



**Subject:** Minutes of the 55<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:** 27 February 2012 from 8.45 a.m. to 4.50 p.m.

All agenda items were discussed in public.

## Attendance

Members present

- Ms Merran Kelsall (Chairman)
- Mr John Tyers (Deputy Chairman)
- Ms Dianne Azoor Hughes (to 1.15 p.m.)
- Mr Neil Cherry (to 4.00 p.m.)
- Ms Valerie Clifford
- Mr John Gavens (1.40 p.m. to 4.50 p.m.)
- Ms Elizabeth Johnstone
- Prof. Nonna Martinov-Bennie
- Mr Colin Murphy
- Mr Greg Pound
- Mr David Simmonds
- Mr Bernie Szentirmay (to 1.15 p.m.)
- Ms Kristen Wydell

Apologies None

In attendance

- Mr Richard Mifsud (Executive Director)
- 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 and Board Member Appointments

### (Agenda item 1 – Minute 734)

“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.

Professor Nonna Martinov-Bennie was welcomed to the Board.



## **November 2011 Minutes**

### **(Agenda item 2 – Minute 735)**

The Board approved the minutes of the 54<sup>th</sup> meeting held on 28 November 2011.

## **Matters Arising and Action list**

### **(Agenda item 3 – Minute 736)**

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 737)**

The Chairman informed the Board that Prof. Arnold Schilder (Chairman of IAASB) will be visiting Australia on 1-3 October 2012. It is proposed that Prof. Schilder will be involved in Roundtable meetings with key stakeholders during his visit and meet with the AUASB at a special meeting to be held on Tuesday 2 October 2012. It is also planned to hold an AUASB sponsored lecture and function with Prof. Schilder on the evening of 2 October 2012.

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

- IAASB meeting held on 5-9 December 2011.
- WASB Steering Committee Meeting 7 – Assurance Engagements for GPWAR held on 19 December 2011.
- IAASB Building Blocks Subcommittee Teleconference held on 26 January 2012.
- IAASB Auditor Reporting Task Force Meetings held on 20 January 2012, 9-10 February 2012 and 20 February 2012.
- IAASB Audit Quality Task Force Meeting held on 26-27 January 2012.
- NZAuASB/AUASB Teleconference held on 14 February 2012.
- Corporate Governance Roundtable panel at CPA Australia held on 24 February 2012.



## Conformity between AUASB standards and New Zealand AuASB standards

### (Agenda item 5 – Minute 738)

The AUASB discussed harmonisation of its standards with those of the New Zealand Auditing and Assurance Standards Board (NZAuASB). The key item discussed was the *Proposed Approach to a Joint Policy on Standards* between Australia and New Zealand. It was agreed the Board would work towards a joint policy with the NZAuASB on the principles of convergence with international standards and harmonisation of trans-Tasman standards.

## Amendments to ASA 510 and ASA 705

### (Agenda item 6 – Minute 739)

The Board considered a technical paper on the topic of “split opinions” which included specific examples of audit reports supplied by practitioners. The Board agreed not to amend ASA 510 and ASA 705 but to develop guidance which would illustrate the various opening balance circumstances discussed in the technical paper, and how these can be dealt with in auditors’ reports.

## Approval of New Projects

### (Agenda item 7 – Minute 740)

#### (a) Internal Control Engagements

The project plan submitted to the AUASB to revise AUS 810 *Special Purpose Reports on the Effectiveness of Control Procedures* as an ASAE was approved and the scope of the proposed ASAE was agreed. It was noted that the PAG has met in February 2012 and will meet again in March 2012.

The Board agreed on the scope of the proposed standard to the extent that the standard will cover:

- Reasonable and limited assurance engagements;
- The controls frameworks specified;
- Components of controls to be assured, although the controls framework or controls environment needed to be addressed on every engagement in planning and risk assessment;
- Not exclusively Type 1 and Type 2 style reports (see ASAE 3402), as they cannot be applied for reporting for all controls engagements, although it was acknowledged that any description would need to be assured when provided by management or prepared by the assurance provider;
- Direct and attest engagements;
- Restricted use and general use reports;
- Engagements involving primarily assurance procedures which provide an assurance conclusion;
- Not limited only to financial reporting controls;
- Recommendations presented separately or as part of the assurance report, only when clearly differentiated from the assurance conclusion in a separate section of the report.

The hierarchy of standards will be considered again at the next PAG and AUASB meetings. Specifically, the Board will be asked to consider whether the proposed standard will sit below ASAE 3000 and alongside the other ASAE in this area, i.e. ASAE 3402.



(b) Audit Committees – A Guide to Good Practice

The project plan was approved and the AUASB requested that the revised Guide be finalised by the end of June 2012. The AUASB will be contacting the AICD and IIA-A to seek their agreement to this revised timeline.

(c) Value of Audit

The project plan was approved, subject to some amendments as a joint project with NZAuASB.

(d) ASA 570 *Going Concern*

The project plan was approved to revise the AUASB Bulletin “*Auditing Considerations in an Uncertain Economic Environment*” (issued April 2009). The Board agreed that revisions will include contrasting the economic circumstances that existed in 2009 to those in 2012. It is planned to have the revised bulletin issued by 30 June 2012.

(e) Professional Scepticism

The Board approved the development of an AUASB Bulletin, to be prepared on this topic, following the technical papers having been finalised by the IAASB and Canadian AASB.

## **Amendments to Foreword to AUASB Pronouncements**

### **(Agenda item 8 – Minute 741)**

The Board approved the plan to update the Foreword to AUASB Pronouncements. The Board decided to limit the content of the Foreword to pronouncements of the AUASB and to develop a separate governance document to deal with information about the AUASB’s due processes.

