



Subject: Minutes of the 61st meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 25 February 2013, from 8.45 a.m. to 4.30 p.m.

All agenda items were discussed in public.

Attendance

Members present

- Ms Merran Kelsall (Chairman)
- Mr Jon Tyers (Deputy Chairman) – by phone in part
- Ms Jo Cain
- Mr Neil Cherry
- Ms Valerie Clifford
- Mr John Gavens
- Mr Chris George
- Prof. Nonna Martinov-Bennie
- Ms Jane Meade
- Mr Colin Murphy
- Mr Greg Pound
- Mr Bernie Szentirmay
- Ms Kristen Wydell

Apologies

- Mr Jon Tyers (Deputy Chairman) – 10.00 a.m.- 12.00 noon

Staff

- Mr Richard Mifsud (Executive Director)
- Ms Susan Fraser – in part
- Ms Claire Grayston – in part
- Ms Rene Herman
- Mr Alan Marrone
- Ms Marina Michaelides – in part
- Mr Howard Pratt – in part
- Ms Patricia Wales – in part

Declarations of Interest and Board Member Appointments

(Agenda item 1 – Minute 820)

“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.

The Chairman welcomed Ms Jo Cain, Mr Chris George and Ms Jane Meade to the Board.

Minutes

(Agenda item 2 – Minute 821)

The Board approved the minutes of the 60th meeting held on 26 November 2012.



Matters Arising and Action list

(Agenda item 3 – Minute 822)

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 823)

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

- AUASB Consultative meeting on 27 November 2012
- FRC meeting on 5 December 2012
- FRC Integrated Reporting Taskforce meeting on 5 December 2012
- IAASB meetings on 10-13 December 2012 in New York and 12-14 February 2013 in Brussels
- IAASB Auditor Reporting Task Force meeting on 14 December 2012 in New York
- NZAuASB meetings on 18 December 2012 in Wellington and 20 February 2013 by telephone
- IAASB ISA Implementation Task Force on 14-15 January 2013 in London
- IAASB Auditor Reporting ISA 700 Drafting Team meeting on 16-17 January 2012 in London
- International Integrated Reporting Council on 16 January 2013 in London
- FRC Financial Report Task Force meeting on 19 February 2013
- FRC Strategic Plan Committee teleconference on 19 February 2013

Review Engagements

(Agenda item 5 – Minute 824)

The Board considered constituents' comments received in relation to ED 02/12 (revision of ASRE 2400) and ED 03/12 (update of ASRE 2415). In particular, the Board discussed the question of whether additional guidance should be included in ASRE 2400. The guidance materials discussed were:

- The table and diagrams illustrating the suite of AUASB review standards contained within the *Explanatory Guide to AUASB Standards Applicable to Review Engagements*; and which were included in ED 02/12 as helpful reminders.
- An illustrative written representation letter and example review procedures currently contained within the appendices of the existing standard ASRE 2400.

The Board concluded that the revised ASRE 2400 standard should include an illustrative representation letter in the appendices; and that the "Background" narrative, in the Preface, be enhanced to better highlight the hyperlink to the Explanatory Guide residing on the AUASB website.



The Board considered the proposed ASRE 2415 and requested the application paragraph be expanded to incorporate reviews of entities reporting under the *Australian Charities and Not-for-Profit Commission Act 2012* (commencing 1 July 2013) and any future changes to legislation that required use of the AUASB review standards. It was agreed that a third arm to paragraph 1 be introduced.

The AUASB Technical Group informed the Board that changes would be processed and the final standards together with supporting documentation, including a "Basis for Conclusions", would be presented to the Board for out-of-session approval.

The Board also discussed and concluded that because ASRE 2400 was likely to be used by practitioners with limited assurance experience, additional guidance material would be valuable. Accordingly, the AUASB Technical Group was asked to draft a project plan to develop appropriate guidance around the core aspects of the standard. The project plan is to be considered by the Board at the 29 April meeting.

Composite Reports

(Agenda item 6 – Minute 825)

The Board considered the proposed project plan to provide a Guidance Statement for practitioners addressing composite reporting mandates that involve more than one reporting framework and/or prescribed reporting formats.

One Board member suggested that the focus of the project should not be centred on the reporting aspect of these engagements but should be expanded to a far broader perspective that incorporates appropriate guidance on the practical issues in planning and performing such engagements. Furthermore, it was suggested that the name of the project should be changed to reflect the wider context of the guidance. Other Board members concurred and it was agreed that the Board member and the AUASB Technical Group should re-draft the project plan accordingly. A revised project plan will be considered at the next meeting on 29 April.

GS 004 Audit Implications of Prudential Reporting Requirements for General Insurers

(Agenda item 7 – Minute 826)

The AUASB received an update on the project to revise GS 004 and noted that a further meeting with the Project Advisory Group (PAG) will be held in the next month to further discuss key issues and review a draft of the proposed Guidance Statement. It is planned that the AUASB will consider a further draft at the next meeting on 29 April.

