



<b>Subject:</b>	Minutes of the 41 <sup>st</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>	26 October 2009, from 9.00 a.m. to 4.30 p.m. 27 October 2009, from 9.00 a.m. to 12.45 p.m.

All agenda items were discussed in public.

## Attendance

Members present	Ms Merran Kelsall (Chairman) Ms Dianne Azoor Hughes Mr Mike Blake (until 12.30 p.m. 26 October) Ms Valerie Clifford Mr John Gavens (Day 1 only) Mr Chris Hall Ms Elizabeth Johnstone Dr Christine Jubb Mr Clive Mottershead Mr Colin Murphy Mr Greg Pound Mr David Simmonds
Apologies	Mr Jon Tyers (Deputy Chairman)
Staff	Mr Richard Mifsud (Executive Director) Ms Susan Fraser (in part) Ms Claire Grayston (in part) Mr Alan Marrone (in part) Ms Marina Michaelides (in part) Mr Howard Pratt (in part) Ms Patricia Wales (in part)

## Declarations of Interest

### (Agenda item 1 – Minute 529)

“Declarations of Interests” forms for Members were tabled and confirmed, with one change for Mr Mike Blake’s in that he is no longer a member of the Regional Council for Tasmania of the Institute of Chartered Accountants.

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 530)

The Board approved the minutes of the 40<sup>th</sup> meeting held 7-8 September 2009.

## Matters Arising and Action list

### (Agenda item 3 – Minute 531)

The status of matters arising brought forward from previous AUASB meetings and action items were not, 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 532)

The Chairman reported on key meetings attended since the last Board meeting including the Financial Reporting Council (FRC) meeting held on 21 September 2009.

## ASA Redrafting

### (Agenda item 5 – Minute 533)

#### Consider Final Drafts of Proposed Auditing Standards for Approval

The Board considered and approved the final draft versions of the following proposed Auditing Standards in Clarity format:

#### **ASA 100 Series: Overarching Standards**

- (a) ASA 101 *Preamble to Australian Auditing Standards*
- (b) ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*
- (c) ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, and Other Financial Information, and Other Assurance Engagements*

The above proposed Auditing Standards are to be issued as soon as possible.

## ASA Redrafting

### (Agenda item 6 – Minute 534)

#### Consider Final Drafts of Proposed Auditing Standards for Approval

The Board considered and approved (with minor amendments) the final draft versions of the following proposed Auditing Standards in Clarity format:

#### **ASA 200 Series: General Principles and Responsibilities**

- (a) ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*
- (b) ASA 210 *Agreeing the Terms of Audit Engagements*

- (c) *ASA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information*
- (d) *ASA 230 Audit Documentation*
- (e) *ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*
- (f) *ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report*
- (g) *ASA 260 Communication with Those Charged with Governance*
- (h) *ASA 265 Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

The above proposed Auditing Standards are to be issued as soon as possible.

## **ASA Redrafting**

### **(Agenda item 7 – Minute 535)**

#### **Consider Final Drafts of Proposed Auditing Standards for Approval**

The Board considered and approved the final draft versions of the following proposed Auditing Standards in Clarity format:

#### ***ASA 300 & ASA 400 Series: Risk Assessment and Response to Assessed Risk***

- (a) *ASA 300 Planning an Audit of a Financial Report*
- (b) *ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*
- (c) *ASA 320 Materiality in Planning and Performing an Audit*
- (d) *ASA 330 The Auditor's Responses to Assessed Risks*
- (e) *ASA 402 Audit Considerations Relating to the Entity Using a Service Organisation*
- (f) *ASA 450 Evaluation of Misstatements Identified during the Audit*

The above proposed Auditing Standards are to be issued as soon as possible.

