



Subject: Minutes of the 35th meeting of the Auditing and Assurance Standards Board (AUASB)

Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne

Date: 1 December 2008, from 8.30 a.m. to 4.45 p.m.

All agenda items were discussed in public.

Attendance

Members

- Ms Merran Kelsall (Chairman)
- Mr Jon Tyers (Deputy Chairman)
- Ms Dianne Azoor Hughes
- Mr Mike Blake
- Ms Valerie Clifford
- Mr John Gavens
- Mr Chris Hall (except 1.30 p.m. – 3.30 p.m.)
- Ms Elizabeth Johnstone (by telephone)
- Mr Ian McPhee
- Mr Clive Mottershead
- Mr Greg Pound
- Mr David Simmonds

Apologies

- Mr Chris Hall (1.30 p.m. – 3.30 p.m.)
- Prof. Christine Jubb

Staff

- Mr Richard Mifsud (Executive Director)
- Ms Johanna Foyster (in part)
- Ms Susan Fraser (in part)
- Ms Claire Grayston (in part)
- Ms Ruth Oliquino
- Mr Alan Marrone
- Mr Howard Pratt (in part)
- Ms Patricia Wales (in part)

Declarations of Interest

(Agenda item 1 – Minute 433)

“Declarations of Interests” forms for Members were tabled and confirmed.

Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board.

No declarations of interest in an issue before the AUASB were noted.

The Chairman acknowledged and thanked Mr Ian McPhee, whose second three year term as a board member of the AUASB concludes at the end of 2008, for his significant contribution to the work of the board.

Minutes

(Agenda item 2 – Minute 434)

The Board approved the minutes of the 34th meeting held 27-28 October 2008.

Matters Arising From Action Items Not Dealt With Elsewhere

(Agenda item 3 – Minute 435)

The status of matters arising brought forward from previous AUASB meetings not dealt with as separate agenda items was noted

Reports from AUASB Chairman and Corporate Matters

(Agenda item 4 – Minute 436)

(a) The Chairman report on key meetings attended since the last meeting including:

- FRC meeting – 26 November 2008
- FRC Nominations Committee – 30 October 2008
- Professional Standards Board NZ meeting – 27 November 2008
- ICAA re Australian replacement for SAS 72

The Chairman also participated in a panel at PwC for chairs of government Audit Committees

(b) Planning for AUASB Consultative Meeting:

The format and key discussion items for the Consultative Meeting to be held 2 December 2008 were discussed by the Board.

IAASB Matters

(Agenda item 5 – Minute 437)

(a) The Board discussed key papers to be considered at the 8-12 December 2008 IAASB meeting, including:

- Agenda Item 2: Control Deficiencies
- Agenda Item 3: Agreeing the Terms of Audit Engagements
- Agenda Item 4: Review of Clarified ISAs for Consistency
- Agenda Item 5: Audit Considerations relating to an Entity Using a Third-Party Service Organisation

- Agenda Item 6: Assurance on Carbon Emission Information
 - Agenda Item 7: Service Organisations - ASAE 3402
- (b) ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and ISA 220 *Quality Control for an Audit of Financial Statements*.

The Chairman noted that the FRC resolved to request that the APESB consider the impact on APES 320 if the AUASB were to issue ISQC 1.

- (c) ISRE 2400 Consultation Paper – AUASB submission

The Board considered a draft submission on the ISRE 2400 *Consultation Paper* prepared by the staff sub-group of the Canadian, New Zealand and South African National Standard Setters.

The Board discussed the concept of “moderate” and “limited” assurance and reconfirmed its support for the absence of an amendment to the framework.

The Chairman requested the submission to include information on the AUASB’s approach to, and issuance of, the ASRE suite of Standards.

- (d) IAASB Task Force on Prospective Information

The board noted that Mr D Simmonds is a correspondent member on this task force.

The scope of this project is the development of requirements and application guidance on professional accountants’ responsibilities with respect to assurance engagements on pro forma financial information included in prospectuses. This includes the type of assurance engagement, the procedures required to support the conclusion expressed, and the form and content of the assurance report.

ASA Redrafting

(Agenda item 6 – Minute 438)

- (a) **Project Update:**

The Board received a progress report on the Clarity project, noting that the project is still on track for completion, as planned, by October 2009.

The Board was advised that all the reporting Standards (ASA 700 and ASA 800 series) will be presented at the 23-24 February 2009 AUASB meeting. This approach will facilitate review of this sub-group of related Standards.

