



Subject: Minutes of the 66th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 28 October 2013 from 9.00 a.m. to 4.00 p.m.

All agenda items were discussed in public.

Attendance

AUASB Members:

- Ms Merran Kelsall (Chairman)
- Mr Jon Tyers (Deputy Chairman) (absent between 10:30a.m. and noon)
- Ms Jo Cain
- Mr Neil Cherry (by telephone)
- Ms Valerie Clifford
- Mr John Gavens
- Mr Chris George (by telephone until 2:50 p.m.)
- Prof. Nonna Martinov-Bennie
- Ms Jane Meade
- Mr Colin Murphy
- Mr Greg Pound
- Mr Bernie Szentirmay
- Ms Kristen Wydell (until 12:30 p.m.)

AUASB Technical Group:

- Mr Richard Mifsud (Executive Director)
- Ms Susan Fraser (in part)
- Ms Claire Grayston (in part)
- Ms Rene Herman
- Ms Marina Michaelides (in part)
- Mr Howard Pratt (in part)
- Ms Patsy Wales (in part)

Apologies: None

Declarations of Interest and AUASB Member Appointments

(Agenda item 1 – Minute 881)

“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 AUASB.

Minutes

(Agenda item 2 – Minute 882)

Subject to minor editorial amendments, the AUASB approved the minutes of the 65th meeting held on 10 September 2013.



Matters Arising and Action list

(Agenda item 3 – Minute 883)

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 AUASB.

Report from AUASB Chairman on Recent Meetings, Corporate Matters and Correspondence for noting

(Agenda item 4 – Minute 884)

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

- IIA-A meeting with new CEO Peter Jones
- Office of Parliamentary Counsel meeting with FRLI representatives
- IAASB meeting in New York
- IIRC meeting in London
- Integrated Reporting meeting with Ms Liz Prescott
- Deloitte Board Effectiveness Forum
- ASIC Chairs Committee: Standing Committee – Accounting and Auditing videoconference
- CPA Australia Panellist - CPA Congress Sydney and Melbourne
- AICD Essential Director Update
- NZAuASB meeting in New Zealand
- CPA Australia/IIA-A/ICAA Auditor Reporting videoconference

Amendments to ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance*

(Agenda Item 5 – Minute 885)

The AUASB considered constituent comments received on ED 04/13 ASA 2013-4 which were supportive of the proposed amendments to incorporate related services within its scope and application. The AUASB approved, subject to Office of Best Practice (OBPR) clearance (since received), the incorporation of the amendments within ASA 2013-2 *Amendments to Australian Auditing Standards*. The AUASB also approved a change to the definition of “related services” within the AUASB Glossary to clarify its meaning for the purposes of AUASB Pronouncements.



Revision to ASA 610 *Using the Work of Internal Auditors*

(Agenda item 6 – Minute 886)

After considering the comments received on ED 02/13 and ED 03/13 and the proposed disposition of those comments, the AUASB unanimously approved auditing standards ASA 610 *Using the Work of Internal Auditors* and ASA 2013-2 *Amendments to Australian Auditing Standards* for issue, subject to internal finalisation processes. The standards are expected to be released in early November 2013.

The AUASB noted and approved the inclusion of the amendments to ASQC 1 (see Agenda Item 5) in the amending standard ASA 2013-2. In addition, the AUASB approved, subject to minor amendment, the Explanatory Statements and the Basis for Conclusions for ASA 610 and ASA 2103-2. The AUASB further discussed the need for guidance on the application of ASA 610 and agreed that such guidance should be published as a Guidance Statement, rather than a Bulletin. The AUASB requested that the Guidance Statement include material previously contained in Aus Appendix 1 ASA 610 (October 2009), as well as material on the application of the prohibition on the use of internal auditors to provide direct assistance on an external audit engagement. It is anticipated that a draft Guidance Statement will be considered at the AUASB meeting on 24 February 2014.

Assurance Engagements on Controls

(Agenda item 7 – Minute 887)

The AUASB considered an updated draft of proposed Standard for Assurance Engagements on Controls. The AUASB agreed that the proposed standard, following additional drafting, would be brought back for further consideration and approval as an exposure draft at the 24 February 2014 AUASB meeting.

GS 002 *Prudential Audit Requirements for Registrable Superannuation Entities*

(Agenda item 8 – Minute 888)

The AUASB considered a first draft of the revision on GS 002 *Prudential Requirements for RSEs*. It is planned that a final draft of GS 002 will be considered for approval at the 2 December 2013 AUASB meeting. Final issuance of GS 002 will be subject to the finalisation of the Approved Audit Report 2013-2014 by APRA.

