



Subject: Minutes of the 83rd meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: CA ANZ Sydney Office, 33 Erskine Street, Sydney
Date: 26 July 2016 from 9.00 a.m. to 5.00 p.m.

Unless noted otherwise, all Agenda Items were discussed in public.

Attendance

AUASB Members:

- Ms Merran Kelsall (Chairman)
- Ms Robin Low (Deputy Chairman)
- Mr Robert Buchanan
- Ms Jo Cain
- Mr Chris George
- Prof. Nonna Martinov-Bennie
- Ms Caithlin Mc Cabe
- Ms Jane Meade
- Mr Colin Murphy
- Ms Carolyn Ralph
- Mr Ashley Wood (until 4pm)

AUASB Technical Group:
(except for Agenda Item 1(a)-(c)
discussion)

- Mr Mark Dowling
- Ms Rene Herman

- Ms Marina Michaelides
- Ms Anne Waters

Welcome

The Chairman of the AUASB officially welcomed as a new member of the AUASB, the Chair of the NZAuASB, Mr Robert Buchanan.

Preliminary Session including Declarations of Interest and Corporate and Strategic Planning Matters

(Agenda Item 1(a)-(d) – Minute 1043)

This agenda item was a closed session. The Chairman updated the AUASB on the AASB/AUASB restructure, appointment process for her successor and the AUASB discussed its approach to revising the strategic plan.

Minutes

(Agenda Item 1(e) – Minute 1044)

The AUASB approved the minutes of the 82nd meeting held on 14 June 2016.



Matters Arising and Action list

(Agenda Item 1(f) – Minute 1045)

The status of matters arising brought forward from previous AUASB meetings and action items were noted. The AUASB requested that the out-of-session vote on ED 03/16 ASA 810 *Engagements to Report on Summary Financial Statements* be included as an addendum to the minutes of 26 July 2016 AUASB meeting.

Presentation by IIA-Australia

(Agenda Item 2 – Minute 1046)

Mr Peter Jones, CEO and Mr Tony Rasman, Public Affairs Manager, presented on potential joint thought leadership projects, including the impending project to update the handbook *Audit Committees: A Guide to Good Practice*, in conjunction with the Australian Institute of Company Directors and the AUASB.

The AUASB concluded that priorities would be the update to the handbook *Audit Committees: A Guide to Good Practice* as well as a response to the IAASB Discussion Paper on Emerging Areas of External Reporting (EER), which is due for release late August, 2016. At this stage, the AUASB does not have current capacity to take on additional joint projects with the IIA-Australia, and would continue dialogue and liaison.

International

(Agenda Item 3 – Minute 1047)

(a) IAASB – NSS Meeting 16-17 June 2016

The AUASB received feedback on key matters that were discussed at the IAASB NSS meeting on 16-17 June 2016 in New York including the continued need for assistance directed at the SME/SMP community.

(b) IAASB Meeting 21-24 June 2016

The AUASB received feedback in relation to key matters discussed at the IAASB meeting on 21-24 June 2016 in New York, including:

- Professional Scepticism;
- Integrated Reporting;
- Data Analytics;
- Financial Institutions
- NOCLAR;
- ITC;
- ASA 315; and
- Agreed Upon Procedures

The AUASB discussed the most appropriate strategy to gather feedback to respond to the recently issued IAASB invitation to comment on *The IAASB's Work Plan for 2017–2018 and Continuing Relevance of Its Strategic Objectives*, and concluded that a roundtable meeting to seek input from stakeholders was appropriate. The AUASB also noted that the IAASB has agreed to host a round table to address SMP/SME issues in March, 2017 in Paris.



(c) *Integrated Reporting*

The AUASB received an update on current assurance related <IR> activities being undertaken both internationally and within Australia, most particularly the impending discussion paper on EER.

AUASB Work Program and Process for Adopting IAASB Standards

(Agenda Item 4 – Minute 1048)

The AUASB noted the updated AUASB Technical Work Program for the year ending 30 June 2017.

The AUASB considered the current standard setting process adopted by the office of the AUASB, including how International Auditing Standards become legally enforceable Australian Auditing Standards. The AUASB agreed that the process would be monitored so as to remain efficient and effective, while continuing to meet the public interest and recognising the requirements of section 336 of the *Corporations Act 2001*.

