late conforming amendments to standards dealing with reporting on special purpose financial statements are planned to follow after the standards have been issued by the IAASB. The AUASB requested that these decisions be reflected in the plan and timetable for approval at the 20 April 2015 meeting. Further, the AUASB agreed that an Explanatory Memorandum will accompany each Exposure Draft outlining key aspects of the exposure draft including background information, the AUASB approach and methodology, key changes included, a listing of AUASB paragraphs in the extant standard that will not be carried forward into the revised standards, other related exposure drafts to follow, and a summary timetable for finalisation.

The AUASB requested that all “AUS paragraphs” that are not carried forward to the proposed standards be listed on an explanatory memorandum accompanying the exposure drafts. This listing is considered useful for constituents in their deliberations on the exposure drafts.

Agenda Item 4(2) – Issues and Compelling Reasons

The AUASB considered the work-in-progress listing of issues so as to confirm the AUASB’s disposition of each matter. The AUASB discussed the scope of ISA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report* and requested further information be obtained on the number of “disclosing entities” that are not listed and the nature and size of such entities. The AUASB’s preliminary position, subject to further consideration, was to continue with ASA 701 applying to listed entities only but to flag to stakeholders in the exposure draft that a post-implementation review will include determination as to whether scoping of the standard will be expanded. The AUASB was informed of the NZAuASB plan to apply the standard initially to listed issuers and to commit to an expansion of application for specific entities to be applicable in two years’ time.

² Due to expected delays in the IAASB’s issuance of ISA 720, the AUASB, at its 10 March 2015 teleconference, re-considered the plan to incorporate ISA 720 into its April Exposure Draft. The AUASB agreed to include the ISA 720 impact in the ISA 700 illustrative auditor’s report only.



The AUASB briefly discussed the question of whether illustrative key audit matters were to be developed. Further information was requested on (a) the timing of the foreshadowed IAASB staff paper on the topic; and (b) examples of second-year auditor's reports from the UK that include such matters.

The AUASB considered several proposals in the draft compelling reasons documentation. The proposals were for modifications to the suite of IAASB standards issued in January 2015. The AUASB resolved that:

- References to requirements in other laws or regulations, currently included in the extant standards, would not be carried forward into the new and revised standards. The basis of this decision is that such a requirement is not an AUASB Auditing Standard requirement and therefore a breach of that requirement is not a breach of an Auditing Standard.
- There will be no explicit prohibition on reference, in an auditor's report, to auditor's responsibilities included in the website of an appropriate authority. The basis of this decision is that as the AUASB is the appropriate authority and does not propose to facilitate such a facility, a prohibition is unnecessary. This approach is consistent with the NZAuASB approach.
- Where applicable, illustrative example auditor's reports prepared under the *Corporations Act 2001* will be included in the relevant standards.
- Where applicable, references to IFRS will be replaced with references to the "Australian Accounting Standards".
- Further supporting research is required before including, in the illustrative auditor's reports, reference to dating the report as at the date the report is signed.
- Reference in ISA 260 *Communication with Those Charged with Governance* to the use of internal auditors to provide direct assistance, is to be deleted. The basis of this decision is to acknowledge the explicit prohibition in ASA 610 *Using the Work of Internal Auditors*.
- The "relevant period" for the going concern assessment in ASA 570 *Going Concern* is to remain at 12 months from the date of the auditor's report. The basis of this decision is the AUASB's acknowledgement of: the importance and complexity of the subject; the contribution to audit quality, the AUASB's desire to not lower long-standing practice in Australia, the current environment in financial markets that exists both in Australia and globally, and the results of the Regulator's inspection programme. The AUASB requested improvement in the articulation of the compelling reasons documentation supporting the existing "relative period".
- The appendices to ASA 570 *Going Concern* include a diagram linking going concern considerations with types of auditor's reports. The basis of this decision is that the diagram, included in the existing standard, is of significant value to auditors and others, in applying the requirements of the standard - it enhances understanding of a difficult subject matter.

4(3) – Example Auditor's Reports

The AUASB considered a draft example auditor's report prepared under the *Corporations Act 2001*. The AUASB requested changes to the responsibilities section to identify directors as the responsible financial report preparers, not management. The AUASB discussed the proposed wording under the Basis for Opinion section of the auditor's report in relation to the declaration of independence and compliance with ethical requirements. The AUASB was not satisfied that the proposed wording complied with the ISA requirements and requested further research to enhance the wording. The AUASB was also informed that the Exposure Draft version of the example reports will include the necessary wording to reference to ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

4(4) – Draft Revision of ASA 700

The AUASB discussed the draft briefly but had no specific requests as all significant matters had been covered under agenda items 4(1) and 4(2) and would flow through into the ED version of ASA 700.



