



**Subject:** Minutes of the 52<sup>nd</sup> meeting of the Auditing and Assurance Standards Board (AUASB)  
**Venue:** Ken Spencer Room, AUASB offices  
Level 7, 600 Bourke St, Melbourne  
**Date:** 25 July 2011 from 8.45 a.m. to 5.00 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
- Mr Mike Blake
- Mr Neil Cherry
- Ms Valerie Clifford
- Mr John Gavens
- Ms Elizabeth Johnstone – by telephone
- Mr Colin Murphy
- Mr Greg Pound
- Mr David Simmonds
- Mr Bernie Szentirmay
- Ms Kristen Wydell

#### Apologies

Staff

- Mr Richard Mifsud – apology
- Ms Anna Cooshna – in part
- Ms Susan Fraser – in part
- Ms Claire Grayston – in part
- Mr Alan Marrone
- Ms Marina Michaelides – in part
- Mr Howard Pratt
- Ms Patricia Wales – in part

#### Declarations of Interest and Board Member Appointments

##### (Agenda item 1 – Minute 691)

The Chairman welcomed new AUASB Member, Mr Neil Cherry, to his first AUASB meeting. Mr Cherry is the Chairman of the New Zealand Auditing and Assurance Standards Board. In a cross appointment arrangement between the two boards, Ms Merran Kelsall (AUASB Chairman) has been appointed to the NZ board from 1 July 2011.

“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.



## June 2011 Minutes

### (Agenda item 2 – Minute 692)

The Board approved the minutes of the 51<sup>st</sup> meeting held on 14 June 2011.

## Matters Arising and Action list

### (Agenda item 3 – Minute 693)

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.

Previous AUASB board papers on the response to the Future of Audit Report were tabled. The Board will discuss the best way forward to complete this response at the 12 September 2011 AUASB meeting.

## Report from AUASB Chairman on Recent Meetings, Corporate Matters and Correspondence for noting

### (Agenda item 4 – Minute 694)

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

- IAASB meeting held 20-24 June 2011.
- ASIC Standing Chairs Sub Committee on Accounting and Auditing meeting held 7 July 2011.
- ICAA – presentation at Mid-Tier Managing Partners lunch held 8 July 2011.
- Treasury – Freedom of Information meeting held 12 July 2011.
- FRC Audit Quality Task Force meeting held 19 July 2011.
- AASB/AUASB Audit Committee meetings held 29 June 2011.

## Service Organisations

### (Agenda item 5 – Minute 695)

The AUASB received an update on the project to revise Guidance Statement GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services*. The Board discussed the need for practitioners to be aware of the requirements of ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation* and ASAE 3402 *Assurance Reports on Controls at Service Organisations* when performing current engagements.

The Board:

- requested that an alert be posted on the AUASB website regarding ASA 402 and ASAE 3402 requirements.
- agreed that paragraphs that duplicate the ASA 402 and ASAE 3402 requirements be deleted from the proposed revision of GS 007.
- agreed that the operative date will be 1 January 2012, with early adoption permitted.

A further revision will be considered at the 12 September 2011 AUASB meeting.



## **Comfort Letters Project**

### **(Agenda item 6 – Minute 696)**

The Board received a report on the project to prepare a pronouncement on comfort letters. The majority of the Board agreed that:

- the pronouncement will be issued as a standard on related services (ASRS); and
- US SAS72 standard issued in May 2011 will be used as the basis for drafting the Australian standard.

Mr Pound indicated his intention not to vote in favour of the proposed ASRS ED.

A further revision will be considered at the 12 September 2011 AUASB meeting for approval to release as an ED.

## **GS 009 Auditing Self-Managed Superannuation Funds**

### **(Agenda item 7 – Minute 697)**

The Board considered a revision of Guidance Statement GS 009 *Auditing Self-Managed Superannuation Funds* that includes amendments for:

- Current Australian Tax Office (ATO) revised audit reports (SMSFs and Auditor Contravention Reports) as well as new ATO Rulings and interpretive decisions.
- Changes in the SISA and SISR legislation.
- New guidance in relation to service entity arrangements such as wrap accounts.
- Changes required following the release of the revised Clarity ASAs.

