



**Subject:** Minutes of the 56<sup>th</sup> meeting of the Auditing and Assurance Standards Board (AUASB)  
**Venue:** Ken Spencer Room, AUASB offices  
Level 7, 600 Bourke St, Melbourne  
**Date:** 16 April 2012 from 8.45 a.m. to 5.00 p.m.

All agenda items were discussed in public.

### Attendance

Members present  
Ms Merran Kelsall (Chairman)  
Mr Jon Tyers (Deputy Chairman) (11 a.m. to 2 p.m.)  
Ms Dianne Azoor Hughes  
Mr Neil Cherry (By telephone)  
Ms Valerie Clifford  
Mr John Gavens  
Ms Elizabeth Johnstone  
Prof. Nonna Martinov-Bennie  
Mr Colin Murphy  
Mr Greg Pound  
Mr David Simmonds  
Mr Bernie Szentirmay  
Ms Kristen Wydell

Apologies None

In attendance  
Mr Richard Mifsud (Executive Director)  
Mr Alan Marrone  
Ms Anna Cooshna  
Ms Susan Fraser – in part  
Ms Claire Grayston – in part  
Ms Marina Michaelides – in part  
Ms Patricia Wales – in part  
Mr Howard Pratt – in part

### Declarations of Interest

#### (Agenda item 1 – Minute 748)

“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 Board.



## **February 2012 Minutes**

### **(Agenda item 2 – Minute 749)**

The Board approved the minutes of the 55<sup>th</sup> meeting held on 27 February 2012.

## **Matters Arising and Action list**

### **(Agenda item 3 – Minute 750)**

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.

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

### **(Agenda item 4 – Minute 751)**

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

- Corporate Governance Roundtable panel at ICAA held on 28 February 2012.
- FRC meeting held on 9 March 2012 in Sydney 2012.
- ASIC quarterly meeting held on 26 March 2012.
- IAASB Auditor Reporting Task Force Meetings held on 3-4 April 2012.
- AICD meeting held on 10 April 2012.
- IAASB Building Blocks Subcommittee Teleconference held on 12 April 2012.

## **AUASB Strategy Plan 2012-15**

### **(Agenda item 5 – Minute 752)**

The AUASB discussed a preliminary draft of its strategic plan for the period 1 July 2012 to 30 June 2015. A further draft will be considered by the subcommittee of the Board in mid-May. The AUASB is working towards completion of the plan for the 4 June AUASB meeting.

## **AUASB and New Zealand harmonisation of standards**

### **(Agenda item 6 – Minute 753)**

The AUASB further discussed harmonisation of its standards with those of the New Zealand Auditing and Assurance Standards Board (NZAuASB). A draft joint policy paper on convergence with international standards and harmonisation of trans-Tasman standards was considered. The paper will be amended and finalised by the 4 June AUASB meeting.



## Comfort Letters and Fundraisings Projects

### (Agenda item 7 – Minute 754)

#### (a) Comfort Letters

The AUASB considered a *Basis for Conclusion* and an *Explanatory Guide* for the Standard on Related Services ASRS 4450 *Comfort Letter Engagements*. The AUASB requested further amendments, with both documents to be considered for out-of-session approval and subsequent release with the standard later this month.

Key matters discussed included:

- The format and content of the Basis for Conclusions given it is the first such document to be prepared by the AUASB.
- Improvements to clarify the application of the ASRS in the Explanatory Guide wording necessary.

#### (b) Fundraisings

At the 27 February AUASB meeting, the Board requested that the proposed ASAE 3450 be separated into two standards - ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*. The AUASB considered further drafts of the proposed standards and requested further consultations with constituents on two particular issues, as well as editorial amendments to be considered at the 4 June AUASB meeting.

Key matters discussed included:

- The appropriate types of assurance to be provided on the different types of financial information as well as the compilation of pro forma financial information.
- The use of Aus. Paragraphs in proposed ASAE 3420.

## Australian Charities and Not-for-profits Commission Presentation

### (Agenda item 8 – Minute 755)

Ms Susan Pascoe, Interim Commissioner and Head of Australian Charities and Not-for-profits Commission (ACNC) Implementation Taskforce, presented to the Board on the work towards establishment of the ACNC to regulate Charities and Not-for-profit entities and the scope of the ACNC's proposed regulatory activities.

The Board thanked Ms Pascoe for her informative and timely presentation.



