



Subject: Minutes of the 37th meeting of the Auditing and Assurance Standards Board (AUASB)

Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne

Date: 6 April 2009, from 8.45 a.m. to 5.00 p.m.
7 April 2009, from 8.45 a.m. to 3.00 p.m.

All agenda items were discussed in public, with the exception of Agenda Item 18.

Attendance

Members

- Ms Merran Kelsall (Chairman)
- Mr Jon Tyers (Deputy Chairman)
- Ms Dianne Azoor Hughes (except Day 1 from 1.30 p.m.)
- Mr Mike Blake
- Ms Valerie Clifford
- Mr John Gavens
- Mr Chris Hall
- Ms Elizabeth Johnstone
- Dr Christine Jubb
- Mr Clive Mottershead
- Mr Greg Pound (except Day 2)
- Mr Colin Murphy
- Mr David Simmonds

Apologies

- Ms Dianne Azoor Hughes (Day 1 - 8.45 a.m. to 1.30 p.m.)
- Mr Greg Pound (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 461)

“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 declarations of interest in an issue before the AUASB were noted.

Minutes

(Agenda item 2 – Minute 462)

The Board approved the minutes of the 36th meeting held 23-24 February 2009.

Matters Arising From Action Items Not Dealt With Elsewhere

(Agenda item 3 – Minute 463)

The status of matters arising brought forward from previous AUASB meetings not dealt with as separate agenda items was noted.

Reports from AUASB Chairman on Recent Meetings and Corporate Matters

(Agenda item 4 – Minute 464)

- (a) The Chairman reported on key meetings attended since the last meeting including:
 - BDO Kendalls – AICD Forum on Fraud
 - ASIC - Summer School
 - Mark Olsen – Chairman of PCAOB
 - AASB – Bruce Porter
 - RSM Bird Cameron – Role of Audit Committee Chairs
 - Treasury and the Department of Climate Change
 - Accounting and Auditing Emerging Issues Group

- (b) Report on Corporate Matters
 - Further discussions and correspondence with Treasury on funding.

- (c) Other matters
 - Prof. C Jubb reported on key issues raised at a focus group on the Future of Audit and in particular concerns raised by junior auditors. A paper on the outcomes of this group is anticipated in late April and will be distributed to the AUASB.

Going Concern

(Agenda item 5 – Minute 465)

The Board considered and approved an AUASB Bulletin on “Auditing Considerations in an Uncertain Economic Environment. The Bulletin, which covers going concern as well as other issues, will be finalised and released in April.

The Board also requested that the former guidance on uncertainty (previously provided in AGS 1028 *Uncertainty* – withdrawn) be reconsidered.

The AUASB is also working 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. The publication is expected to be finalised in May.

ASA Redrafting

(Agenda item 6 – Minute 466)

(a) Project Update:

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

(b) Preamble to AUASB Standards

The Board considered “version 4’ of the proposed ASA 101 *Preamble to Australian Auditing Standards* (revision of the existing Preamble (ASA 100). A final draft will be considered for release as an ED at the 1 June AUASB meeting.

(c) **ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information and Other Assurance Engagements**

The Board considered a draft proposed standard and approved its release as an ED.

It was noted that the APESB has issued a proposed revision of APES 320 as an ED. It was agreed that the Chairman would write to the Chairman of the APESB, in relation to APES 320, to advise her that the AUASB will be exposing proposed ASQC 1 and suggesting to the APESB that it should be mindful of this proposed standard to minimise any overlap and duplication in APES 320.

(d) **ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information**

The Board considered a draft proposed standard and approved release as an ED.

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

(Agenda item 7 – Minute 467)

Representatives from the Department of Climate Change provided an update on the development of auditing and assurance requirements under the NGERS and CPRS. The Department is working in liaison with the AUASB towards one assurance framework for both schemes and an exposure draft on the NGER regulations for the registration of auditors is anticipated for release in June this year. A legislative instrument containing the requirements for the conduct of audits will follow and then guidelines for auditors will be developed. The Emissions Intensive Trade Exposed (EITE) assistance program has been developed in parallel and is using registered company auditors to conduct audits of data submitted whilst the NGER audit framework is being finalised.