International

(Agenda item 9 – Minute 889)

(a) *IAASB Meeting*

The AUASB received a report on key matters discussed and outcomes of the IAASB meeting held on 16-20 September 2013 in New York, including the approval of revised ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

(b) *Auditor Reporting (IAASB Exposure Draft)*

AUASB technical staff apprised the AUASB of the ongoing outreach program which included two roundtable and two forum meetings in Melbourne and Sydney and an ICAA facilitated videoconference with constituents in Perth, Adelaide and Brisbane. The AUASB was also informed of two reports on field testing that had only just been received. The two AUASB members whose firms had been involved with the field testing gave brief commentary of some of their findings. The AUASB was also informed that the Chairman would schedule further interviews with investors.



The NZAuASB Chairman provided the AUASB with a brief overview of the outreach programme conducted in New Zealand and provided an overview of matters that the NZAuASB considers may fall within the compelling reasons test for change to the international standard, should it be issued in the same form as the ED.

The AUASB considered and discussed a summary of the main points raised by Australian constituents to date. The AUASB discussed the approach to be taken in the submission to the IAASB and identified the more important messages that need to be included in the final submission to the IAASB. A completion timetable was agreed which gave AUASB members enough time to provide their input to the submission prior to the 22 November deadline. It was also agreed that the two Chairmen and technical staff would discuss the respective AUASB and NZAuASB submissions prior to finalisation.

(c) *International update*

The AUASB noted the latest International Update being a report on recent activities of the IAASB and other international bodies, including national standard setters.

(d) *Trans-Tasman Harmonisation*

The AUASB considered and discussed a revised paper, developed by the NZAuASB staff, which proposed communication protocols for a communications policy between the AUASB and the NZAuASB. The AUASB agreed to the proposals and requested the AUASB version of the paper be presented to the next meeting for final approval.

The AUASB also considered, and supported, NZAuASB proposed changes to the *Principles of Convergence and Harmonisation* policy paper. The amendments comprised clarification of the “compelling reasons” criteria for making changes to an international standard. The AUASB supported the proposals and requested that the AUASB version of the paper be presented to the next meeting for approval.

The AUASB also discussed, and agreed to, the need for appropriate documentation of any “compelling reasons” decisions. AUASB technical staff were asked to consider this point and bring proposals to the next meeting.

Assurance on Water Accounting Reports

(Agenda item 10 – Minute 890)

The AUASB considered, and provided feedback on, the draft standard ASAE 3xxx/AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports* (current as at September 2013). The AUASB noted that the Project Steering Committee is scheduled to meet on 19 November 2013 to consider feedback provided on the standard by the Water Accounting Standards Board (WASB) and the AUASB, as well as any changes arising from the revision of ISAE 3000/ASAE 3000. It is anticipated that a final draft of the standard will be considered by the AUASB at its meeting on 2 December 2014 and that, following approval by the AUASB, WASB and the Bureau of Meteorology, at its meeting on 24 December 2013. It is envisaged that the Standard will then undergo internal finalisation processes with a view to its release in February 2014.

Other Matters

(Agenda Item 11– Minute 891)

- (a) GS 003 *Audits and Review Requirements for Australian Financial Services of AFSL Licensees under the Corporations Act*



The AUASB approved the project plan to update Guidance Statement GS 003 *Audits and Review Requirements for Australian Financial Services of AFSL Licensees under the Corporations Act 2001*. The revised Guidance Statement is expected to be finalised in April 2014.

(b) *Integrated Reporting*

The AUASB received an update on recent meetings held with the IIRC and noted that the Chairman and technical staff will attend an upcoming Business Reporting Leaders Forum meeting to be held on 31 October 2013. It was also noted that Mr Paul Druckman, CEO of the IIRC, will be visiting Australia in November 2013.

(c) *Clean Energy Regulator*

The AUASB received an update on the Clean Energy Regulator's activities and noted that a revised NGRS Audit Handbook was issued by the CER in September 2013, in consultation with the AUASB and other stakeholders.

(d) *Updated work program*

The AUASB noted the updated AUASB Work Program for 2013-14.

Next Meeting

The next meeting of the AUASB will be held on Monday, 2 December 2013 commencing at 10.00 a.m.

Close of Meeting

The Chairman closed the meeting at 4.00 p.m.

Approval

Signed as a true and correct record.

M H Kelsall
Chairman

Date: 2 December 2013