



<b>Subject:</b>	Minutes of the 47 <sup>th</sup> meeting of the Auditing and Assurance Standards Board (AUASB)
<b>Venue:</b>	Ken Spencer Room, AUASB offices Level 7, 600 Bourke St, Melbourne
<b>Date:</b>	13 September 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) Ms Dianne Azoor Hughes Mr Mike Blake Ms Valerie Clifford Mr John Gavens Mr Chris Hall Ms Elizabeth Johnstone Dr Christine Jubb Mr Colin Murphy Mr David Simmonds
Apologies	Mr Jon Tyers (Deputy Chairman) Mr Greg Pound
Staff	Mr Richard Mifsud (Executive Director) 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 623)

“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 Board.

### Minutes

#### (Agenda item 2 – Minute 624)

The Board approved the minutes of the 46<sup>th</sup> meeting held on 26 July 2010, with some minor amendments.

## **Matters Arising and Action list**

### **(Agenda item 3 – Minute 625)**

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 626)**

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

- FRC Nominations Committee Meeting held on 16 August 2010.

The Chairman advised the Board that the FRC will seek expressions of interest to fill vacancies on the AUASB that will become available in 2010-2011.

- Teleconference held on 30 August 2010 with Mr Blake and Mr Mifsud regarding issues raised by the Australasian Council of Auditors-General (ACAG).

The Chairman met with ACAG to further discuss public sector issues that the AUASB would consider addressing and including in its work program (see Agenda item 5).

- Meeting with The Institute of Internal Auditors Australia held on 8 July 2010 (see Agenda item 12).

## **Public Sector Auditing Issues**

### **(Agenda item 5 – Minute 627)**

The Board considered the need to explore public sector auditing issues relating to:

- Probity in public sector financial audits;
- Audits of government budget variances;
- Post-implementation review of ASAE 3100 *Compliance Engagements*; and
- Post-implementation review of ASAE 3500 *Performance Engagements*.

The Board has agreed to liaise further with ACAG and its accounting and auditing technical policy committee to better understand the need for and priority of projects prior to adding work relating to the above areas to the Board's work program. Discussion on probity in public sector financial audits noted the need to distinguish this from assignments where a practitioner is engaged to act as a probity auditor. The Board agreed to consider developing guidance for probity auditors.

## **Future of Audit Report**

### **(Agenda item 6 – Minute 628)**

The Board considered a research proposal on *Evaluating the Implementation and Impact of the Clarity Auditing Standards*, in lieu of a discussion of a revised AUASB response to *Future of Audit Report* recommendations prepared by the Australian National Centre for Audit and Assurance Research (ANCAAR). The Board deliberated on the benefits and costs of sponsoring the research,

including the AUASB's participation in the IAASB Clarity ISA Implementation Monitoring project. After deliberation, the Board agreed to be supportive in principle, but not to formally sponsor the proposed research project put forward by ANCAAR.

Board members, however, are encouraged to participate in the research on an individual basis.

A revised draft of the AUASB response to the *Future of Audit* Report recommendations will be considered at the Board's November 2010 meeting.

## **Fundraisings and Comfort Letters**

### **(Agenda item 7 – Minute 629)**

The Board received updates on the Fundraisings and Comfort Letter projects, including revised timelines and status of drafts for consideration of project advisory groups. Advanced drafts of the proposed standards are expected to be tabled at the Board's November meeting this year, as follows:

- Revised draft of the proposed Fundraisings ASAE for Board approval for public exposure; and
- Interim draft of the proposed Comfort Letters ASAE for Board consideration.

## **Agreed-upon Procedures**

### **(Agenda item 8 – Minute 630)**

The Board considered and suggested revisions on a further draft of the proposed ASAE on *Agreed-Upon Procedures*, which will replace AUS 904 *Engagements to Perform Agreed-upon Procedures*.

The Board considered and agreed that:

- the title of the proposed ASAE will be *Agreed-Upon Assurance Procedures to Report Factual Findings*; and
- the proposed ASAE will only deal with engagements that do not explicitly provide assurance.

A revised draft ASAE will be tabled for Board approval for public exposure at the AUASB November meeting this year.

## **ASIC Presentation**

### **(Agenda item 9 – Minute 631)**

The Board received a presentation from Mr Michael Dwyer (ASIC Commissioner) and Mr Doug Niven (ASIC Senior Executive Leader, Accountants and Auditors) regarding recent developments on ASIC's structure, work and activities, including the following:

- the focus of and public findings from ASIC's audit firm inspections;
- regulatory issues affecting auditing and assurance standards; and
- ASIC's involvement in international matters affecting audit regulation.

The Board considered the implications of the ASIC presentation on the AUASB projects and future work program.