## **ASA Redrafting**

### **(Agenda item 8 – Minute 536)**

#### **Consider Final Drafts of Proposed Auditing Standards for Approval**

The Board considered and approved (with minor amendments) the final draft versions of the following proposed Auditing Standards in Clarity format:

#### ***ASA 500 Series: Audit Evidence***

- (a) *ASA 500 Audit Evidence*
- (b) *ASA 501 Audit Evidence—Specific Considerations for Inventory and Segment Information*
- (c) *ASA 502 Audit Evidence—Specific Considerations for Litigation and Claims*

- (d) *ASA 505 External Confirmations*
- (e) *ASA 510 Initial Audit Engagements—Opening Balances*
- (f) *ASA 520 Analytical Procedures*
- (g) *ASA 530 Audit Sampling*
- (h) *ASA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- (i) *ASA 550 Related Parties*
- (j) *ASA 560 Subsequent Events*
- (k) *ASA 570 Going Concern*
- (l) *ASA 580 Written Representations*

In relation to *ASA 570 Going Concern*, Mr J Gavens expressed a dissenting vote on the basis that in his opinion the “relevant period” for assessment of the appropriateness of the going concern assumption should be at least 12 months from the date of the period end in accordance with ISA 570, rather than the longer period specified in *ASA 570* of approximately 12 months from the date of the auditor’s current report to the expected date of the auditor’s report for the next reporting period. Mr Gavens believes that the longer period would be unnecessarily onerous on both auditors and entities.

The above proposed Auditing Standards are to be issued as soon as possible.

## **ASA Redrafting**

### **(Agenda item 9 – Minute 537)**

#### **Consider Final Drafts of Proposed Auditing Standards for Approval**

The Board considered and approved (with minor amendments) the final draft versions of the following proposed Auditing Standards in Clarity format:

#### ***ASA 600 Series: Using the Work of Others***

- (a) *ASA 600 Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)*
- (b) *ASA 610 Using the Work of Internal Auditors*
- (c) *ASA 620 Using the Work of an Auditor’s Expert*

The above proposed Auditing Standards are to be issued as soon as possible.

## ASA Redrafting

### (Agenda item 10 – Minute 538)

#### Consider Final Drafts of Proposed Auditing Standards for Approval

The Board considered and approved (with minor amendments) the final draft versions of the following proposed Auditing Standards in Clarity format:

#### **ASA 700 Series: Audit Conclusions and Reporting**

- (a) ASA 700 *Forming an Opinion and Reporting on a Financial Report*
- (b) ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*
- (c) ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- (d) ASA 710 *Comparative Information—Corresponding Figures and Comparative Financial Reports*
- (e) ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report*

The above proposed Auditing Standards are to be issued as soon as possible.

## ASA Redrafting

### (Agenda item 11 – Minute 539)

#### Consider Final Drafts of Proposed Auditing Standards for Approval

The Board considered and approved (with minor amendments) the final draft versions of the following proposed Auditing Standards in Clarity format:

#### **ASA 800 Series: Specialised Areas**

- (a) ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*
- (b) ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- (c) ASA 810 *Engagements to report on Summary Financial Statements*
- (d) ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*

In relation to ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, Mr G Pound expressed a dissenting vote on the basis that in his opinion the objective of a review engagement and associated limited assurance are not sufficiently clearly defined to provide an appropriate benchmark for auditors in determining what level of evidence to obtain in forming a conclusion. Accordingly, the level of ambiguity and subjectivity creates the potential for variability in practice and in the level of assurance obtained by the auditor through the application of the review procedures, and therefore variability in the level of assurance provided to report users. In his opinion this would result in the standard being unenforceable and not in the public interest.

The above proposed Auditing Standards are to be issued as soon as possible.

## **ASA Redrafting**

### **(Agenda item 12 – Minute 540)**

#### **Consider Final Drafts of Other Pronouncements and Regulation Impact Statement for Approval**

The Board considered and approved (with minor amendments) the final draft versions of the following:

##### ***Other Pronouncements and Regulation Impact Assessment***

- (a) *AUASB Glossary*
- (b) Regulation Impact Statement

The *AUASB Glossary* is to be issued as soon as possible.

