



Subject: Minutes of the 36th meeting of the Auditing and Assurance Standards Board (AUASB)

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

Date: 23 February 2009, from 8.45 a.m. to 5.00 p.m.
24 February 2009, from 8.45 a.m. to 12.30 p.m.

All agenda items were discussed in public.

Attendance

Members

- Ms Merran Kelsall (Chairman)
- Ms Dianne Azoor Hughes
- Mr Mike Blake
- Ms Valerie Clifford
- Mr John Gavens
- Mr Chris Hall (except day 2)
- Ms Elizabeth Johnstone
- Prof. Christine Jubb
- Mr Colin Murphy
- Mr Greg Pound
- Mr David Simmonds

Apologies

- Mr Chris Hall (day 2)
- Mr Clive Mottershead
- Mr Jon Tyers

Staff

- Mr Richard Mifsud (Executive Director)
- Ms Johanna Foyster (in part)
- Ms Susan Fraser (in part)
- Ms Claire Grayston (in part)
- Mr Alan Marrone
- Ms Ruth Oliquino (in part)
- 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 interests 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 welcomed Mr Colin Murphy to his first meeting as a member of the AUASB.

The Chairman also noted that the terms of Ms E Johnstone and Messrs M Blake, C Hall, G Pound and D Simmonds have been extended for a further three years, and congratulated each of them on their re-appointment to the Board.

Minutes

(Agenda item 2 – Minute 443)

The Board approved the minutes of the 35th meeting held 1 December 2008.

Matters Arising From Action Items Not Dealt With Elsewhere

(Agenda item 3 – Minute 444)

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

Reports from AUASB Chairman on Recent Meetings and Corporate Matters

(Agenda item 4 – Minute 445)

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

- FRC meeting – 17 February 2009

Key issues:

- Going Concern – The FRC noted the potential impact of emphasis of matter statements in auditors' reports regarding going concern. The FRC supported proposals by AUASB to issue guidance to auditors, and in conjunction with AICD to directors, on going concern issues.
- The FRC considered a discussion paper prepared by Treasury on auditing issues including:
 - References to relevant ethical requirements within the Auditing Standards made by the AUASB, which require amendment on an ongoing basis to current ethical standards issued by APESB.
 - The AUASB's proposed adoption of the IAASB's 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*, which was supported by Treasury.
- TTAASAG meeting – 19 February 2009 (attended by Jon Tyers)

(b) Report on Corporate Matters

- Further discussions and correspondence with Treasury on funding.
- *FMA Act* transition has been progressed and the AUASB audit committee meeting was held earlier in the week.

Consultative Meeting

(Agenda item 5 – Minute 446)

The Board considered key issues and recommendations received from participants at the AUASB Consultative meeting held in December 2008.

The Board agreed on action for key items including:

- development of guidance to address going concern issues during periods of financial instability;
- consideration of a guidance statement for “micro” audits, mapped to the requirements of the auditing standards; and
- timely communication of key matters regarding the ASA Redrafting program.

The Board’s action plan on recommendations received will be circulated to the participants as soon as possible.

Going Concern

(Agenda item 6 – Minute 447)

The Board considered a project plan for further guidance to auditors on going concern issues in periods of economic uncertainty.

Whilst it was agreed that the Auditing Standards adequately address going concern audit requirements, the Board considered that further guidance in the current economic environment will assist in raising the auditor’s awareness of their responsibilities in assessing an entity’s ability to continue as a going concern.

The Board agreed that this guidance will be in the form of a Bulletin, which will be approved out of session and released next month.

The Board also approved a related project plan for the AUASB to work with the Australian Institute of Company Directors (AICD) to develop a publication focusing on the responsibility of directors to perform a going concern assessment, and for auditors to review and consider that assessment when forming their opinion on the financial statements. The Board also discussed other groups with whom it would be appropriate to communicate.

It was considered that this publication would assist directors in better understanding the relevant issues relating to going concern matters.

