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Australian Government
Auditing and Assurance Standards Board

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INDEPENDENCE

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From the Chairman

Open For Comment

ED 02/12 of ASRE 2400
Review of a Financial
Report Performed by an
Assurance Practitioner
Who is Not the Auditor of
the Entity

8 February 2013 Comments due to AUASB

ED 03/12 of ASRE 2415
Review of a Financial
Report – Company Limited
by Guarantee

8 February 2013 Comments due to AUASB

ED 04/12 Proposed
Standard on Assurance
Engagements ASAE
3XXX/Australian Water
Accounting Standard
AWAS 2 Assurance
Engagements on General

The fourth quarter of 2012 has seen an intense period of activity to finalise a number of AUASB publications:



The AUASB has recently issued two new assurance engagements standards, ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* and ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*. These two standards emanated from a two-year long project, which involved external practitioners, as well as our Board, in the development of their content. I am also pleased that the AUASB has finalised exposure drafts of proposed revised Standards on Review Engagements, ED 02/12 ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity* and ED 03/12 ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*, following the release of revised ISRE 2400 by the IAASB earlier this year.

An extremely worthwhile contribution to the body of assurance guidance has been the development of GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes*, which will augment the requirements and guidance in ASAE 3410 *Assurance on Greenhouse Gas Statements*, which was issued by the AUASB in June this year. Additionally, we have issued a joint exposure draft ED 04/12 with the Water Accounting Standards Board of the Bureau of Meteorology dealing with *Assurance on General Purpose Water Accounting Reports*.

On 2 October 2012, we were extremely pleased to have Prof. Arnold Schilder, Chairman of the IAASB, visit the AUASB to meet with the Board in person. The highlight of his visit was a special event for invited stakeholders at which Prof. Schilder delivered a forward-looking address on the subject of *Directions in Auditing & Assurance*. We were delighted that the Hon Bernie Ripoll MP, Parliamentary Secretary to the Treasurer, provided opening comments for the address. Prof. Schilder also presented at two roundtables on the subject of the Auditor Reporting project, held in Melbourne and Sydney, which were jointly hosted with CPA Australia and the Institute of Chartered Accountants in Australia.

The AUASB's commitment to close involvement in the IAASB's work continues, including my direct participation in the Auditor Reporting, Audit Quality, and ISA Implementation Monitoring project task forces and on-going role as an IAASB member. The IAASB will be holding five meetings in 2013 and its workload is unlikely to abate.

Once again, we hosted the annual AUASB Consultative Meeting, which was held on Tuesday, 27 November. This meeting provided a valuable forum for the AUASB to showcase its work for the year and to seek input and feedback from key stakeholders into its planned activities for 2013.

Next year promises to be an even busier year, with key projects such as internal controls assurance, auditing grant acquittals, audits of superannuation funds and general insurers, planned to be undertaken.

Purpose Water Accounting Reports

15 March 2013 Comments due to AUASB

All comments via email to edcomments@auasb.gov.au

Calendar

AUASB Meetings 2013 (first 6 months)

Feb 25
Apr 29
Jun 17

IAASB Meetings 2013 (first 6 months)

Feb 12-14 Brussels
Apr 15-19 New York
Jun 24-28 New York

IAASB-NSS Meeting 2013
30-31 May New York

Out and About



Forums and roundtables on Auditor Reporting were held in Melbourne and Sydney in September and October, through which the AUASB gained valuable input from a broad range of stakeholders to inform their **submission** to the IAASB on the **invitation to Comment: Improving the Auditor's Report**

I would like to take the opportunity to thank AUASB members and staff for their excellent contributions during 2012 and to wish them and everyone all the very best for the festive season and a prosperous New Year.

Merran Kelsall
Chairman, AUASB

Revised Standards on Fundraisings issued

The AUASB has issued two new Standards on Assurance Engagements, **ASAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document** and **ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information**. Both new standards are operative for engagements commencing on or after 1 July 2013. [Read more ...](#)



Improving the Auditor's Report

In response to the IAASB's **Invitation to Comment: Improving the Auditor's Report**, the AUASB made a **submission** in October, informed by extensive consultation. The AUASB's submission supports, in principle, the IAASB's initiative to review auditor reporting and to explore options that may help achieve reporting that better meets users' information needs and aims to enhance the relevance of audit. The submission also encourages changes to financial reporting frameworks to improve disclosure requirements and draws attention to the matters and concerns relating to the detail in various parts of the proposal as raised by stakeholders. [Read more ...](#)

AUASB Foreword split into two documents

The AUASB has revised the **Foreword to AUASB Pronouncements**, which is now limited to providing information on the AUASB's publications, with a separate document, **AUASB Functions and Processes**, issued to address the operations of the AUASB, which were both issued in November 2012. [Read more ...](#)

New Guidance for GHG Emissions Schemes



(Photo L to R) Prof. Arnold Schilder, Mrs Eefke Schilder and the Hon Bernie Ripoll MP

On 2 October 2012, the IAASB Chairman, Prof. Arnold Schilder, visited Melbourne and presented on *Directions in Auditing and Assurance, Challenges and Opportunities* which was well received by the audience, which represented Regulators, Standard Setters, Assurance Practitioners and other stakeholders. The presentation was introduced by the Hon Bernie Ripoll MP, Parliamentary Secretary to the Treasurer. During Prof. Schilder's visit to Australia he also presented at the Roundtable discussions on Auditor Reporting jointly hosted by the AUASB in Sydney and Melbourne, with CPA Australia and the ICAA.