Visit by FRC Chairman

Mr Bill Edge, FRC Chair, and Ms Claire Osborne, the Treasury joined the meeting in order to introduce themselves and open the lines of communication. Mr Edge is scheduled to formally present to the AUASB at the 29 November 2016 meeting.

ASAE 3100 Compliance Engagements

(Agenda Item 5 – Minute 1049)

The AUASB discussed the revised draft ED XX ASAE 3100 *Compliance Engagements*. The AUASB requested further amendments to the document, which will then be circulated to the AUASB for an out-of-session approval to issue the exposure draft for a 60-day comment period.

Auditor Reporting – Implementation

(Agenda Item 6 – Minute 1050)

The AUASB was advised that the document containing *Description of the Auditor's Responsibilities Forming Part of the Auditor's Report* is now live on the AUASB website with a link to a number of separate descriptions. An email alert will go out to stakeholders.

The AUASB received an update on the project to prepare a document, *Auditor Reporting Implementation: Frequently Asked Questions*. The objective of the frequently asked questions document is to provide practical insights and guidance to the recently released suite of auditor reporting standards and will be completed shortly.

Auditor Reporting – Special Purpose Reports – ED ASAs 800/805 and 810

(Agenda Item 7(a) – Minute 1051)

The AUASB considered and agreed on the *Disposition Paper of Submissions Received* on ED ASAs 800 and 805, and considered and approved for issue, subject to minor editorials, the revised standards ASA 800 *Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ASA 805 *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

The AUASB discussed, in relation to ED ASA 810 *Engagements to Report on Summary Financial Statements*, the example auditor's report for a concise report. It was noted that the auditor's opinion is not couched in terms of "in all material respects", however, the proposed phraseology is in line with the extant



guidance statement GS 001 *Concise Financial Reports under the Corporations Act 2001* and the *Corporations Act 2001* wording in the ASA 700 series. The AUASB agreed to further investigate the wording of the auditor's opinion and report back to the Board out of session.

Proposed Revision of Audit Committees Guide - Update

(Agenda Item 7(b) – Minute 1052)

The AUASB approved the proposed project plan to update the Revision of *Audit Committees: A Guide to Good Practice* – 2nd edition. This project is a joint initiative between the Australian Institute of Company Directors, The Institute of Internal Auditors Australia and the AUASB. The AUASB noted that ideally, the proposed timetable would be brought forward, however this may be challenging as a result of the number of stakeholders involved in this project.

Other Matters

(Agenda Item 7 – Minute 1053)

(a) *Report from NZAuASB Chairman*

The NZAuASB Chairman provided the AUASB with an update on the latest New Zealand activities including the broader New Zealand strategy.

(b) *Current AUASB PAG memberships*

The AUASB noted the current PAG membership listing.

(c) *Query of ASA 700 – Signature of the Auditor*

The AUASB discussed an issue arising regarding clarity around the timing of dating auditor's reports. The AUASB agreed to further discuss this matter at the 13 September 2016 AUASB meeting.

Retiring AUASB Chairman

The AUASB Deputy Chairman, Ms Robin Low, thanked retiring AUASB Chairman, Ms Merran Kelsall, for the contribution that she made over the past twelve years in her role as Chairman and CEO of the AUASB. Ms Low acknowledged Ms Kelsall's support of international standard setting in her role as a member of the IAASB and commented how significant it has been for Australia to have a voice in the international arena.

Next Meeting

The next regular meeting of the AUASB will be held in the TEQSA Boardroom, Level 14, 530 Collins Street, Melbourne, on Tuesday, 13 September 2016 commencing at 10.00 a.m.

Close of Meeting

The Chairman closed the meeting at 5.00 p.m.



Approval

Signed as a true and correct record.

M Kelsall
Chairman

Date: 13 September 2016



ADDENDUM TO 26 JULY 2016 MINUTES

Issuance of ED 03/16 Proposed Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*

At the 14 June 2016 AUASB meeting, the AUASB considered the draft Australian Exposure Draft on revised ASA 810 *Engagements to Report on Summary Financial Statements*. The AUASB requested several editorials and an additional example concise auditor's report. The AUASB agreed that the amended draft Exposure Draft would be circulated for an out of session approval to issue.

