



Subject:	Minutes of the 38 th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue:	Ken Spencer Room, AUASB offices Level 7, 600 Bourke St, Melbourne
Date:	1 June 2009, from 8.45 a.m. to 5.00 p.m. 2 June 2009, from 8.30 a.m. to 1.30 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 Ms Valerie Clifford (Day 1) Mr John Gavens Mr Chris Hall Ms Elizabeth Johnstone Dr Christine Jubb (Day 2) Mr Clive Mottershead (Day 1) Mr Colin Murphy Mr Greg Pound Mr David Simmonds
Apologies	Dr Christine Jubb (Day 1) Ms Valerie Clifford (Day 2) Mr Clive Mottershead (Day 2)
Staff	Mr Richard Mifsud (Executive Director) Ms Johanna Foyster (in part) Ms Susan Fraser (in part) Ms Claire Grayston (in part) Mr Alan Marrone Ms Ruth Oliquino (in part) Mr Howard Pratt (in part) Ms Patricia Wales (in part)

Declarations of Interest

(Agenda item 1 – Minute 478)

“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.

No new declarations of interests in an issue before the AUASB were noted.

Minutes

(Agenda item 2 – Minute 479)

The Board approved the minutes of the 37th meeting held 6-7 April 2009.

Matters Arising and Action list

(Agenda item 3 – Minute 480)

The status of matters arising brought forward from previous AUASB meetings and action items were noted, with amendments as suggested.

Reports from AUASB Chairman on Recent Meetings and Corporate Matters

(Agenda item 4 – Minute 481)

- (a) The Chairman reported on key meetings attended since the last meeting.
It was noted that the FRC has endorsed the operative date for the “Clarity” ASAs – ie. operative for financial reporting periods commencing on or after 1 January 2010.
- (b) Report on Corporate Matters
The Chairman reported that an independent review on the AUASB’s compliance with relevant *Financial Management and Accountability Act* requirements has been completed, and that the compliance report will be considered at the next meeting of the AUASB Audit Committee.
- (c) Correspondence for noting
Recent correspondence was tabled.

AUASB Corporate Plan and Business Plan

(Agenda Item 5 – Minute 482)

The Board considered final draft:

- (a) AUASB 2009-10 Business Plan – Executive Summary
- (b) AUASB Corporate Plan – 1 July 2009- 30 June 2012
- (c) AUASB Business Plan – 1 July 2009- 30 June 2010
- (d) AUASB Annual Work Plan – 2009-2010
- (e) AUASB Annual Work Plan – 2009-2010 - Projects

Subject to minor amendments the Board approved the Corporate Plan, Business Plan and supporting schedules.

The Corporate Plan and Business Plan will be presented at the FRC meeting to be held 10 June 2009.

ASA Redrafting

(Agenda item 6 – Minute 483)

Project Update:

The Board received a progress report on the AUASB Clarity project, noting that the project is on track for completion, as planned, in October 2009.

ASA Redrafting

(Agenda item 7 – Minute 484)

Consider Group 6 Responses to Exposure Drafts and Clearance for Final Approval

The Board considered responses to exposure drafts and revised drafts of the following proposed pronouncements:

- (a) ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information and Other Assurance Engagements*
- (b) ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*

The Board requested minor amendments and agreed on clearance for approval at a later date for these pronouncements.

Approval of ASQC 1

The Board considered the policy related and technical comments received on exposure of ED 09/09 of proposed ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information and Other Assurance Engagements*.

With regard to the policy issues, the Board confirmed that ASQC 1 should be issued as an AUASB Standard and operative from 1 January 2010. The release of this standard would be consistent with the AUASB's statutory public interest mandate and its issuance as a legislative instrument will confer explicit legal backing to the requirements of ISQC 1, as adopted in Australia by the AUASB in the form of ASQC 1. Moreover, the issuance of ASQC 1 would provide a significant improvement in the framework for *Corporations Act* audits, as it will apply to, and be legally enforceable in relation to audit firms.