The AUASB held its annual Consultative Meeting on 27 November, which was attended by representatives of regulators, including ASIC, APRA and the Clean Energy Regulator, professional accounting bodies, practitioners, ACAG, industry bodies as well as the NZAuASB. The AUASB

Following the release of a new standard on emissions assurance **ASAE 3410 Assurance on a Greenhouse Gas Statement** in June 2012, the AUASB has developed, in close consultation with the Clean Energy Regulator and registered greenhouse and energy auditors, a Guidance Statement on applying the AUASB Standards, including ASAE 3410, to engagements on regulatory reporting of greenhouse gas emissions, energy consumption, energy production and offsets, applications for assistance with carbon liabilities or compliance with related requirements in Australia. The new Guidance Statement, GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes*, will be released in early December.



In the lead up to and as a result of the introduction of a carbon pricing mechanism, a myriad of assurance requirements have been imposed for related schemes and programs which are addressed by GS 021. **Read more**

Assurance on Water Reporting - ED Issued

The AUASB and the Water Accounting Standards Board (WASB) have jointly issued an Exposure Draft on a proposed standard for assurance engagements on general purpose water accounting reports. Assurance is considered to be a key element in enhancing the quality of reported water information. **ED 04/12** Proposed Standard on Assurance Engagements ASAE 3XXX/Australian Water Accounting Standard AWAS 2 *Assurance Engagements on General Purpose Water Accounting Reports* is open for public comment until 15 March 2013. **Read more ...**



ED on Review Engagements conforms with ISRS 2400

The IAASB issued **ISRE 2400 (revised) Engagements to Review Historical Financial Statements** in September 2012 and so the AUASB plans to issue a conforming standard in the first quarter of 2013. An Exposure Draft, **ED 02/12** for revisions to ASRE 2400 *Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, was issued by the AUASB in December, along with an Exposure Draft, **ED 03/12**, for minor conforming amendments to ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*. Comments on the EDs are invited by 8 February 2013. The revised ISRE 2400 contains significant improvements on the previous version. The “clarity” format has been used, which is consistent with the current ISAs and the content is now clearer and more comprehensive. **Read more ...**

On the International Front ...

highlighted the significant pronouncements issued during the year and gained valuable insight into attendees' current concerns and their perspective on issues arising from the IAASB's projects on auditor reporting, audit quality, auditing other disclosures and other information.

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Auditor Reporting



The IAASB's work has been heavily focussed during the 2012 calendar year on thought leadership with respect to Auditor Reporting and in seeking constituents views from across the international standard setting, assurance provider and reporting entity communities. Much of the IAASB meeting time has been spent on considering the options for change in auditing reporting and feedback from stakeholder consultation on how to most effectively improve the communicative value of the auditor's report. The IAASB will be considering in detail the responses to ***Invitation to Comment*** paper at its December 2012 and February 2013 meetings, with a view to finalising an exposure draft of proposed changes to Auditor Reporting standards by June 2013.

Audit Quality

The IAASB continues to further promote the concept of Audit Quality and has approved at its recent meeting, a Consultation Paper titled *A Framework for Audit Quality*. The objectives of this project are to promote a better understanding of the importance of examining ways in which to enhance Audit Quality, to create a greater awareness of the IAASB's efforts to promote Audit Quality at a broad level, and to encourage greater debate and research to be undertaken at a practical level and encourage use of the Framework as a learning tool. [Read more ...](#)

Auditing Financial Reporting Note Disclosures

The IAASB has recently approved a project to consider the adequacy of existing IAASB Pronouncements in addressing the audit implications of financial statement note disclosures, which are ever evolving, and to develop appropriate actions to address any issues identified. As a precursor to the formal approval of this project, the IAASB sought to gather constituent feedback on this issue through the issuance in 2011 of a Discussion Paper ***The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications***. [Read more ...](#)

Harmonisation of Australian and New Zealand Standards

The AUASB and the New Zealand Auditing and Assurance Standards Board have agreed on harmonisation policies which mirror each other. The Australian document ***Principles of Convergence to International Standards of the International Auditing and Assurance Standards Board (IAASB) and Harmonisation with the Standards of the New Zealand Auditing and Assurance Standards Board (NZAuASB)*** was issued in November 2012. [Read more ...](#)

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