The resolution regarding the issuance of ED 03/16 Proposed Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements* was as follows: 9 votes to issue ED 03/16, 2 votes against the issuance of ED 03/16, accordingly, based on quorum numbers, ED 03/16 was issued. The 2 votes against the issuance of ED 03/16 came from Ms Caithlin Mc Cabe and Ms Carolyn Ralph.

The reasons Ms Mc Cabe voted against the issuance of ED 03/16 is as follows:

1. Para 9. of ASA 810 states "When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)
 - a. The accompanying summary financial statements are consistent, in all material respects, with the audited financial report, in accordance with [the applied criteria]; or
 - b. The accompanying summary financial statements are a fair summary of the audited financial report, in accordance with [the applied criteria].

As drafted, the illustrative example for the Concise financial report states " In our opinion, the concise financial report complies with Accounting Standard AASB 1039 Concise Financial Reports" which I believe is not in accordance with the requirements of paragraph 9. I appreciate that the staff have spoken to someone at ASIC to assist them in advising the board on the appropriate format for the report. However, I have the following concern with the rationale provided: AASB 1031, is used to support the fact that the concept of materiality applies to the audit of the financial report. AASB 1031 has been withdrawn. Furthermore, in my view the accounting standards are there for the preparers. I believe that it is ASA 320 that is applicable to us in the circumstances. In my view the format of the wording of the opinion requires further discussion by the board members before it is exposed.

2. I continue to be of the strong view that the illustrative example should more clearly set out our expectations in relation to KAM for a listed entity. The preparation of Concise Reports happens in practice and I believe that it is in the Public Interest for our draft opinion to give greater clarity to practitioners on how this matter is dealt with. Practitioners view the wording in the illustrative examples as the required format.

The reasons Ms Ralph voted against the issuance of ED 03/16 is as follows:

1. Use of ASA 810.10 – The proposed (existing) wording is on the basis that the Corporations Act s314(2)(c)(ii) constitutes law or regulation prescribes the wording of the opinion for the purposes of ASA 810.10. Corporations Act s314(2)(c)(ii) can be legally interpreted to be directing an outcome for the contents of the Concise Report and not prescribing the form of wording of the auditor's opinion. The AUASB could consider obtaining legal advice regarding the requirements of s314(2). Additionally, the AUASB may consider the use of ASA 810.10(b) which enables additional explanation to be included in the auditor's report to address any possible misunderstanding of the form of opinion prescribed by law or regulation.
2. Public Interest: misinterpretation of the level of assurance the opinion is providing – I consider the proposed (existing) wording, without a reference to "in all material respects" to misrepresent to a user the assurance they are owed by the auditor. Users of Compliance Engagements may reasonably consider the current wording to mean the Concise Financial Report is 100% compliant with AASB 1039. This is inconsistent with fundamental principles of reasonable assurance upon



which the auditing standards are predicated. This increases the legal risk to auditors. If the intention of the Corporations Act s314(2)(c)(ii) is to provide 100% assurance, the relevance of the provisions in ASA 810 paragraphs 8 and 9 may need to be revisited (words such as 'adequate' and 'appropriate' are used to reference the judgement of the auditor is to apply).

3. Consistency with other ASAs – the absence of “in all material respects” is inconsistent with other ASAs. I note ‘true and fair’ is used in other ASA illustrations. As per ASA 700.25(a) and (b) this has been determined to be equivalent to ‘presents fairly in all material respects’. This is explicitly stated in ASA 700.A24.
4. Reference to AASB 1031 – this standard is no longer applicable and has been replaced by 108. It is a standard for application by preparers and not by auditors. This enables the preparer to consider materiality when compiling their subject matter, and signing an assertion statement that enables their judgements on importance and quantum to be contextualised. It does not address the auditors’ use of materiality in performing their work and concluding thereon.
5. Clear reference to full financial report – ASA 810.9 requires a clear statement that the Summary Financial Statements are extracted from the audited financial report. The proposed (existing) wording of the audit opinion does not reference the relevance of the audited financial report to the Concise Financial Report. This information is relevant to users of the audit opinion.