



Subject: Minutes of the 68th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 24 February 2014 from 10.00 a.m. to 5.30 p.m.

All Agenda Items were discussed in public.

Attendance

AUASB Members: Ms Merran Kelsall (Chairman)
Ms Jo Cain
Mr Neil Cherry (until 4.15 p.m.)
Ms Valerie Clifford
Mr John Gavens
Mr Chris George (from 1.30 p.m.)
Ms Robin Low
Prof. Nonna Martinov-Bennie
Ms Caithlin Mc Cabe
Ms Jane Meade
Mr Colin Murphy
Mr Greg Pound
Mr Bernie Szentirmay

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)

Declarations of Interest and AUASB Member Appointments

(Agenda Item 1 – Minute 903)

“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.

The Chairman welcomed new AUASB Members, Ms Robin Low and Ms Caithlin Mc Cabe.

Minutes

(Agenda Item 2 – Minute 904)

The AUASB approved the minutes of the 67th meeting held on 2 December 2013.



Matters Arising and Action list

(Agenda Item 3 – Minute 905)

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(a) – Minute 906)

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

- ASIC/AUASB Quarterly meeting
- NZAuASB meeting (via videoconference)
- CPA Australia and ICAA meeting with Mr Amir Ghandar and Ms Liz Stamford (via teleconference)
- IAASB meeting in New York
- Water Steering Committee meeting
- Monash University meeting with Ms Robyn Moroney and Mr Stephen Smith
- ASIC Accounting and Auditing Standard Committee meeting (via videoconference)
- AASB/AUASB meeting on Treasury's Deregulation Agenda
- IAASB meeting on ISA 720 (via teleconference)
- IIRC meeting with IIRC Chairman Mr Paul Druckman, Board Member Ms Jane Diplock and IAASB representatives
- IAASB Innovation, Future Needs and Opportunities Working Group meeting in London
- NZAuASB/XRB Joint Strategy meeting in Wellington

Report from NZAuASB Chairman

(Agenda Item 4(b) – Minute 907)

Mr Cherry updated the AUASB on the outcomes of the XRB joint strategy meeting with the ASB and NZAuASB. Mr Cherry indicated that the four broad strategies are to: maintain existing standards, conduct further user needs research, influence International Boards and enhance constituency support in the Board and Governance space. Mr Cherry noted that the NZAuASB was still determining the implications and impact on the merging of the ICAA and NZICA. In addition, Mr Cherry updated the AUASB as to the recent audit findings of the Financial Markets Authority including professional scepticism, documentation, client acceptance and continuance procedures and the role of auditors in relation to disclosures.

Revised Assurance Framework and ASAE 3000

(Agenda Item 5 – Minute 908)

The AUASB considered the papers presented on ED 05/13 ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ED 06/13 *Framework for Assurance Engagements* as part of their deliberations on the significant matters noted by respondents from the ED process. The AUASB decided on the following steps:



- Further consideration of options available to the AUASB to address the matters of risk assessment and an understanding of internal control as proposed in the Aus paragraph additions contained in ED 05/13;
- Further consultation to occur with non-financial assurance practitioners who currently use extant ASAE 3000 in the Australian market; and
- Further consultation with NZAuASB on the outcomes of the submissions received on NZAuASB ED 2014-1 and deliberations of the NZAuASB on such matters.

Consequential Amendments to ASAEs 3402, 3410 and 3420

(Agenda Item 6 – Minute 909)

The outcomes of the proposed conforming amendments proposed in ED 07/13 *Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Revisions to ASAE 3000* were noted as being dependent upon Minute 908 above.

Emissions Reduction Fund Green Paper

(Agenda Item 7 – Minute 910)

Mr Jee Karunaratna, Director, ERF Task Force Division along with Mr Jed Buffier from The Department of Environment, presented an overview of the Emissions Reduction Fund Green Paper and the possible assurance implications of the scheme. The AUASB then discussed the implications of the assurance requirements imposed in relation to the ERF with the Department's representatives and Mr Luke Scott, Scheme Audit and Assurance, of the Clean Energy Regulator who was also in attendance at the meeting. The AUASB will submit a consultation response to the Green paper with a focus on assurance and related issues.

Assurance on Controls

(Agenda Item 8 – Minute 911)

The AUASB considered a further draft of proposed Standard for Assurance Engagements on Controls. The AUASB agreed that the proposed standard, following further drafting, would be brought back for further consideration and approval as an ED at the 7 April 2014 AUASB meeting.

ASIC Audit Inspection Program and Other Developments

(Agenda Item 9 – Minute 912)

ASIC Commissioner, Mr John Price and Senior Executive Leader, Mr Doug Niven, presented an overview of the ASIC Audit Update including ASIC's strategic objectives, audit activities and issues emanating from past inspection findings. In addition, ASIC provided an overview of their other areas of audit focus, a summary of Firm action plans and provided the AUASB with an insight into their views on the Auditing Standards that ASIC considered requiring attention by the IAASB.

International

(Agenda Item 10 – Minute 913)

- (a) *IAASB Meeting 9-13 December 2013*



The AUASB received a report on key matters discussed and outcomes of the IAASB meeting held on 9-13 December 2013 in New York, including the approval for release of *A Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality*.

(b) *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. In addition, the AUASB provided their feedback for inclusion on a response to the IAASB's Consultation Paper *Proposed Strategy for 2015-2019 and the IAASB's Proposed Work Program for 2015-2016*.

(c) *Trans-Tasman Harmonisation*

The AUASB considered and approved the revised communications protocol with the NZAuASB and noted that further work is being undertaken by the NZAuASB on the compelling reason test. These papers are expected to be brought to the 7 April 2014 AUASB meeting.

GS 003 Audits of AFSL Licensees

(Agenda Item 11 – Minute 914)

The AUASB considered a first draft of the revision to GS 003 *Assurance Relating to Australian Financial Services Licences issued under the Corporations Act 2001*. It was agreed for the draft GS 003 to be circulated to ASIC for their review and feedback particularly around the topic of materiality and reporting on ASIC form FS 71. Subject to feedback from ASIC, it is planned that a final draft of GS 003 will be considered for approval at the 7 April 2014 AUASB meeting.

Assurance Engagements to Report on Combined Reporting Frameworks

(Agenda Item 12 – Minute 915)

Agenda Item 12, aimed at discussing the form and content of the guidance relating to combined reporting frameworks, was deferred until 7 April 2014 AUASB meeting. The AUASB project manager was asked to contact the AUASB members outside of the meeting in order to receive their comments/input.

Other Matters

(Agenda Item 13– Minute 916)

(a) *Integrated Reporting*

The AUASB received an update on Integrated Reporting Matters since the release of the International Integrated Reporting Framework on 9 December 2013, including the IAASB's Innovation, Future Needs and opportunities (INFO) Working Group meeting that was held on 10-12 February 2014.

(b) *ACNC update*

The AUASB received an update on recent discussions with the ACNC regarding the development of pro forma auditor's reports for 2014.

(c) *Updated AUASB Work Plan*

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

Next Meeting

The next meeting of the AUASB will be held on Monday, 7 April 2014 commencing at 10.00 a.m.



Close of Meeting

The Chairman closed the meeting at 5.30 p.m.

Approval

Signed as a true and correct record.

M H Kelsall
Chairman

Date: 7 April 2014