



Subject: Minutes of the 75th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 20 April 2015 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
Ms Valerie Clifford
Mr John Gavens
Mr Chris George
Ms Robin Low
Prof. Nonna Martinov-Bennie
Ms Caithlin Mc Cabe
Ms Jane Meade
Mr Colin Murphy

AUASB Technical Group: Mr Bernie Szentirmay
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)

Opening Comment

(Minute 985)

The Chairman recognised the sad passing of Mr Tony Dale, Chief Executive of the New Zealand External Reporting Board. Ms Kelsall remarked that Tony was a wonderful individual who was also a great thinker and enthusiast for everything he did. She said that Tony made an extraordinary contribution to the accounting profession, both locally and globally and would be greatly missed.

Declarations of Interest

(Agenda Item 1 – Minute 986)

“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 987)

Subject to a minor editorial, the AUASB approved the minutes of the 74th meeting held on 24 February 2015.

Matters Arising and Action list

(Agenda Item 3 – Minute 988)

The status of matters arising brought forward from previous AUASB meetings and action items were noted.

The Auditor's Responsibilities Relating to Other Information

(Agenda Item 4 – Minute 989)

The AUASB considered the issues paper, and accompanying compelling reasons documentation, regarding the proposed Australian adoption of the recently revised and reissued ISA 720 *The Auditor's Responsibilities Relating to Other Information* (issued by the IAASB on 9 April 2015). The AUASB agreed not to make any substantive changes from ISA 720 in its equivalent ASA 720 Exposure Draft other than to accommodate the requirements of the *Corporations Act 2001* within the Illustrative example auditor's reports (contained in Appendix 2). The AUASB will consider the Exposure Draft of ASA 720 and related conforming amendments for approval to issue at its teleconference meeting on 19 May 2015, with the Exposure Draft to be issued shortly thereafter. The Exposure draft will be issued for public consultation for a period of 60 days.

AASB Liaison

(Agenda Item 5 – Minute 990)

Ms Kris Peach, AASB Chair, presented an overview of the AASB Strategic Direction and activities, including the AASB's key objectives around the Financial Reporting Framework. In addition, Ms Peach provided an overview of current AASB projects including Service Performance Reporting, Disclosure Initiatives, the Exposure Draft on Service Concessions and the Exposure Draft on Not-For-Profit Revenue.

Auditor Reporting

(Agenda Item 6 – Minute 991)

The AUASB considered and approved the first tranche of proposed exposure drafts (ED 01/15) relating to auditor reporting. The EDs represent the initial step to integrate the IAASB's enhanced auditor reporting initiatives into the Australian Auditing Standards.

The **ED 01/15** is comprised of the following proposed standards:

ASA 700	<i>Forming an Opinion and Reporting on a Report</i>	Revised
ASA 701	<i>Communicating Key Audit Matters in the Independent Auditor's Report</i>	New
ASA 705	<i>Modifications to the Opinion in the Independent Auditor's Report</i>	Revised
ASA 706	<i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report</i>	Revised
ASA 570	<i>Going Concern</i>	Revised
ASA 260	<i>Communicating with Those Charged with Governance</i>	Revised



ASA 700	<i>Forming an Opinion and Reporting on a Report</i>	Revised
Several	<i>ASAs 210, 220, 230, 510, 540, 580, 600 and 710</i>	Conforming Amendments

The AUASB was informed of the proposed timetable for the remaining three tranches of exposure drafts and that the timing has been driven by the IAASB's timetable for issuance of the final standards:

ED 02/15: Expected issuance directly after the 19 May 2015 AUASB teleconference meeting

ASA 720	The Auditor's Responsibilities Relating to Other Information	Revised
Several	Conforming amendments to several standards including those that may have been included in ED 01/15	Amending standard

ED 03/15: Expected issuance directly after the 28 July 2015 AUASB meeting

Disclosures (Several)	Amendments to several standards including those that may have been included in EDs 01/15 and 02/15	Revisions & amending standard
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ED 01/16: Expected issuance directly after the February 2016 AUASB meeting

ASA 800	<i>Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i>	Revised
Several	Amendments to several standards including those that may have been included in EDs 01/15, 02/15 and 03/15	Amending standard
ASA 805	<i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i> [Not issued under the <i>Corporations Act 2001</i>]	Revised

The AUASB considered and approved the proposed Explanatory Memorandum that will accompany ED 01/15 and requested some minor changes, including a rework of the paragraph relating to early adoption.

In this discussion the AUASB revisited the previous proposal to remove from the Auditing Standards, references to requirements contained in other legislation. The discussion centred on the AUASB's duties under the *ASIC Act 2001*. The AUASB distinguished references to the *Corporations Act 2001* from references to other laws and regulations and other "Aus" inserts. The AUASB concluded that the removal of references from the proposed standards will remain for purposes of the public exposure but that a specific question be posed in ED 01/15 to constituents seeking their views on this removal proposal.

The AUASB also requested that the listing of all "Aus" inserts that have been removed from the extant standards that accompany ED 01/15, be split into two tables—one relating solely to *Corporations Act 2001* references; and the other comprising all other "Aus" paragraph removals.