Discussion with Mr J Lucy – FRC Chairman

Mr Jeffrey Lucy (FRC Chairman) participated in a public discussion with the Board on various matters of interest.

ASA Redrafting (Continued)

(Agenda item 8 – Minute 485)

Consider Group 5 Responses to Exposure Drafts

The Board considered responses to exposure drafts and revised drafts of the following proposed Auditing Standards:

- (a) *ASA 500 Audit Evidence*
- (b) *ASA 501 Audit Evidence – Specific Considerations for selected Items*
- (c) *ASA 700 Forming an Opinion and reporting on a Financial Report*
- (d) *ASA 705 Modifications to the Opinion in the Independent Auditor's Report*
- (e) *ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- (f) *ASA 800 Special Considerations – Audits of a Financial Report Prepared in Accordance with Special Purpose Frameworks*
- (g) *ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- (h) *ASA 810 Engagements to Report on Summary Financial Statements*

The Board requested minor amendments and agreed on clearance for final approval at a later date for the above Standards, with the exception of ASA 501. The Board requested that the proposed ASA 501 be presented again at the Board meeting on 20-21 July 2009, for consideration with the proposed standard ASA 508 *Litigation and Claims*.

ASA Redrafting (Continued)

(Agenda item 9 – Minute 486)

Consider Group 7 Exposure Drafts for Approval to Release

The Board considered final draft versions, in "Clarity" format, of the following exposure drafts (EDs) of proposed revised Auditing Standards:

- (a) *ASA 101 Preamble to Australian Auditing Standards*
- (b) *ASA 520 Analytical Procedures*
- (c) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*

The Board requested some amendments and approved the issue of the above EDs, subject to clearance by the Chairman and Executive Director

ASA Redrafting (Continued)

(Agenda item 10 – Minute 487)

Discuss and approve approach for the Glossary

The Board considered the first draft of the AUASB Glossary

The Board agreed:

- (a) that the IAASB's Glossary of Terms should be used as the underlying document to create a new AUASB Glossary;
- (b) that the new AUASB Glossary should include terms defined or used in AUASB Standards;
- (c) the definitions of AUASB Standards, Australian Auditing Standards and Auditing Standards subject to minor amendments; and
- (d) the withdrawal of the extant AUASB Glossary from 1 January 2010.

The Board requested amendments to the draft. A revision will be considered for approval at the 20-21 July AUASB meeting.

Going Concern

(Agenda item 11 – Minute 488)

The AUASB has worked with the Australian Institute of Company Directors to develop a joint publication focussing on the responsibilities of directors in relation to going concern issues during periods of economic uncertainty. A final draft was tabled at the meeting and public issue will be in early June.

The Board also noted that the AUASB Bulletin on "Auditing Considerations in an Uncertain Economic Environment" was released on 30 April.

Bank Confirmation Requests

(Agenda item 12 – Minute 489)

The Board received an update on the project and approved the establishment of a Project Advisory Group (PAG) to further consider the issues and to develop appropriate updated guidance to address relevant issues. The PAG will include representatives from banks professional accounting bodies, accounting firms and the public sector in the first instance, in order to identify the appropriate scope of the project.

Authorised Deposit Taking Institutions

(Agenda Item 13 – Minute 490)

The Board considered a further draft of a proposed revision of AGS 1008 *Prudential Reporting Requirements of Authorised Deposit Taking Institutions*. It was noted that APRA Prudential Standard APS 310 (issued in December 2008) applies to reporting periods commencing 1 January 2009. The Board approved release of the Guidance Statement subject to minor amendments and clarification of "materiality" with APRA.

Specified Assurance Procedures

(Agenda item 14 – Minute 491)

The Board received an update on the project to revise AUS 904 *Engagements to Perform Agreed-upon Procedures*. The project Advisory Group has met twice and is presently considering the scope of the pronouncement. The Board indicated that it would need to further deliberate as to whether the pronouncement should be developed as a Guidance Statement or as a Standard on Assurance Engagements.