4(5) – ASA 800 and 805

The AUASB noted that the IAASB has released an Exposure Draft of auditor reporting related conforming amendments to ISA 800 *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ISA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*. The AUASB agreed to consider, prior to the next board meeting, a draft submission with a view to approving the final submission at the 20 April 2015 meeting (the IAASB comment period closes on 22 April 2015).

4(6) – The IAASB Disclosures Project

The AUASB considered the possible audit implications of the IAASB's Disclosures proposal to include disclosures that have been cross-referenced out of the financial statements to form part of the financial statements through amending the definition of financial statements in ISA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*. This is to give effect to allowing the cross-referencing of certain disclosures out of the financial statements if allowed by the applicable financial reporting framework.

The AUASB noted the AASB's recent decision to now permit cross-referencing of certain disclosures within applicable Australian Accounting Standards in conformity with applicable IFRSs of the IASB. The AUASB did not believe additional Australian guidance in the standard would be necessary at this stage to assist auditors in understanding the audit implications of cross-referencing and were satisfied with the issue of cross-referencing being dealt with in the Australian Accounting Standards. The AUASB noted the IASB Disclosures Initiative Project and agreed to monitor developments in this area for any possible audit implications.

Grant Acquittals and Multi-Scope Engagements (Agenda Item 6 – Minute 979)

The AUASB considered a further draft of GS 022 *Grant Acquittals and Multi-Scope Engagements* and provided some further drafting comments. A final draft of the proposed Guidance Statement will be brought back for approval to the 20 April 2015 AUASB meeting.

Approval of Project Plans (Agenda Item 7 – Minute 980)

The AUASB considered the project plan to issue guidance in the form of a Bulletin on ASA 600 *Special Considerations – Audits of a Group Financial Report (including the Work of Component Auditors)*. The AUASB agreed to conduct further research with National Standard Setters from Canada and South Africa before discussing the plan again at the next meeting on the 20 April 2015.

The AUASB considered and approved the project plans to revise ASAE 3100 *Compliance Engagements* and ASAE 3500 *Performance Engagements*. The AUASB approved the establishment of Project Advisory Groups for each project.

AUASB Bulletin on Internal Audit (Agenda Item 8 – Minute 981)

The AUASB considered the draft Bulletin *Internal Audit – Impact of Direct Assistance Prohibition on Group Audits*. The AUASB members who are practitioners have been requested to enquire of their overseas counterparts in jurisdictions where they have similar prohibitions, further information regarding the current treatment of this prohibition in relation to service organisation reports. The feedback received will be considered at the 20 April 2015 AUASB meeting. [It was subsequently suggested by the Chairman and



agreed by those Board members present at the 10 March 2015 teleconference, that this matter would be dealt with on an out of session basis].

GS 005 *Using the Work of a Management's Expert*

(Agenda Item 9 – Minute 982)

The AUASB considered ASIC's comments on the draft GS 005 *Using the Work of a Management's Expert*. The AUASB requested several editorials and the amended draft guidance statement will be circulated to the AUASB for an out-of-session vote to approve the issue of the guidance statement.

Other Auditing and Assurance Matters

(Agenda Item 10 – Minute 983)

(a) *GS 018 Franchising Code*

The AUASB considered and approved the need to revise GS 018 *Franchising Code of Conduct – Auditor's Report*. A project plan will be brought to the next meeting.

(b) *Integrated Reporting*

The AUASB noted the Integrated Reporting update on assurance activities.

(c) *APRA*

The AUASB noted the APRA update on APRA activities that could have an assurance impact.

(d) *Deregulation Agenda*

An update on AUASB's activities in response to the Government's Deregulation Agenda was presented and noted. The AUASB resolved to repeal 34 legislative instruments in the Spring Bulk Repeal, the list of which has been included as an addendum to the minutes.

(e) *Clean Energy Regulator/ERF*

An update on developments in relation to the Emissions Reduction Fund and the Clean Energy Regulator was presented and noted. The AUASB agreed that the Technical Group should consider the need for a revision of GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes*, and bring a recommendation back to the AUASB with respect to when it could be fitted into the technical work program.

Corporate Matters

(Agenda Item 11 – Minute 984)

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

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

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

The NZAuASB Chairman updated the AUASB as to the status of activities in New Zealand including the Auditor Reporting project being a key topic of interest, and that the Controls Standard has yet to be approved in New Zealand.



(c) *Updated Technical Work Program 2014-15*

The AUASB noted the updated *AUASB 2014-2015 Technical Program*.

(d) *Current AUASB PAG memberships*

The AUASB noted the current PAG membership listing.

(e) *Review of meeting and Board Peer Review*

The review of the AUASB meeting and the Board Peer Review were discussed in closed session.

Next Meeting

The next meeting of the AUASB will be held on Tuesday, 20 April 2015 commencing at 10.00 a.m.

Close of Meeting

The Chairman closed the meeting at 5.00 p.m.

