



**Subject:** Minutes of the 46<sup>th</sup> meeting of the Auditing and Assurance Standards Board (AUASB)  
**Venue:** Ken Spencer Room, AUASB offices  
Level 7, 600 Bourke St, Melbourne  
**Date:** 26 July 2010, from 9.00 a.m. to 5.00 p.m.

All agenda items were discussed in public.

## Attendance

Members present	Ms Merran Kelsall (Chairman) Mr Jon Tyers (Deputy Chairman) Ms Dianne Azoor Hughes Mr Mike Blake Mr John Gavens Mr Chris Hall Dr Christine Jubb Mr Colin Murphy Mr Greg Pound Mr David Simmonds
Apologies	Ms Valerie Clifford Ms Elizabeth Johnstone
Staff	Ms Susan Fraser (in part) Ms Claire Grayston (in part) Mr Alan Marrone Ms Marina Michaelides (in part) Ms Ruth Oliquino Mr Howard Pratt (in part) Ms Patricia Wales (in part)

## Declarations of Interest

### (Agenda item 1 – Minute 609)

“Declarations of Interests” forms for Members were tabled and confirmed.

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 Board.

## Minutes

### (Agenda item 2 – Minute 610)

The Board approved the minutes of the 45<sup>th</sup> meeting held 8 June 2010, with some minor amendments.

## Matters Arising and Action list

### (Agenda item 3 – Minute 611)

The status of matters arising brought forward from previous AUASB meetings and action items were noted, with amendments to be carried forward as requested by the Board.

## Reports from AUASB Chairman on Recent Meetings and Corporate Matters

### (Agenda item 4 – Minute 612)

The Chairman reported on key meetings attended since the last meeting, including:

- TTAASAG meeting held 11 June 2010.
- Australian Council of Auditors' General (ACAG) meeting held 2 July 2010 – the Chairman met with the ACAG and agreed to include a standing item on the AUASB agenda for public sector issues, to ensure that any pertinent issues are addressed. She undertook that the Board would consider the following matters raised by ACAG:
  - Review of ASAE 3500 *Performance Engagements* (once ISAE 3000 is revised)
  - Addressing guidance on probity related matters in the public sector.
  - Development of guidance on the audit of Government budget variances.
  - Development of guidance on the audit of Grant Acquittals.
- AICD Panel – Briefing for Audit Committees on Obtaining Audit Quality held 7 July 2010.
- ASIC Standing Chairs Committee on Accounting and Auditing held 8 July 2010.

## Fundraisings and Comfort Letters

### (Agenda item 5 – Minute 613)

The Board received an update on the Fundraisings project. PAG members' comments on a proposed draft of the ASAE for Assurance Engagements in Connection with Proposed Fundraisings, together with changes requested by AUASB, are being finalised. A revised draft will be tabled at the 13 September 2010 AUASB meeting.

The Board received an update on the Comfort Letters project – at its July meeting, the PAG identified key concepts and principles of SAS 72 and the Canadian standard on Comfort Letters that should be considered for inclusion in the Australian standard. The PAG will consider a draft of the Requirements section of the proposed standard at its August 2010 meeting. The Board requested that legal firms be targeted and invited to participate and comment on the proposed standard in the exposure process.

## Going Concern

### (Agenda item 6 – Minute 614)

The Board noted feedback from some practitioners indicating there may be differing interpretations of the decision tree diagram included as Appendix 1 in ASA 570 *Going Concern*.

The Board discussed various options to address concerns. The Board agreed that a sub-committee be formed, including Mr C Hall and Mr J Gavens and technical staff, to investigate the options and finalise course of action. The AUASB will provide additional guidance on the AUASB website.

## Presentation from AASB Chairman

### (Agenda item 7 – Minute 615)

Mr Kevin Stevenson (AASB Chairman) presented to the AUASB on “The Introduction of Reduced Disclosure Reporting (RDR) for Tier 2 Entities”. The new reporting requirements are defined in the following accounting standards released 30 June 2010:

- *AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*
- *AASB 1053 Application of Tiers of Australian Accounting Standards*

Mr Stevenson also provided an outline of key items on the AASB’s work program over the next two to three years including:

- Differential reporting
- Public sector agenda
- Not for profit sector
- Tracking work of the IASB
- Australian and New Zealand convergence
- IAASB international influence – in particular the ASIA area
- Superannuation
- Foreign exchange transactions
- Re-profiling AASB staff
- AASB and AUASB collaboration

The Chairman, on behalf of the Board, thanked Mr Stevenson for his input and the opportunity to discuss items of mutual interest between the two Boards.

## Agreed-upon Procedures

### (Agenda item 8 – Minute 616)

The Board received an update on the project to develop a standard on Agreed-upon Procedures which will replace AUS 904 *Engagements to Perform Agreed-upon Procedures*.