## International Matters

### (Agenda item 10 – Minute 632)

- (a) The Board noted:
- an update on recent activities of the IAASB and other national standard-setters; and
  - the IAASB June 2010 Meeting Highlights.
- (b) The Board received updates from taskforce members on IAASB projects:
- Review and compilations – Ms Dianne Azoor Hughes (AUASB Member)
  - Pro forma information in prospectuses – Mr David Simmonds (AUASB Member)
- (c) The Board approved with some minor changes, the draft AUASB submission on the IAASB ED of proposed ISAE 3420 *Assurance Reports on the Process to Compile Pro Forma Financial Information*. The AUASB submission will be finalised in time for the 30 September 2010 due date, after considering input from stakeholders.
- (d) The Board discussed the key changes in the proposed revised ISA 610 *Using the Work of Internal Auditors* and ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*. The Board also noted that the AUASB Technical Group is working on submissions to the IAASB in respect of exposure drafts of the proposed revised ISAs. The AUASB will invite comments from stakeholders and consider them as part of its submission to the IAASB.
- (e) In response to recent correspondence from the FRC Chairman, the Board:
- agreed to undertake an analysis of the eight risk assessment auditing standards recently issued by the Public Company Accounting Oversight Board (PCAOB); and
  - noted the PCAOB exposure draft on a proposed Auditing Standard on *Communications with Audit Committees*, and agreed to compare this document with ASA 260 *Communication with Those Charged with Governance*
- (f) The Board expressed support for the IAASB *Clarity* ISA Implementation Project and noted that the Chairman had agreed to undertake for the AUASB to participate in an IAASB survey of firms as part of the Clarity ISA implementation project.
- (g) Ms Caithlin Mc Cabe (IAASB Member) discussed with the Board the key agenda topics for the September 2010 IAASB meeting, with a focus on matters that impact auditing in Australia, including:
- The differing views on how an assurance practitioner should approach the discovery of material misstatements or errors resulting from limited assurance procedures performed in review and assurance engagements;
  - Definition of limited assurance and scope of limited assurance procedures (ISAE 3000);
  - Application of the proposed ISAE 3420 in the Australian context (reasonable assurance on the process to compile pro forma information);
  - Auditors of financial reports obtaining direct assistance from the entities' internal auditors (addressed in the proposed revised ISA 610);

- Application of the proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement* in light of NGERs audit requirements; and
- Application of ISA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements* to public documents other than annual reports.

The AUASB will continue to monitor IAASB projects and consider their effect on the AUASB work program. A report on key IAASB projects will continue to be presented at every AUASB meeting.

## **GS 002 *Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities***

### **(Agenda item 11 – Minute 633)**

The Board approved for issuance, subject to final edits, the issuance of the updated Guidance Statement GS 002 *Special Considerations in the Audit of Risk Management Requirements for Registrable Superannuation Entities and Licensees*. GS 002 has been updated to reflect amendments following reissuance of APRA's Superannuation Guide SPG 200 *Risk Management*, and amended references to the *Clarity* Australian Auditing Standards. The Office of Best Practice Regulation (OBPR) regulatory assessment has been completed for GS 002.

## **Other Business**

### **(Agenda item 12 – Minute 634)**

- (a) The Board discussed potential topics for the AUASB 30 November 2010 Consultative Meeting.
- (b) The Board considered the proposed AUASB Meeting dates for 2011; a final set of confirmed dates will be circulated to the Board in due course.
- (c) The Board will receive an update on the proposed actions to address differing interpretations of the decision tree diagram included as Appendix 1 in ASA 570 *Going Concern*, at its November 2010 meeting.
- (d) The Board noted the NGER *Audit Documentation Handbook* issued by the Department of Climate Change in August 2010, and requested the AUASB Technical Group to continue monitoring developments in this area.
- (e) The Board received an update on the status of Local Government Victoria's *Audit Committees A Guide to Good Practice*, including the AUASB's provision of extensive comments on the draft versions of the document. The AUASB will provide further comments on the final draft of the amended Guide prior to its release.
- (f) The Board noted that there was no recent activity to report relating to the project on *Assurance on Water Accounting Reports* as the Water Accounting Standards Board did not meet during the federal election period.
- (g) The Board approved for issuance, subject to final edits, GS 018 *Franchising Code of Conduct – Auditor's Reports*, a revision of AGS 1040. GS 018 includes amendments following reissuance of *The Franchising Code of Conduct* in June 2010. The OBPR regulatory assessment on GS 018 is in progress and is expected to be completed prior to the issuance of the Guidance Statement.

- (h) The Board considered the possibility of working with The Institute of Internal Auditors Australia on areas that are of mutual interest to both bodies, and agreed to discuss this topic further at its next meeting.
- (i) No other matters or emerging issues were noted.

## **Next Meeting**

The next meeting of the AUASB will be held on Monday, 29 November 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: 29 November 2010