ASA Redrafting

(Agenda item 8 – Minute 468)

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

- (a) *ASA 210 Terms of Audit Engagements*
- (b) *ASA 265 Communication of Deficiencies in Internal Control*
- (c) *ASA 402 Audit Considerations Relating to Entities Using Service Organisations*
- (d) *ASA 505 External Confirmations*
- (e) *ASA 508 Enquiries Regarding Litigations and Claims*
- (f) *ASA 620 Using the Work of an Expert*
- (g) *ASA 710 Comparatives*

The Board approved the issue of the above EDs.

ASA Redrafting

(Agenda item 9 – Minute 469)

Consider Group 4 Responses to Exposure Drafts

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

- (a) *ASA 530 Audit Sampling*
- (b) *ASA 610 Using the Work of Internal Auditors*

The Board requested minor amendments and agreed on clearance for final approval for this Standard at a later date.

Agreed-upon Procedures

(Agenda item 10 – Minute 470)

The Board received an update on the project to revise AUS 904 *Engagements to Perform Agreed-upon Procedures* (AUP), and noted that the Project Advisory Group will meet again later this month. The Board discussed the level of assurance provided for AUP engagements. The Board agreed that the pronouncement to be developed will cover only engagements where assurance is provided.

Withdrawal of AUSs

(Agenda item 11 – Minute 471)

The Board considered a proposal to formally withdraw certain of the auditing standards (AUSs) issued by the former Auditing and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation.

The AUSs to be withdrawn comprise:

- (a) AUSs that were given interim endorsement under the *Corporations Act 2001* (the Act), effective in relation to financial reports for periods ending on or before 29 June 2007; and
- (b) all but 3 of the other AUSs which did not have interim legal endorsement under the Act.

The remaining AUSs that are still current for the time being:

- (a) AUS 804 *The Audit of Prospective Financial Information*;
- (b) AUS 810 *Special Purpose Reports on the Effectiveness of Control Procedure*; and
- (c) AUS 904 *Engagements to Perform Agreed-upon Procedures*.

The Board approved withdrawal of the AUSs listed in the Appendix and requested the preparation of a document mapping the withdrawn standards to the relevant current auditing standard (ASA). This document will be placed on the AUASB as a guide for constituents.

Access to Audit Working Papers

(Agenda item 12 – Minute 472)

The Board considered a proposed revision of AGS 1038 *Access to Audit Working Papers*.

The Board noted that the extant Guidance Statement is working well and that the redrafted Guidance Statement has been reviewed by the various legal counsels of the major accounting firms and the public sector.

Subject to minor amendments, the Board approved Guidance Statement GS 011 for release.

Fundraising Engagements

(Agenda item 13 – Minute 473)

The Board considered and approved a project plan to issue an assurance standard on fundraising. This proposed new ASAE will replace the AUS 804 *The Audit of Prospective Financial Information* and AGS 1062 *Reporting in Connection with Proposed Fundraisings*.

This new standard will establish requirements and provide guidance on the responsibilities of assurance practitioners when performing and reporting on assurance engagements in connection with fundraisings, including the examination of prospective financial information.

The Board also considered and approved a project for the development and issue of a pronouncement based on US SAS 72 *Letters to Underwriters and Certain Other Requesting Parties* and agreed that this project be undertaken in conjunction with the Fundraising project.

Privity Letters

(Agenda Item 14 – Minute 474)

The Board considered and approved a project plan to revise and reissue AGS 1014 Privity Letter Requests.

Authorised Deposit Taking Institutions

(Agenda Item 15 – Minute 475)

The Board considered a first 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. Finalisation of the revised Guidance Statement is planned for June this year.

International Matters

(Agenda Item 16 – Minute 476)

- (a) The Board received an update on the activities of the IAASB and other national standards setters for the period February – March 2009.
- (b) The Board discussed key outcomes of the IAASB meeting held 16-19 March 2009.
- (c) The Board discussed agenda items for the IAASB and National Auditing Standards Setters meeting to be held on 23-24 April 2009.
- (d) The Board noted that Ms D Azoor Hughes has been appointed to the IAASB task force working on the Review Engagements and Compilations Engagements projects.