Fundraising Engagements/Prospective Information/Comfort letters/Privity Letter requests

(Agenda item 15 – Minute 492)

The Board received an update on projects for the:

- development and issue of a Guidance Statement on Comfort Letters based on US SAS 72 *Letters to Underwriters and Certain Other Requesting Parties*.
- revision of AGS 1014 *Privity Letter Requests* and reissue as a Guidance Statement.
- revision of AUS 804 *The Audit of Prospective Financial Information* and AGS 1062 *Reporting in Connection with proposed Fundraising* and reissue as one Standard on Assurance Engagements (ASAE).

National Greenhouse and Energy Reporting (NGERS) Act 2007 and Carbon Pollution Reduction Scheme (CPRS)

(Agenda item 16 – Minute 493)

The Board received an update on recent developments affecting the NGERS and CPRS schemes. The AUASB continues to work with the Department of Climate Change on auditing and assurance related matters affecting NGERS.

International Matters

(Agenda Item 17 – Minute 494)

- (a) The Board received an update on the activities of the IAASB and other national standards setters for the period April – May 2009.
- (b) The Board noted key agenda items for the IAASB meeting to be held 15-19 June 2009.
- (c) The Board received a report on key matters discussed at the IAASB and National Auditing Standards Setters meeting held on 23-24 April 2009 attended by the Chairman and Executive Director.

Key matters included:

- “Clarity” –
 - IAASB has produced various information videos to assist with implementation
 - feedback on implementation

- IAASB projects:
 - Impact Assessments
 - Reviews and Compilations
 - XBRL
 - Assurance on Emissions Reporting

(d) The Board received reports from taskforce members on IAASB projects:

- Review Engagements and Compilations Engagements projects - Ms D Azoor Hughes
- Pro Forma Information project – Mr D Simmonds

Other Business

(Agenda Item 18 – Minute 495)

(a) The Board considered a paper on AGS 1028 *Uncertainty* (previously withdrawn) and agreed that guidance is adequately provided in the current auditing standards.

(b) Debenture Issuers Benchmark Information – RG 69

The Board received an update on ASIC's project to revise Regulatory Guide 69 Debentures – improving disclosure for retail investors with respect to auditing requirements. It was noted that ASIC have extended the period during which the form of the auditor's report as set out in ASIC's Pro Forma 223 (only lodged with ASIC and not made public), to periods ending on or prior to 31 December 2009.

(c) Managed Investment Schemes

The Board received an update on the project to revise AGS 1052 and AGS 1058. It was noted that ASIC are in the process of reviewing requirements for managed schemes. It was agreed that a full revision of these Guidance Statements will be undertaken on completion of work by ASIC, and that in the short term amendments for out of date matters in the Guidance Statements will be considered.

(d) Withdrawal of AGS 1006

The Board agreed with the staff recommendation to withdraw AGS 1006 *Expression of an Opinion on Internal Control*.

(e) Other matters

- The Board agreed to write to the FRC secretariat regarding suggestions that the AUASB should develop new auditing standards in respect of detecting material financial fraud and reporting on internal controls as per PCAOB Standard 404. The Board was of the view that the auditors' responsibilities, with respect to detecting fraud, are adequately addressed in ASA 240 and ASA 315. The Board also considered that it was inappropriate to develop a new standard on internal control reporting modelled on PCAOB Standard 404 as the US Standard is written specifically for the Sarbanes-Oxley regulated environment which does not apply in Australia.
- Dr. Jubb reported on a research paper on the Future of Audit to be publicly released in July.

Next Meeting

The next meeting of the AUASB will be held on Monday 20 and Tuesday 21 July 2009.

Close of Meeting

The Chairman closed the meeting at 5.00 p.m. on 1 June and 1.30.p.m. on 2 June 2009.

Approval

Signed as a true and correct record

M H Kelsall

Chairman

Date: 20 July 2009