



Subject: Minutes of the 90th meeting of the Auditing and Assurance Standards Board (AUASB)

Venue: Ken Spencer Room
Auditing and Assurance Standards Board (AUASB) offices
Podium Level 14, 530 Collins Street Melbourne

Meeting Date: Teleconference: 27 March 2017 from 5.00pm – 6.30pm

Attendance

AUASB Members:

- Ms Merran Kelsall (Chairman)
- Ms Robin Low (Deputy Chairman)
- Mr Gareth Bird
- Mr Robert Buchanan
- Ms Jo Cain
- Mr Chris George
- Prof. Nonna Martinov-Bennie
- Ms Carolyn Ralph
- Mr Justin Reid
- Mr Ashley Wood

AUASB Technical Group:

- Mr Matthew Zappulla
- Ms Rene Herman
- Ms Marina Michaelides
- Ms Anne Waters

Apologies: Mr Colin Murphy

Observers: Prof. Roger Simnett
Ms Claire Grayston (CPA)

Welcome and Declarations of Interest

(Agenda Item 1 – Minute 1108)

The AUASB Chairman welcomed the AUASB members and thanked them for their attendance.

(Agenda Item 1 – Minute 1109)

“Declaration of Interests” forms for members were tabled and confirmed. Members have adopted a 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.



Auditor Reporting Implementation

(Agenda Item 2 – Minute 1110)

The AUASB continued their discussions on the communication of key audit matters (KAMs) for parent entity financial statements, condensed interim financial reports and stapled security groups.

Prior to discussing these individual matters the AUASB agreed that the key principles in relation to when a key audit matter is required to be communicated are when an entity:

- (a) Has prepared a complete set of financial statements; and
- (b) Is considered to be a listed entity.

In responding to the issues below the AUASB discussed whether to issue FAQs in the short term, but requested the AUASB Technical Group to consider what amendments may be appropriate to ASA 701 before the next AUASB meeting.

i. Communicating key audit matters for parent and consolidated financial statements

The AUASB continued its discussions on parent entity and consolidated financial statements, including the Technical Group's consultations with the Australian Accounting Standards Board (AASB) Technical Group and ASIC.

The AUASB Technical Group consulted with the AASB on what constitutes a complete set of financial statements, and whether the parent entity financial statements when presented within a 4 column financial report, constitute a complete set of financial statements

The AUASB accepts the AUASB Technical Group's view that, for the purpose of this issue, the terms "General purpose financial report" and "complete set of financial statements", applied in ASA 701 and ISA 701 respectively, in principle have the same meaning, as the different definitions exist because of legislative or regulatory requirements, as opposed to any change in their underlying meaning.

A quorum was present and the AUASB voted on whether they agree with following recommendation presented by the AUASB Technical Group:

- If the parent entity financial statements are general purpose financial statements in accordance with the Australian Accounting Standards, and this is described as such in the basis of preparation note and the director's declaration, and the auditor is providing an opinion on the parent entity, the auditor determines and communicates KAMs specific for the parent entity in accordance with ASA 701.

The AUASB voted unanimously in support of this recommendation.

As a result, the AUASB agreed that when parent entity financial statements are general purpose financial statements, prepared in accordance with the Australian Accounting Standards, and this is described as such in the basis of preparation note and the director's declaration, and the auditor is providing an opinion on the parent entity, the auditor is required to communicate KAMs specific for the parent entity in accordance with ASA 701.

ii. Communicating key audit matters in the independent auditor's report for condensed interim financial reports

The AASB Technical Group confirmed that a condensed interim financial report prepared under AASB 134 *Interim Financial Reporting* is not a complete set of financial statements. Therefore based on the principles for communicating KAMs described above, the AUASB Technical Group advised that key audit matters are not required in the auditor's report on a condensed interim financial report prepared in accordance with AASB 134 and:

- ISA 701 and ASA 701 are inconsistent as under ISA 701 KAMs are not communicated in auditor's reports on condensed interim financial reports (as the ISA includes the term "complete"), however they are communicated under ASA 701.



- ISA (NZ) 701 is consistent with ISA 701, and therefore the ASA wording is not in accordance with the AUASB's strategy of harmonization of AU and NZ standards.
- Based on our analysis of the key principles for when KAMs are required under ISAs, the AUASB Technical Group have concluded that the compelling reason test has not been met for this difference between the ISA and the ASA.

A quorum was present and the AUASB voted in respect to the following recommendations presented by the AUASB Technical Group:

- KAMs are not required to be communicated in auditor's reports for condensed interim financial reports.
- Auditors can elect to communicate KAMs for condensed interim financial reports.
- KAMs are required to be communicated for complete interim financial reports.

The AUASB voted unanimously in support of this recommendation.

iii. Communicating key audit matters for stapled security groups

The AUASB discussed whether the auditor is required to communicate KAMs for each entity within a stapled security group. In particular, in line with the principles for communicating KAMs described above, the AUASB deliberated on whether each entity within a stapled security group meets the definition of a listed entity, including the views of ASIC and the ASX on this matter.

The AUASB discussed the following as presented to the board by the AUASB Technical Group:

- KAMs are required for complete set of financial statements for listed entities.
- As explained previously, Chapter 2M of the Act requires each of the stapled issuers to prepare and lodge a general purpose financial report and have this audited, so this first factor is not in dispute. Therefore, the question of whether KAMs are required at the group or individual entity level in a stapled group hinges on whether each entity is considered to be a listed entity in accordance with the definition in the ASAs.
- As noted above the definition of listed entity in the ASAs is "an entity whose shares, stock or debt are quoted or listed on a recognized stock exchange". Verbal advice from the ASX, and independent legal advice commissioned by the AUASB Technical Group confirmed that per the ASA definition, each entity in a stapled group is "listed" as on the official list. However only the stapled group is "quoted".
- An alternate view is, as the stapled issuer cannot be seen by the public on the official list, is not quoted and cannot be traded separately, it is not the listed entity, and the stapled group is the listed entity for auditor reporting purposes.
- However, in the AUASB Technical Group's view, as the definition of listed entity is an entity whose shares are listed on a recognized exchange, or quoted on a recognized exchange, both the stapled issuer and the stapled group meet the definition of listed entity, and accordingly are required under ASA 701 to communicate KAMs separately.
- Additionally, whether it is on a consolidated or individual basis, the auditor's report for every listed entity in the stapled group is made publicly available (either via the ASX or the stapled group's website). The AUASB Technical Group's view is that this reinforces the position that KAMs should be required for each entity in a stapled group.



A quorum was present and the AUASB voted in respect to the following recommendation presented by the AUASB Technical Group:

- Both the stapled issuer and the stapled group meet the definition of listed entity, and accordingly are required under ASA 701 to communicate KAMs separately.

The AUASB voted 5 in favour and 5 against this recommendation.

Given the different views expressed, the AUASB requested that the AUASB Technical group further investigate the matter and further discussion take place in relation to this topic at the next AUASB meeting on 26 April 2017.

International Update

(Agenda Item 3 – Minute 1111)

The AUASB Technical Director provided an update in relation to the IAASB meeting held in Lima, Peru on 13 – 17 March 2017.

Next Meeting

The next regular meeting of the AUASB will be held will be on 26 April 2017 at the CPA Australia Committee Room, Level 3, 111 Harrington Street, Sydney at 8.30am.

Close of Meeting

The Chair closed the meeting at 6.30 p.m.

Approval

Signed as a true and correct record.

Prof Roger Simnett
Chair

Date: 30 May 2017