Approval

Signed as a true and correct record.

M H Kelsall
Chairman

Date: 20 April 2015



Addendum - Thirty Four Legislative Instruments to be repealed in the Spring Bulk Repeal

No.		Title	Approval Date	Comlaw id.
1.	<u>ASA 200</u>	<i>Objective and General Principles Governing an Audit of a Financial Report (Compiled)</i>	27 Jun 2007	F2007C00482
2.	<u>ASA 210</u>	<i>Terms of Audit Engagements (Compiled)</i>	27 Jun 2007	F2007C00496
3.	<u>ASA 220</u>	<i>Quality Control for Audits of Historical Financial Information</i>	28 Apr 2006	F2006L01365
4.	<u>ASA 230</u>	<i>Audit Documentation</i>	28 Apr 2006	F2006L01366
5.	<u>ASA 240</u>	<i>The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report</i>	28 Apr 2006	F2006L01368
6.	<u>ASA 250</u>	<i>Consideration of Laws and Regulations in an Audit of a Financial Report</i>	28 Apr 2006	F2006L01369
7.	<u>ASA 260</u>	<i>Communication of Audit Matters with Those Charged with Governance</i>	28 Apr 2006	F2006L01370
8.	<u>ASA 300</u>	<i>Planning an Audit of a Financial Report</i>	28 Apr 2006	F2006L01371
9.	<u>ASA 315</u>	<i>Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement</i>	28 Apr 2006	F2006L01372
10.	<u>ASA 320</u>	<i>Materiality and Audit Adjustments</i>	28 Apr 2006	F2006L01375
11.	<u>ASA 330</u>	<i>The Auditor's Procedures in Response to Assessed Risks</i>	28 Apr 2006	F2006L01378
12.	<u>ASA 402</u>	<i>Audit Considerations Relating to Entities Using Service Organisations</i>	28 Apr 2006	F2006L01379
13.	<u>ASA 500</u>	<i>Audit Evidence</i>	28 Apr 2006	F2006L01380
14.	<u>ASA 501</u>	<i>Existence and Valuation of Inventory</i>	28 Apr 2006	F2006L01381
15.	<u>ASA 505</u>	<i>External Confirmations</i>	28 Apr 2006	F2006L01382
16.	<u>ASA 508</u>	<i>Enquiry Regarding Litigation and Claims</i>	28 Apr 2006	F2006L01384
17.	<u>ASA 510</u>	<i>Initial Engagements – Opening Balances (Compiled)</i>	27 Jun 2007	F2007C00497
18.	<u>ASA 520</u>	<i>Analytical Procedures</i>	28 Apr 2006	F2006L01387
19.	<u>ASA 530</u>	<i>Audit Sampling and Other Means of Testing</i>	28 Apr 2006	F2006L01389
20.	<u>ASA 540</u>	<i>Audit of Accounting Estimates</i>	28 Apr 2006	F2006L01390
21.	<u>ASA 545</u>	<i>Auditing Fair Value Measurements and Disclosures</i>	28 Apr 2006	F2006L01395
22.	<u>ASA 550</u>	<i>Related Parties</i>	9 Oct 2006	F2006L03392
23.	<u>ASA 560</u>	<i>Subsequent Events</i>	28 Apr 2006	F2006L01396
24.	<u>ASA 570</u>	<i>Going Concern (Compiled)</i>	27 Jun 2007	F2007C00498
25.	<u>ASA 580</u>	<i>Management Representations</i>	28 Apr 2006	F2006L01398
26.	<u>ASA 600</u>	<i>Using the Work of Another Auditor</i>	28 Apr 2006	F2006L01399
27.	<u>ASA 610</u>	<i>Considering the Work of Internal Audit</i>	28 Apr 2006	F2006L01400
28.	<u>ASA 620</u>	<i>Using the Work of an Expert</i>	28 Apr 2006	F2006L01401
29.	<u>ASA 700</u>	<i>The Auditor's Report on a General Purpose Financial Report (Compiled)</i>	27 Jun 2007	F2007C00499



No.		Title	Approval Date	Comlaw id.
30.	<u>ASA 701</u>	<i>Modifications to the Auditor's Report (Compiled)</i>	27 Jun 2007	F2007C00500
31.	<u>ASA 710</u>	<i>Comparatives (Compiled)</i>	27 Jun 2007	F2007C00501
32.	<u>ASA 720</u>	<i>Other Information in Documents Containing Audited Financial Reports</i>	28 Apr 2006	F2006L01405
33.	<u>ASA 800</u>	<i>The Auditor's Report on Special Purpose Audit Engagements (Compiled)</i>	27 Jun 2007	F2007C00527
34.	<u>ASRE 2410</u>	<i>Review of an Interim Financial Report Performed by the Independent Auditor of the Entity (Compiled)</i>	21 Aug 2008	F2008C00457