



Subject: Minutes of the 48th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 29 November 2010, from 8.30 a.m. to 5.30 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 Mr John Gavens Mr Chris Hall Ms Elizabeth Johnstone Dr Christine Jubb Mr Colin Murphy Mr Greg Pound Mr David Simmonds
Apologies	Nil
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 (in part) Ms Patricia Wales (in part)

Declarations of Interest

(Agenda item 1 – Minute 635)

“Declarations of Interests” forms for Members were tabled, confirmed, and amended as appropriate. Mr M Blake advised that he has been appointed to the National Board of the ICAA effective from 1 January 2011.

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 636)

The Board approved the minutes of the 47th meeting held on 13 September 2010.



Matters Arising and Action list

(Agenda item 3 – Minute 637)

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 638)

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

- Victoria University of Wellington, Financial Reporting and Auditing Conference held 19-20 September 2010 – presentation by the Chairman – *A New Landscape*.
- FRC meeting held 21 September 2010.
- ASIC Standing Chairs Committee - quarterly meeting held 21 October 2010.
- ASIC – Audit Committee Forum held 25 October 2010.
- Treasury roundtables on Audit Quality held 2 and 3 November 2010 (with the Executive Director).
- FRC Nominations Committee Meeting held on 22 November 2010.

The Chairman advised the Board that the FRC meeting scheduled for 2 December 2010 would resolve appointments of new board members to fill vacancies on the AUASB (effective 1 January 2010).

- ASIC – discussions re service organisations.
- Annual Board member reviews.
- Meetings with key constituents (with the Executive Director).

Corporate and other matters:

- The Chairman's report for the forthcoming FRC meeting on the AUASB's activities was tabled for noting.
- Reports on the AUASB's actual hours compared with budget hours for the period July to November 2010 were tabled for noting.
- The Agenda for the AUASB Consultative Meeting to be held 30 November 2010 was discussed.
- AUASB responses to the FRC on the following matters were tabled for noting:
 - Public Company Accounting Oversight Board (PCAOB) issuance of new risk related Auditing Standards – AS No's 8-15 – a comparison of the PCAOB's proposed new standards with the AUASB Auditing Standards.
 - PCAOB proposed auditing standard on communication with audit committees - a comparison of key requirements in the proposed PCAOB standard with corresponding AUASB Auditing Standards.



Fundraisings Project

(Agenda item 5 – Minute 639)

The Board considered a draft of the proposed exposure draft of ASAE - *Assurance Engagements Relating to Proposed Corporate Transactions and Prospective Financial Information*

The Board agreed that the proposed ASAE would address the following:

- Issuance of a single engagement letter
- Application of the proposed ASAE to Private reports
- Reports on compiled financial information and the process to compile financial information.

The Board requested further amendments including redrafting to arrange the requirements in the proposed ASAE according to types of financial information, which will facilitate revision of the Standard following release of the proposed IAASB Standard - *Assurance Reports on the Process to Compile Financial Information Included in a Prospectus*.

A revised draft of the ED will be considered by the PAG and will be tabled for consideration at the 28 February 2011 AUASB meeting.

Comfort Letters Project

(Agenda item 6 – Minute 640)

The Board considered an interim draft of the proposed assurance standard on Comfort letters.

The Board discussed the issue relating to the negative assurance conclusion provided by the auditor in a Comfort Letter based on agreed-upon procedures performed on change period financial statements. The Board noted that this practice is inconsistent with the Australian assurance framework, and is to be further considered by the PAG.

The Board requested further amendments. A revised draft will be considered by the PAG and tabled for consideration at the 28 February 2011 AUASB meeting.

Agreed-upon Assurance Procedures to Report Factual Findings

(Agenda item 7 – Minute 641)

The Board (in a majority decision nine in favour and three against¹) approved for release, subject to final edits, an exposure draft of the proposed ASAE 4400 *Agreed-upon Assurance Procedures to Report Factual Findings* (Revision of AUS 904) as an exposure draft. The ED will be released in early December with an exposure period of 60 days.

¹ [Refer Attachment](#)



Auditing Revenue of Charitable Entities

(Agenda item 8 – Minute 642)

The Board considered a preliminary draft of a revision of AGS 1054 *Auditing Revenue of Charitable Entities*.