- (b) **Revision of the Preamble to AUASB Standards**

The Board considered “version 2’ of the interpretive working document. As requested at the October AUASB meeting, version 2 was drafted in “clarity” format and some material had been removed with the suggestion it would be included in the revised Foreword.

The Board was asked to consider the purpose of the document and discussed the interpretive matters that were considered necessary but that were not included elsewhere in the redrafted ASAs.

The Board requested that “version 2” be put on hold for the time being, but to include the necessary matters, relating to the ASA Redrafting project, in a re-draft of the existing Preamble (ASA 100). Accordingly, version 3 will be brought to the 23-24 February 2009 AUASB meeting.

ASA Redrafting

(Agenda item 7 – Minute 439)

Approval of Group 1 Redrafted Auditing Standards – Clearance for Final Approval

The Board considered a further draft of proposed standard ASA 260 *Communication with Those Charged with Governance*, which includes amendments relating to auditor independence.

The Board requested further amendments and the revised standard will be considered at the 23-24 February 2009 AUASB meeting.

ASA Redrafting

(Agenda item 8 – Minute 440)

Approval of Group 2 Redrafted Auditing Standards – Clearance for Final Approval

In respect of the following proposed Auditing Standards the Board considered:

- comments received in respect of exposure drafts, and
- final draft versions in “Clarity” format:
 - (a) *ASA 230 Audit Documentation*
 - (b) *ASA 300 Planning an Audit of a Financial Report*
 - (c) *ASA 540 Audit of Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures*
 - (d) *ASA 560 Subsequent Events*
 - (e) *ASA 570 Going Concern*
 - (f) *ASA 600 Audits of a Group Financial Report Including the Work of Component Auditors*

The Board requested amendments to the introduction and definition paragraphs of the proposed standard ASA 570. A revised draft of this standard will be further considered at the 23-24 February 2009 AUASB meeting.

The Board requested minor amendments to the other standards listed above, and agreed on clearance for final approval of these standards.

ASA Redrafting

(Agenda item 9 – Minute 441)

Approval of Release of Group 4 Exposure Drafts:

The Board considered draft versions, in “Clarity” format, of the following exposure drafts (EDs) of proposed revised Auditing Standards:

- (a) ED 23/08 ASA 200 *Audit Sampling*
- (b) ED 24/08) ASA 610 *Using the Work of Internal Auditors*

The Board approved the issue of these EDs, which will be released in early December with comments due by 23 January 2009.

Other Matters

(Agenda Item 10 – Minute 442)

(a) **AGS 1008 Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs).**

The Board received an update on the project to develop and issue a new Guidance Statement to replace AGS 1008 Audit Implications of Prudential Reporting Requirements for Authorised Deposit-taking Institutions (ADIs).

APRA has issued its Draft Prudential Standard APS 310 *Audit and Related Matters*, together with a Discussion Paper *Audit Arrangements for ADIs*, for consultation purposes, and intends to issue a final APS 310 in late December 2008, to take effect on 1 January 2009.

A first draft of the proposed new Guidance Statement is planned to be tabled at the 23-24 February 2009 AUASB meeting for Board consideration and feedback.

(b) **National Greenhouse and Energy Reporting (NGER) Act 2007 and Carbon Pollution Reduction Scheme - External Auditing Requirements**

The Board was provided with an update on matters relating to the Department of Climate Change on its “External Audit Consultation Paper”.

Consultation with The Department of Climate Change is ongoing, and over the next few months, the AUASB will provide staff assistance to the Department to assist in the finalisation of auditing requirements under the NGER Scheme.

(c) **Debenture Issuers – RG 69 Update**

ASIC has considered feedback from the AUASB and major accounting firms to determine amendments that may be necessary to the RG 69 auditor’s report. A further revision of ASIC draft auditor’s report is anticipated in mid December, for review and comment by the AUASB.

(d) Agreed Upon Procedures

A project plan for the revision of AUS 904 *Engagements to Perform Agreed Upon Procedures* and re-issuance as a Guidance Statement will be prepared for consideration at the 23-24 February 2009 AUASB meeting.

Next Meeting

The next meeting of the AUASB will be held on Monday 23 and Tuesday 24 February, 2009.

Close of Meeting

The Chairman closed the meeting at 4.45 p.m.

Approval

Signed as a true and correct record

M H Kelsall

Chairman

Date