The Board noted and discussed:

- The title of the proposed pronouncement will refer to “agreed-upon procedures”
- The pronouncement will only deal with engagements that provide no assurance.
- Importance of the practitioner’s experience and involvement in determining procedures.
- The potential for expectation gap in users’ understanding of procedures conducted.

A draft of the proposed standard will be tabled at the 13 September 2010 AUASB meeting.

The Board also noted that the proposed IAASB project on agreed-upon procedures will be closely monitored for matters that may impact on the AUASB pronouncement.

## **National Greenhouse and Energy Reporting (NGERS) and Carbon Pollution Reduction Schemes (CPRS)**

### **(Agenda item 9 – Minute 617)**

The Board received an update on the Department of Climate Change (DCC) programs involving auditing and assurance matters. The technical group has provided further input on the proposed NGERS Audit Determinations Guidance – release by the DCC is anticipated in August 2010.

The Board noted that practitioners have been applying for registration as approved auditors from April 2010, and that a number are from outside of the accounting profession.

## **Assurance on Water Accounting Reports**

### **(Agenda item 10 – Minute 618)**

The Board noted that there was no further activity to report. It was noted that the development of a discussion paper on this subject by the two Boards would commence in August.

## **Academic Research**

### **(Agenda item 11 – Minute 619)**

The Board discussed a research paper on professional scepticism in auditing (Hurt, R.K. Development of a Scale to Measure Professional Scepticism, Auditing: A Journal of Practice and Theory. 29(1) May 2010: 149-171).

The paper proposes a 33 question scale to measure an individual’s level of trait professional scepticism based on characteristics derived from auditing standards, psychology and consumer behaviour research.

The Board considered that the paper may be of benefit to practitioners and may be referred to the professional accounting bodies.

## Future of Audit Report

### (Agenda item 12 – Minute 620)

The Board considered a first draft of responses to items pertinent to the AUASB included in the Future of Audit Report. The Australian National Centre for Audit and Assurance Research (at the Australian National University), published a major research project report, Future of Audit – Keeping Capital Markets Efficient in 2009. The report makes observations that might enhance and support the efficiency of the capital market through the information provided by auditors and its impact and influence.

The Board requested several additional items be included for response by the AUASB. A revised draft of the AUASB responses will be considered at the 13 September 2010 AUASB meeting.

## International Matters

### (Agenda item 13 – Minute 621)

- (a) Following interest by the IAASB in monitoring the implementation of “Clarity” auditing standards by NSS, the Board discussed an outline of a draft plan to monitor and report on the implementation of the “Clarity” auditing standards in Australia.

The Board agreed on key components of the formal plan which will be further revised for consideration at the 13 September 2010 AUASB meeting.

An application for CUMA funding for “Research on Clarity Monitoring” will be considered.

- (b) The Board received a report on recent IAASB activities and an update on other international auditing and assurance related matters.
- (c) The Board considered issues in responding to IAASB exposure draft regarding ISAE 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information in a Prospectus*, due 30 September 2010. The draft response recommends that the proposed ISAE 3420 should also apply to limited assurance engagements. The response will be finalised and distributed for out of session approval.
- (d) The Board received updates from taskforce members on IAASB projects:
- Reviews and Compilations – Ms D Azoor Hughes (AUASB Member)
  - Pro Forma Information in Prospectuses – Mr D Simmonds (AUASB Member)

## Other Business

### (Agenda item 14 – Minute 622)

- (a) The Board approved a proposal to revise GS 002 *Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees*.
- (b) The Board approved a proposal to revise AGS 1040 *Franchising Code of Conduct*, following amendments to the Franchising Code of Conduct enacted in June with effect from 1 July 2010.

(c) Recent Changes to AASB Accounting Standards and *Corporations Act 2001*:

The Board considered a paper on recent changes to:

- Accounting Standards: AASB 2010-2 and AASB 1053
- *Corporations Act 2001* changes – Group Financial Reports

The AUASB will issue an information article on the AUASB website which will outline the impact of these changes on the Auditing Standards.

(d) The Board noted that the APESB is currently in the process of finalising an exposure draft for the revision of APES 110 to bring the requirements of APES 110 into alignment with the revisions made internationally by IESBA in July 2009 to its Code of Ethics for Professional Accountants (IESBA Code).

The AUASB will monitor developments for any issues that may impact on AUASB pronouncements.

(e) Assurance on alternative earnings/profit disclosures.

(f) Liaison with The Institute of Internal Auditors Australia.

(g) No other matters or emerging issues were noted.

## Next Meeting

The next meeting of the AUASB will be held on Monday, 13 September 2010.

## 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: 13 September 2010