## Engagements to Report on Controls

### (Agenda item 9 – Minute 756)

The AUASB received a further update on the joint project with the NZAuASB to develop a new assurance standard on engagements to report on controls and discussed further aspects of the scope of the proposed standard.

Key matters discussed included:

- **Hierarchy of Standards**  
It was agreed to anchor the ASAE to ASAE 3000, with references to every relevant requirement, where it is expanded on in the ASAE. In addition, the ASAE would carve out engagements to which ASAE 3402 is applicable so that all service organisation engagements on financial controls are conducted and reported under ASAE 3402, and engagements which are primarily of a compliance nature, in which case ASAE3100 is applicable.
- **Internal Audit**  
It was agreed to require relevant ethical requirements, including independence, be met, which will exclude many internal audit engagements from the scope of this ASAE.
- **Control system description**  
It was agreed to allow for a range of reporting styles from long form to short form and identify circumstances in which they are each suitable.
- **Suitability of limited assurance to operating effectiveness of controls**  
It was agreed to further discuss this with the Project Advisory Group.

## NGERS and Clean Energy Schemes and Greenhouse Gas Assurance

### (Agenda item 10 – Minute 757)

The AUASB was provided with an update of the status of the Clean Energy Scheme and the conduct of audits under the National Greenhouse and Energy Reporting Scheme (NGERS). The AUASB also confirmed that it will be issuing a Standard on assurance engagements ASAE 3410 which will conform to the soon to be released ISAE 3410. An exposure draft of the proposed ASAE 3410 will be considered for out-of-session approval to release in early May, with an exposure period of 30 days. It is intended that the proposed standard be operative for reporting periods commencing on or after 1 July 2012 to coincide with the commencement of the Australian Government's carbon pricing mechanism. The AUASB also confirmed its intention to develop a Guidance Statement, which would link the NGERS reporting requirements with the requirements of ASAE 3410. An out-of-session project plan will be presented to the Board for the proposed guidance statement.

## Amendments to Foreword to AUASB Pronouncements

### (Agenda item 11 – Minute 758)

The AUASB considered a revision of the Foreword to AUASB Pronouncements. The AUASB requested amendments to include standards on related services and the bases of conclusions. A further draft will be considered for approval at the 4 June AUASB meeting.



## Explanatory Guide – Opening Balances

### (Agenda item 12 – Minute 759)

The AUASB considered an Explanatory Guide – *Opening Balances* which addresses the various circumstances where the auditor, reporting under ASA 510 and ASA 705, is required to modify their audit opinion in relation to opening balances in an initial audit engagement. A further draft will be considered for approval at the 4 June AUASB meeting.

## International Matters

### (Agenda item 13 – Minute 760)

- (a) The AUASB received reports on the IAASB projects: *Auditor Reporting*, *Audit Quality*, *ISA Implementation Monitoring*; and *Review Engagements*.
- (b) The AUASB received a report on the IAASB meeting held on 12-16 March 2012 in Toronto.
- (c) The AUASB discussed key agenda items for the IAASB and National Standards-Setters meeting to be held on 26-27 April 2012 in New York.
- (d) The AUASB noted the latest International Update being a report on recent activities of the IAASB and other national standard setters.

## Compliance and Performance Engagements

### (Agenda item 14 – Minute 761)

The AUASB approved the project plan for the post implementation review of ASAE 3100 *Compliance Engagements* and ASAE 3500 *Performance Engagements*. An update will be provided at the next Board meeting.

## Other Matters

### (Agenda item 15 – Minute 762)

- (a) Assurance on Water Accounting Reports

The AUASB received a further project update on the development of an assurance standard for engagements on general purpose water accounting reports.

- (b) Audit Committees: A Guide to Good Practice

The AUASB received an update on the joint AUASB, AICD and IIA-A project to revise *Audit Committees: A Guide to Good Practice*. A working draft will be considered out-of-session and a final version will be considered for approval at the AUASB meeting on 4 June.



(c) Revisions to ASA 610 and ASA 315

The AUASB agreed to defer revisions of ASA 610 *Using the Work of Internal Auditors* and ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and its Environment* until the IAASB confirms the extent of changes to ISA 610 once the IESBA advises whether corresponding changes to the IFAC Ethics Code will be made and whether the APESB will also consider these changes in Australia.

### **Next Meeting**

The next meeting of the AUASB will be held on 4 June 2012.

The Chairman closed the meeting at 5:00 p.m.

### **Approval**

Signed as a true and correct record.

M H Kelsall  
*Chairman*

Date: 4 June 2012