## **APRA Presentation**

### **(Agenda item 9 – Minute 742)**

Mr Ian Laughlin (APRA member) attended the board meeting and presented to the AUASB on APRA’s *Interaction with Auditors*. Mr Laughlin was accompanied by Mr Rob Sharma from his office.

Areas discussed included:

- APRA mission;
- APRA’s approach for interacting with auditors;
- Assurances from external parties;
- Ways of interacting with auditors;
- APRA’s reliance on auditors; and
- APRA’s experience with auditor interaction.

The Board thanked Mr Laughlin for his presentation.



## Comfort Letters and Fundraisings Projects

### (Agenda item 10 – Minute 743)

#### (a) **Comfort Letters**

The AUASB considered a summary of key issues raised by respondents to ED 03/11 Proposed Standard ASRS 4450, *Comfort Letter Engagements*.

Key matters discussed included:

- Relationship with applicable Standards of other jurisdictions (Paragraph 8).

The paragraph was amended to clarify that its intent is to allow Australian auditors to either apply an existing comfort letters standard in the overseas jurisdiction of the requesting parties, or in the absence of such a standard, that ASRS 4450 applies.

- Change period definition

The definition of “change period” was amended.

- Due diligence defence representation

Paragraph 64 was amended so it no longer conflicts with Paragraph 15.

- Explanatory Guide

An Explanatory Memorandum will be issued with the Standard to explain why it is being released.

- Post Implementation Review (PIR)

A PIR will be undertaken approximately a year from the operative date of the Standard.

The Board approved the issue of the Standard, subject to editorial changes, with an operative date for engagements commencing on or after 1 March 2013. Mr Pound again reiterated his dissent from approving this standard for the detailed reasons initially provided in late September 2011 at the time prior to when the Exposure Draft was approved for release ([refer attached](#)).

#### (b) **Fundraisings**

The AUASB considered a summary of key issues raised by respondents to ED 02/11 Proposed ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*, as well as all comments received, together with their proposed disposition. The Board agreed to split the proposed ASAE into two separate standards – ASAE 3450, covering the sections from the Exposure Draft on assurance on historical, pro forma historical and prospective financial information, and ASAE 3420, covering the section from the Exposure Draft on assurance on the compilation of pro forma financial information (and conforming with ISAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*). A revised draft of the proposed ASAEs will be considered at the 16 April AUASB meeting.



## **NGER and Clean Energy Schemes and Greenhouse Gas Assurance**

### **(Agenda item 11 – Minute 744)**

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). Subject to finalisation of ISAE 3410 by the IAASB in March 2012, a draft of proposed ASAE 3410 will be considered at the 16 April AUASB meeting.

## **International Matters**

### **(Agenda item 12 – Minute 745)**

- (a) The AUASB received reports on the following IAASB projects: *Auditor Reporting*, *Audit Quality*, *ISA Implementation Monitoring*, and *Review Engagements*.
- (b) The AUASB noted a report of highlights of the IAASB meeting held on 5-9 December 2011 and received a verbal report on the teleconference held on 25 January 2012.
- (c) The AUASB noted the latest International Update being a report on recent activities of the IAASB and other national standard setters.

## **Special Considerations in Auditing Financial Instruments**

### **(Agenda item 13 – Minute 746)**

The AUASB considered and approved Guidance Statement GS 020 *Special Considerations in Auditing Financial Instruments* for issuance in March 2012. The Board also approved the withdrawal of AGS 1030 *Auditing Derivative Financial Instruments*, issued by the AUASB in July 2002.

## **Other Matters**

### **(Agenda item 14 – Minute 747)**

- (a) Assurance on Water Accounting Reports

The AUASB received an update on the project to develop an assurance standard for engagements on general purpose water accounting reports. The AUASB noted that the PAG and Steering Committee met in December 2011 and that work has commenced on an exposure draft. The Steering Committee will consider the first draft of the ED in May 2012. Finalisation of the ED is dependent, in part, on work being undertaken on other standards, including AWAS1, ISAE 3410 and ISAE 3000.

- (b) RG 230 Reporting on *Non-IFRS Financial information*

The AUASB was provided with a copy of the final RG 230 *Disclosing non-IFRS financial information*, issued by ASIC in December 2011. The Board discussed the audit implications of RG 230 and resolved to further discuss these issues with ASIC.



(c) Integrated Reporting

The AUASB noted an update on the progress by the International Integrated Reporting Council on the outcomes from the discussion paper *Towards Integrated Reporting – Communicating Value in the 21<sup>st</sup> Century*.

(d) Australian Charities Not-for-Profits Commission

The AUASB received an update on the progress of the Australian Charities and Not-for-profits Commission (ACNC). The AUASB reiterated its commitment to working with the ACNC in the future on audit and assurance matters and agreed to liaise further with the ACNC and invite the Interim Commissioner to the next AUASB meeting.

(e) Auditing in Emerging Markets

The AUASB noted the release by the Canadian Auditing and Assurance Standards Board regarding Auditing in Emerging Markets. The AUASB agreed that a similar release could be drafted and issued in Australia.

(f) Department of Finance and Deregulation Circular on Audit and Assurance

The AUASB noted the issuance of the Department of Finance and Deregulation – *Finance Circular: Clarification of the terms Audit and Assurance*.

(g) Revised meeting dates

It was agreed to revise the meeting dates to accommodate the visit of Prof. Arnold Schilder on 2 October 2012, also to reduce the April meeting to one day on 16 April 2012 and to bring forward the last meeting to 27 November.

## Next Meeting

The next meeting of the AUASB will be held on 16 April 2012.

The Chairman closed the meeting at 4:50 p.m.

## Approval

Signed as a true and correct record.

M H Kelsall  
Chairman

Date: 16 April 2012