The AUASB reaffirmed the 60 day exposure period for all EDs which would ultimately align with the NZAuASB exposure timetables.

The AUASB was referred to Agenda Item 6.1.16 and noted that the AUASB Technical Group did not consider that there were any harmonisation issues to be considered. The NZAuASB Chairman concurred with this view.

The AUASB discussed proposed ASA 700 in particular the amended proposed wording used to articulate the IAASB's intentions relating to independence and ethics. In this context of dealing with ethics, the AUASB requested:



- a) Improved clarity in the proposed wording used in the illustrative auditor's reports and agreed to specific changes to the structure of the wording; and
- b) In the interests of clarity and informational value to constituents, the deleted ISA paragraphs relating to ethics should be included in the EDs so that readers can compare the "Aus" inserts to the removed ISA wording.

The AUASB also requested 2 further amendments:

- a) In relation to the ISA wording around the inclusion of the engagement partner's name in the auditor's report and the ability, in rare circumstances, to not include the partner's name—this option is not available under the *Corporations Act 2001* and the standard needs to reflect this; and
- b) Replace the term "Group" with "Consolidated Entity" in the relevant illustrative auditor's reports.

The AUASB discussed and agreed with the approach taken in the proposed Amending Standard to incorporate both the conforming amendments to various Auditing Standards arising from the new and revised auditor reporting standards and the removal of any existing "Aus" paragraphs within those same Auditing Standards that do not meet the compelling reasons test. The AUASB considered the issues paper identifying all existing "Aus" paragraphs and approved the proposed treatment of these paragraphs – to either be deleted, retained, or retained and amended. For those paragraphs recommended to be retained and/or amended, the AUASB considered and approved their related compelling reasons documentation. The AUASB then approved the proposed Amending Standard, reflecting these decisions.

The AUASB approved the issuance of ED 01/15 subject to inclusion of the changes requested by the AUASB as outlined above, quality control reviews and final clearance by the Chairman and Executive Director.

International

(Agenda Item 7 – Minute 992)

(a) *IAASB Meeting 16-20 March 2015*

The AUASB received a report on key matters discussed and outcomes of the IAASB meeting held on 16-20 March 2015 in New York including :

- the approval of the Disclosures project;
- the expected combined Discussion Paper in late 2015/early 2016 covering Quality Control, Financial Institutions, Group Audits and Agreed upon Procedures;
- an update on the IAS 800 series; and
- an update on Integrated Reporting.

(b) *Draft Submission on IAASB Exposure Draft re ISA 800 and ISA 805*

The AUASB considered and approved the proposed submission to the IAASB on its Exposure Draft containing auditor reporting related conforming amendments to ISA 800 *Special Considerations-Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ISA 805 *Special Considerations-Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.



AUASB Bulletin on Internal Audit (Agenda Item 8 – Minute 993)

The AUASB approved, in majority decision, for issue the Bulletin *Internal Audit – Impact of Direct Assistance Prohibition on Group Audits*. Ms Clifford and Ms Mc Cabe voted against the issuance of the bulletin on the grounds of practical application concerns. The Bulletin is expected to be published in May 2015.

Other Auditing and Assurance Matters

(Agenda Item 9 – Minute 994)

(a) *GS 018 Franchising Code*

The AUASB considered and approved the project plan to revise *GS 018 Franchising Code of Conduct – Auditor’s Reports*.

(b) *Integrated Reporting*

The AUASB noted the Integrated Reporting update on assurance activities.

Corporate Matters

(Agenda Item 10 – Minute 995)

(a) *Report from AUASB Chairman on Recent Meetings*

The AUASB noted the Chairman’s key meetings attended and presentations given since the last AUASB meeting.

(b) *Report from NZAuASB Chairman on Recent Activities*

The NZAuASB Chairman updated the AUASB as to the status of activities in New Zealand including:

- the continued review of financial reporting structures;
- the ongoing Auditor Reporting project;
- New Zealand’s view on imposing additional obligations in relation to the obligation to report on non-compliance with laws and regulations, a discussion will be held at the IESBA NSS meeting on 6 May 2015 in New York; and
- the development of standards relating to Statements of Service Performance from both an accounting and auditing perspective.

(c) *Updated Technical Work Program 2014-15*

The AUASB noted the updated *AUASB 2014-2015 Technical Program*. The Chairman noted that the 2013 to 2017 *AUASB Strategic Plan* required updating and that an updated Plan following a similar format to that used by the Australian Accounting Standards Board would be brought to the 9 June 2015 AUASB meeting.

(d) *Consultative Meeting Agenda*

The AUASB noted the Consultative Meeting Agenda.

(e) *Current AUASB PAG memberships*

The AUASB noted the current PAG membership listing.



Next Meetings

The next teleconference of the AUASB will be held on Tuesday, 19 May 2015 commencing at 10.00 a.m.

The next full meeting of the AUASB will be held on Tuesday, 9 June 2015 commencing at 10.30 a.m.

Close of Meeting

The Chairman closed the meeting at 5.30 p.m.

Approval

Signed as a true and correct record.

Robin Low
Deputy Chairman

Date: 9 June 2015