National Greenhouse and Energy Reporting (NGERS) Act 2007 and Carbon Pollution Reduction Scheme (CPRS)

(Agenda item 7 – Minute 448)

The Board received an update on the drafting of auditing and assurance requirements for the NGERS and CPRS schemes.

The Department of Climate Change is drafting amendments to the NGER Act, and an additional legislative instrument concerning the conduct of audits, reporting and regulations for the registration of auditors under the NGER Act. The AUASB is being consulted on the development of these documents, which are due for public exposure over the coming months.

It was agreed that a project advisory group be formed to advise the AUASB on the development of further guidance in this area, once the NGER audit requirements are released by the Department of Climate Change.

AUASB Technical Group staff also indicated that they were reviewing the auditing issues included in guidance a paper issued by the Department regarding Emissions Intensive Trade Exposed (EITE) Entities, which would be discussed further with assurance practitioners and representatives of the Department.

APRA Related Guidance Statements

(Agenda item 8 – Minute 449)

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).

A project advisory group (PAG) has been formed to provide industry and specific technical advice to the AUASB on issues relating to the project. The PAG met during February to discuss working drafts of the proposed new Guidance Statement.

The AUASB will consult further with the PAG and APRA in the coming months. A first draft of the proposed new Guidance Statement will be tabled at the 6-7 April AUASB meeting for Board consideration and comment.

ASA Redrafting

(Agenda item 9 – Minute 450)

(a) Project Update:

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

(b) Revision of the Preamble to AUASB Standards

The Board considered “version 3’ of this interpretive working document – in the format of a revision of the existing Preamble (ASA 100).

The Board agreed that a new document focusing on the proposed revised and redrafted ASAs would be clearer and more beneficial for practitioners.

A draft of this document will be circulated out of session to agree on the format and a revised draft will be considered at the 6-7 April AUASB meeting.

ASA Redrafting

(Agenda item 10 – Minute 451)

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 minor amendments and agreed on clearance for final approval for this Standard at a later date.

ASA Redrafting

(Agenda item 11 – Minute 452)

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

The Board considered a further draft of proposed standard ASA 570 *Going Concern*.

The Board requested minor amendments and agreed on clearance for final approval for this Standard.

ASA Redrafting

(Agenda item 12 – Minute 453)

Approval of Release of Group 5 Exposure Drafts:

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

- (a) ED 01/09 ASA 500 *Audit Evidence*
- (b) ED 02/09 ASA 501 *Audit Evidence – Specific Considerations for Selected Items*
- (c) ED 03/09 ASA 700 *Forming an Opinion and Reporting on a Financial Report*
- (d) ED 04/09 ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report*
- (e) ED 05/09 ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report*
- (f) ED 06/09 ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

- (g) ED 07/09 ASA 805 *Special Considerations – Audits of a Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- (h) ED 08/09 ASA 810 *Engagements to Report on Summary Financial Statements*

The Board requested minor changes and approved the issue of these EDs, which will be released in early March with a comment period ending 6 April 2009.

ASA Redrafting

(Agenda item 13 – Minute 454)

Consider Group 3 Responses to Exposure Drafts

The Board considered responses to exposure drafts and revised drafts of the following proposed Auditing Standards:

- (a) ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*
- (b) ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*
- (c) ASA320 *Materiality in Planning and Performing an Audit*
- (d) ASA 450 *Evaluation of Misstatements Identified During the Audit*
- (e) ASA 510 *Initial Audit Engagements – Opening Balances*
- (f) ASA 550 *Related Parties*
- (g) ASA 580 *Written Representations*
- (h) ASA 720 *The Auditor's Responsibility in Relation to Other Information in Documents Containing an Audited Financial Report*

The Board requested minor amendments and agreed on preliminary clearance for subsequent final approval for these standards.

The Board requested that errors noted in the underlying ISAs be listed and advised to the IAASB.