Other Business

(Agenda Item 17 – Minute 477)

No significant other matters were noted.

Corporate Planning

(Agenda Item 18 – Minute 478)

The Board held a preliminary discussion (in closed session) regarding its Corporate Plan for the three years to 30 June 2012 and Business Plan for the year ending 30 June 2010.

Recommendations from the meeting (including consideration of key items from the Consultative Meeting held December 2008) will to be incorporated in the proposed plans.

An outline of the draft Business Plan will be presented at the FRC meeting to be held 5 May 2009, for discussion and feedback.

Drafts of the proposed Corporate Plan and Business Plan will be further considered by the Board at a teleconference to be held 11 May 2009.

Next Meeting

The next meeting of the AUASB will be held on Monday 1 and Tuesday 2 June, 2009.

Close of Meeting

The Chairman closed the meeting at 3.00 p.m.

Approval

Signed as a true and correct record

M H Kelsall

Chairman

Date: 1 June 2009

APPENDIX

AUSs Withdrawn 7 April 2009		Issue Date
AUS 104	Glossary of Terms	Jul 2002
AUS 202	Objective and General Principles Governing an Audit of a Financial Report	Feb 2004
AUS 204	Terms of Audit Engagements	Jun 2000
AUS 206	Quality Control for Audit Work	Jul 2002
AUS 206	Quality Control for Audit Work	Jun 2004
AUS 208	Documentation	Jul 2002
AUS 210	The Auditor's Responsibility to Consider Fraud and Error in an Audit of a Financial Report	Jun 2004
AUS 212	Other Information in Documents Containing Audited Financial Reports	Oct 1995
AUS 214	Auditing in a CIS Environment	Oct 1995
AUS 218	Consideration of Laws and Regulations in an Audit of a Financial Report	Jan 2002
AUS 302	Planning	Oct 1995
AUS 304	Knowledge of the Business	Jul 2002
AUS 306	Materiality and Audit Adjustments	Jun 2001
AUS 402	Risk Assessments and Internal Controls	Feb 2004
AUS 404	Audit Implications Relating to Entities Using a Service Entity	Jul 2002
AUS 406	The Auditor's Procedures In Response to Assessed Risks	Feb 2004
AUS 502	Audit Evidence	Feb 2004
AUS 504	External Confirmations	Jul 2002
AUS 506	Existence and Valuation of Inventory	Jul 2002
AUS 508	Inquiry Regarding Litigation and Claims	Jul 2002
AUS 510	Initial Engagements - Opening Balances	Jul 2002
AUS 512	Analytical Procedures	Oct 1995
AUS 514	Audit Sampling & Selective Testing Procedures	Apr 1998

AUSs Withdrawn 7 April 2009		Issue Date
AUS 516	Audit of Accounting Estimates	Oct 1995
AUS 518	Related Parties	Jul 2002
AUS 520	Management Representations	Jul 2002
AUS 524	The Auditor's Use of the Work of the Actuary and the Actuary's Use of the Work of the Auditor in Connection with the Preparation and Audit of a Financial Report	Jul 2002
AUS 526	Auditing Fair Value Measurements & Disclosures	Sep 2002
AUS 602	Using the Work of Another Auditor	Jul 2002
AUS 604	Considering the Work of Internal Auditing	Oct 1995
AUS 606	Using the Work of an Expert	Jul 2002
AUS 702	The Audit Report on a General Purpose Financial Report	Mar 2002
AUS 704	Comparatives	Jul 2002
AUS 706	Subsequent Events	Oct 1995
AUS 708	Going Concern	Jul 2002
AUS 710	Communication with Management on Matters Arising from an Audit	May 1999
AUS 802	The Audit Report on Financial Information Other than a General Purpose Financial Report	May 2002
AUS 102	Foreword to Australian Auditing and Assurance Standards and Guidance Statements	Jan 2002
AUS 106	Explanatory Framework for Standards on Audit and Audit Related Services	Nov 2001
AUS 108	Framework for Assurance Engagements	Jun 2004
AUS 110	Assurance Engagements other than Audits or Reviews of Historical Financial Information	Jun 2004