The Regulation Impact Statement will be lodged with the Office of Best Practice Regulation for their approval as soon as possible.

The Board will consider the following pronouncement at the December meeting:

- (c) *Framework for Assurance Engagements*

## **National Greenhouse and Energy Reporting Scheme**

### **(Agenda item 13 – Minute 541)**

The Board received an update on the liaison between the Department of Climate Change (DCC) and AUASB regarding matters raised by the AUASB relating to the draft audit requirements for NGERs, CPRS, the Emissions-Intensive Trade-Exposed (EITE) assistance program under CPRS and the Electricity Sector Adjustment Scheme (ESAS) under CPRS.

It was noted that the DCC have engaged consultants to draft guidance on assurance under NGERs to be completed by the end of the year.

## **Specified Assurance Procedures**

### **(Agenda item 14 – Minute 542)**

The Board discussed an issues paper on specified assurance procedures and approved the development of a pronouncement to highlight the differentiating factors between an assurance engagement and a non-assurance engagement and to identify the standards relevant to conducting specified assurance procedures engagements.

## Other Guidance Statements

### (Agenda item 15 – Minute 543)

- (a) GS XXX *The Audit Implications of Accounting for Investments in Associates*  
The Board considered a draft Guidance Statement Auditing Implications of Accounting for Investments in Associates and will consider the final Guidance Statement for approval out-of-session.
- (b) GSXXX *Auditing Revenue of Charitable Entities*  
The Board considered a project plan to revise and reissue AGS 1054 as a Guidance Statement, which will be further considered at the December meeting once additional issues identified are addressed.

## International Matters

### (Agenda item 16 – Minute 544)

- (a) The Board received an update on the recent activities of the International Auditing and Assurance Standards Board (IAASB) from Ms C Mc Cabe, IAASB Member. The update included a discussion of the status of current IAASB projects and forthcoming agenda items for the December 2009 IAASB meeting, including:
- ISRE 3402 *Assurance Reports on Controls at a Service Organisation* - approved;
  - Proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement* - consultation paper issued;
  - Proposed ISAE 34XX *Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in Prospectuses* – ED to be presented to the December IAASB meeting;
  - Complex Financial Instruments – consultation paper issued;
  - Liaison with International Accounting Standards Board regarding auditability issues;
  - External Confirmations - staff alert to be issued;
  - Revision of ISRE 2400 *Engagements to Review Financial Statements*;
  - Revision of ISRS 4410 *Engagements to Compile Financial Statements*; and
  - XBRL - staff communication to be issued.
- (b) The Board also received updates from taskforce members on IAASB projects:
- Review and Compilations - Ms D Azoor Hughes
  - Pro Forma Information in Prospectuses – Mr D Simmonds
- (c) International Update – noted by the Board

## Other Business

### (Agenda item 17 – Minute 545)

#### (a) Planning for 8 December 2009 Consultative Meeting

The Board agreed the broad structure of the consultative meeting as follows:

- (a) Outcomes from 2008 consultative meeting – written update and verbal overview
- (b) Clarity implementation – presentations from 3 speakers
- (c) Roundtable discussions on topical issues

#### (b) Other matters and emerging issues

The Board considered the proposed meeting dates for 2010 and after some discussion it was agreed that the dates would be amended and recirculated to the Board as soon as possible.

#### (c) Review of meeting

The Chairman especially thanked the Board, and in particular, the AUASB Technical Group for the considerable effort and quality of work in completion of the ASA Redrafting Project.

## Next Meeting

The next meeting of the AUASB will be held on Monday 7 December 2009.

## Close of Meeting

The Chairman closed the meeting at 4.30 p.m. on 26 October and 12.45 p.m. on 27 October 2009.

## Approval

Signed as a true and correct record

M H Kelsall

*Chairman*

Date: 7 December 2009