Engagements to Perform Agreed-upon Procedures

(Agenda Item 14 – Minute 455)

The Board considered and approved a project plan to revise AUS 904 *Engagements to Perform Agreed-upon Procedures* and reissue as an assurance standard. The proposed standard will be issued for exposure in mid year and released as an assurance standard later in the year. The Board agreed on an exposure period of 45 days, and requested that communication clearly defines the type of engagement to which this standard will apply.

Responding to Questions at an Annual General Meeting

(Agenda Item 15 – Minute 456)

The Board considered a proposed revision of AGS 1046 *Responding to Questions at an Annual General Meeting*. A final version of the proposed Guidance Statement will be circulated to the Board for out-of-session approval to issue, and will be released next month.

Access to Audit Working Papers

(Agenda Item 16 – Minute 457)

The Board considered a proposed revision of AGS 1038 *Access to Audit Working Papers*.

Changes proposed in the update reflect changes to Australian Auditing Standards and laws/regulations, as well as streamlining to enhance readability for users.

The Board agreed to review a further version of the proposed Guidance Statement that will be circulated to the Board for out-of-session approval to issue next month.

Prospective Information/Privity Letters

(Agenda Item 17 – Minute 458)

The Board considered a project plan to revise the following pronouncements related to prospective information:

- AUS 804 *The Examination of Prospective Financial Information*
- AGS 1062 Reporting in Connection with Fundraisings
- AGS 1014 *Privity Letter Requests*.

The Board agreed to revise AUS 804 and AGS 1062 and merge the two pronouncements into a single Standard on Assurance Engagement (ASAE). The comparable international standard ISAE 3400 *The Examination of Prospective Financial Information*, will be used as the underlying standard, with changes made due to regulatory, legal and public interest differences in Australia.

The Board requested that a proposed Exposure Draft of the new ASAE be presented for consideration at the 6-7 April 2009 AUASB meeting.

The Board further requested a revised project plan covering AGS 1014 be presented at the 6-7 April 2009 meeting. The plan is to specifically cover whether the AGS should be re-issued as a Guidance Statement or a Standard, and how elements of the US Standard, SAS 72 *Letters for Underwriters and Certain Other Requesting Parties* could be incorporated.

International Matters

(Agenda Item 18 – Minute 459)

(a) IAASB Task Force on Prospective Information

Mr D Simmonds (correspondent member of the IAASB taskforce) provided an update on the work of the taskforce. Key items in an issues paper to be considered at the March IAASB meeting include the definition of what is prospective information and that assurance is on the compilation of the report and not on the underlying data.

(b) It was noted that work on ISA 210 *Agreeing on the Terms of Audit Engagements* is now completed.

(c) The Board received an update on recent activities of the IAASB and other international standards-setters.

Other Matters

(Agenda Item 19 – Minute 460)

(a) **AA 1000 Assurance Standard**

The Board considered *AccountAbility Principles Standard* and *AA 1000 Assurance Standard 2008*, which was launched at a workshop held in Sydney on 28 January 2009.

(b) **Other Emerging Issues and Matters**

- It was noted that in the next week Mr G Pound will be speaking at an Ethics workshop in Melbourne, to be conducted jointly by the Latrobe University and the University of Tasmania.
- Audit and assurance activity in the following areas was noted:
 - NSW Electoral Voting Act – political donations are to be audited every six months.
 - Australian Bureau of Circulation – assurance on data provided on print media circulation data.

(c) **Review of meeting**

The Board reviewed the conduct of the AUASB meetings and noted that:

- the approved minutes of the 1 December 2008 meeting will be placed on the AUASB website as soon as possible;
- project Plans once approved at the meeting would be placed on the AUASB website after the meeting;
- AUASB meeting papers, which will be placed on the AUASB website in advance of AUASB meetings, will include marked-up versions of proposed pronouncements and AUASB Technical Group issues papers on the relevant topics.

Next Meeting

The next meeting of the AUASB will be held on Monday 6 and Tuesday 7 April, 2009.

Close of Meeting

The Chairman closed the meeting at 12.30 p.m.

Approval

Signed as a true and correct record

M H Kelsall

Chairman

Date: 6 April 2009