Engagements to Report on Controls

(Agenda item 8 – Minute 827)

The AUASB considered and agreed the revised timetable for recommencement of a project on engagements to report on controls with the objective of issuing a standard on assurance engagements to replace AUS 810 by December 2013. The AUASB discussed the scope of the proposed standard which had been agreed in 2012. The AUASB noted that the standard needs to allow recommendations to be reported in conjunction with the assurance report, as this was often important to users; provide guidance on whether recommendations for improvements to controls would result in qualifications; clearly differentiate these assurance engagements from agreed-upon procedures engagements and require independence to be maintained.



NGERS, Carbon Pricing Mechanism and Related Schemes Assurance

(Agenda item 9 – Minute 828)

The AUASB considered an update on the Technical Group's on-going activities with respect to assurance under the NGERS, carbon pricing mechanism and related schemes and liaison with the Clean Energy Regulator and Department of Climate Change and Energy Efficiency.

International

(Agenda item 10 – Minute 829)

- (a) The Board received a report on outcomes of the IAASB meeting held 12-14 February 2013 in Brussels.
- (b) The Board received reports on IAASB Task Forces – Auditor Reporting and ISA Implementation Monitoring.
- (c) The Board discussed the proposed AUASB submission on the IAASB exposure draft on ISA 720 *The Auditors Responsibilities Relating to Other Information in Documents Containing or Accompanying Audited Financial Statements and the Auditor's Report thereon* and agreed to consider and approve the final submission out of session by 8 March 2013.
- (d) The Board noted the release of the IAASB's Consultation Paper *A Framework for Audit Quality*. The Board agreed to hold roundtables with stakeholders to be held in Melbourne and Sydney on 20 and 21 March, in conjunction with CPA Australia and the Institute of Chartered Accountants in Australia, to provide input to the development of a submission to the IAASB, which will be considered at the 29 April meeting following an interim discussion with the Board on 8 April by teleconference.
- (e) The AUASB noted the latest International Update being a report on recent activities of the IAASB and other national standard setters.

ASA 610 and ASA 315

(Agenda item 11 – Minute 830)

The AUASB received an update on the decision taken by the IAASB at its February 2013 meeting that approved the release of the revised ISA 610 *Using the Work of Internal Auditors*, which includes new provisions to allow for direct assistance by internal auditors on external audits.

The AUASB considered its approach to the impending revision of the equivalent ASA 610 in Australia, and the corresponding amendments to ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*.

After considerable discussion, the AUASB formed the view that the IAASB's amendments to ISA 610 to allow direct assistance by internal auditors on external audit engagements are inappropriate in the context of independent external audits undertaken in Australia. Accordingly, the AUASB agreed, by majority vote, not to adopt the IAASB's direct assistance provisions in the recently-issued ISA 610, but to incorporate the other revisions in a revised ASA 610 to be released later this year following exposure.

The AUASB has agreed to consult with stakeholders at roundtables to be held in Melbourne and Sydney on 20 and 21 March, on its proposed amendments to ASA 610 and ASA 315.

A draft exposure draft will be considered at the next AUASB meeting on 29 April.



Other Matters

(Agenda item 12 – Minute 831)

(a) ACNC Not-for –Profit Entities

The Board received an update on recent developments, which included the AUASB submission on the Treasury Exposure Draft: *Requirements for annual financial reports under the ACNC framework, accompanying ACNC Regulation 2012*, issued 4 February 2013.

(b) Integrated Reporting

The Board received an update on recent international and local developments on integrated reporting.

(c) SBR/XBRL

The AUASB received an update on recent developments in this area, and noted the Treasury Options Paper: *Use of Standard Business Reporting (SBR) for Financial Reports*.

(d) Water Assurance

The AUASB noted that a joint AUASB-WASB information session was held on 21 February 2013 in relation to ED 04/12 *Assurance Engagements for General Purpose Water Accounting Reports*. A project update will be considered at the 29 April meeting, which will include a preliminary analysis of ED submissions.

(e) Updated work program

An updated AUASB work program will be tabled at the 29 April meeting, including a draft work program for 2013-14, with suggested amendments to the AUASB Strategic Plan.

(f) Independence newsletter

The Board noted the December Quarter Independence Newsletter issued 17 December 2012.

(g) Agreed-upon Procedures engagements

The AUASB considered the question of restrictions on use of AUP reports beyond intended users as provided for in ASRS 4400. The Board requested that a paper be presented to the 29 April meeting regarding the requirements for restriction on use and distribution of agreed-upon procedures reports and whether this prevents distribution to other parties, where there is a subsequent agreement of the assurance practitioner and the engaging party.

Next Meeting

The next meeting of the AUASB will be held on 29 April 2013.

Close of Meeting

The Chairman closed the meeting at 4.30 p.m.

Approval

Signed as a true and correct record.

M H Kelsall
Chairman

Date: 29 April 2013