The Board agreed that the scope of the Guidance Statement will now encompass fundraising revenue of not-for-profit entities as well as charitable entities. The Board requested that the title of the proposed Guidance Statement will be Auditing Fundraising Revenue of Not-for-Profit Entities

The Board requested further amendments and that the revised draft be discussed with relevant practitioners and stakeholders prior to the next board meeting. A revised draft will be tabled at the 28 February 2011 AUASB meeting for further consideration by the Board.

New Zealand Professional Standards Board

- Discussion with Mr Neil Cherry, PSB Chairman

(Agenda item 9 – Minute 643)

Mr Neil Cherry, Chairman of the New Zealand Professional Standards Board (PSB) met with the Board and discussed matters of mutual interest between the New Zealand PSB and the AUASB including imminent structural changes to auditing standards setting in New Zealand which are expected to take place from 1 July 2011.

Financial reporting Council (FRC)

- Discussion with Mr Jeffrey Lucy, FRC Chairman

(Agenda item 10 – Minute 644)

Mr Jeffrey Lucy, Chairman of the Financial Reporting Council (FRC) met with the Board and discussed various matters of mutual interest between the FRC and the AUASB, including global developments in audit regulation.

International Matters

(Agenda item 11 – Minute 645)

(a) The Board noted:

- an update on recent activities of the IAASB and other national standard-setters;
- a report on the IAASB September 2010 meeting;
- a European Commission Green Paper titled Audit Policy – Lessons from the Financial Crisis; and
- AUASB submissions to the IAASB, issued 15 November, in respect of exposure drafts on revised ISA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, and ISA 610 *Using the Work of Internal Auditors*.



- (b) The Board approved with some amendments the AUASB submission on the IAASB exposure draft of an IAPS dealing with Complex Financial Instruments.
- (c) The Board received reports on IAASB taskforces:
- Review and compilations – Ms Dianne Azoor Hughes (AUASB Member)
 - Pro forma information in prospectuses – Mr David Simmonds (AUASB Member)
- (d) Ms Caithlin Mc Cabe (IAASB Member) discussed with the Board the key agenda topics for the December 2010 IAASB meeting, with a focus on matters that impact auditing in Australia, including:
- IAASB Report on *Implementation of the Clarity International Standards on Auditing (ISAs)*
 - Draft IAASB discussion paper on *The Evolving Nature of Financial Reporting: Disclosure and its Audit Implications*
 - Audit Quality – proposed IAASB consultation on *Audit Quality*
 - Proposed revision of ISRE 2400 *Engagements to Review Historical Financial Information*
 - Proposed ISAE 3410 *Assurance Engagements on Greenhouse Gas Statement*
 - Revised draft consultation paper on *IAASB Strategy and Work program for 2012-2014*
 - Revision of ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

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

Assurance on Water Accounting Reports

(Agenda item 12 – Minute 646)

The AUASB approved a project plan to jointly develop with the Water Accounting Standards Board (WASB), an Assurance Standard for assurance engagements on General Purpose Water Accounting Reports.

Revision of Guidance Statement

(Agenda item 13 – Minute 647)

The Board approved a project plan for the revision of GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*.



Internal Audit

(Agenda item 14 – Minute 648)

The Board discussed and agreed on a way forward for ongoing liaison between the AUASB and the Institute of Internal Auditors – Australia and requested that the Chairman and Executive Director meet with the IIA-A to convey the Board's views regarding future liaison.

Other Business

(Agenda item 15 – Minute 649)

- (a) The Board agreed to amend ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* in light of the APESB's impending release of a revised APES 110 in February 2011. The draft amendments to ASA 102 will be considered at the 28 February 2011 AUASB meeting.
- (b) The Board noted that Regulatory Guide RG 69 dealing with Debenture Issuers has been revised by ASIC and the pro forma auditor's report was reissued on 26 October 2010.
- (c) The Board noted that the Victorian Local Government Audit Committee Guide has been finalised by Local Government Victoria and is awaiting approval and release by the new Minister for Local Government.
- (d) No other matters or emerging issues were noted.

Next Meeting

The next meeting of the AUASB will be held on Monday, 28 February 2011.

Close of Meeting

The Chairman closed the meeting at 5.30 p.m.

Approval

Signed as a true and correct record

M H Kelsall
Chairman

Date: 28 February 2011