Subject to minor amendments the Board approved the revision for release in August.

## **Discussion with FRC Chairman**

### **(Agenda item 8 – Minute 698)**

Ms Lynn Wood (FRC Chairman) and Mr Michael Lim (FRC Secretary) attended the meeting. The FRC Chairman presented the FRC Strategic Plan for 2011-2014. Key issues of mutual interest that may impact on the work of the AUASB were discussed.

## **New Zealand Update**

### **(Agenda item 9 – Minute 699)**

Mr Neil Cherry provided an update on changes to the New Zealand standard setting bodies following enactment of the Financial Reporting Amendment Act 2011 effective from 1 July 2011.

The Act established the External Reporting Board (XRB) – previously the Accounting Standards Review Board (ASRB). The XRB consists of:

- The XRB Board itself (XRB Board);
- The New Zealand Accounting Standards Board (NZASB);
- The New Zealand Auditing and Assurance Standards Board (NZAuASB); and
- The XRB Staff Team (Staff).



The NZAuASB's responsibilities comprise the issuance of:

- Ethical standards for assurance providers;
- Professional standards for assurance providers;
- Standards, guidance and practice statements for audits of historical financial information;
- Standards, guidance and practice statements for reviews of historical financial information; and
- Standards, guidance and practice statements for assurance engagements other than audits or reviews of historical financial information.

### **Assurance on Water Accounting Reports**

#### **(Agenda item 10 – Minute 700)**

The AUASB approved, subject to minor amendments, the release of a consultation paper – *Assurance Engagements on General Purpose Water Accounting Reports*. The paper has been prepared jointly with the Water Accounting Standards Board and is planned for release in August with a 60 day response period.

### **Fundraisings Project**

#### **(Agenda item 11 – Minute 701)**

The Board considered a further revision of the proposed ASAE on Corporate Fundraisings and/or Prospective Financial Information following recent PAG meetings. The Board approved, subject to minor amendments, release of an exposure draft on the proposed assurance standard. The ED will be released in early August with an exposure period closing 30 September 2011.

### **International Matters**

#### **(Agenda item 12 – Minute 702)**

- (a) The Board received a report on the IAASB meeting held 20-24 June 2011.
- (b) The Board received reports on taskforce meetings of the IAASB comprising: *Audit Quality*; *ISA Implementation Monitoring*; *Reviews*; *Compilations*; and *Compilation of Pro-forma Financial Information* projects.
- (c) The Board received reports on roundtable discussions with constituents which will be considered in developing the AUASB submissions on the following IAASB exposure draft and consultation paper:
  - (i) ED: ISAE 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* (due 1 September 2011). A copy of ASAE 3000 will be attached to the AUASB submission; and
  - (ii) Consultation Paper: *Enhancing the Value of Auditor Reporting: Exploring Options for Change* (due 16 September 2011).
- (d) The Board noted the latest International Update being a report on recent activities of the IAASB and other national standard setters.

### **Other Business**

#### **(Agenda item 13 – Minute 703)**

- (a) The Board discussed the recently released ASIC Audit Inspection Report and the reported circumstances of the Centro Case. The Board will keep a watching brief.



- (b) The Board noted the APESB Consultation Paper – *Definition of Public Interest Entity* and agreed that the AUASB will make a submission.
- (c) The Board noted the AUASB Annual Regulatory Plan for 2011-2012 that has been agreed with the Office of Best Practice Regulation. The Plan will be posted on the AUASB website.
- (d) ASA 510 and ASA 705 Amendments  
In response to input from practitioners, the Board agreed to re-instate guidance material from ISA 510 and ISA 705 in the equivalent Australian standards that refers to an alternative form of reporting when an auditor is unable to obtain sufficient appropriate audit evidence on the opening balances in an initial audit engagement.  
An amending standard (ASA 2011-2) and compiled versions of ASA 510 and ASA 705 will be prepared and considered for out-of-session approval.
- (e) The Board noted proposed AUASB meeting dates for 2012 and raised some possible alternatives which will be considered out-of-session.
- (f) Carbon Tax – The Board received a verbal update on the proposed Carbon tax and the status of AUASB liaison with the Clean Energy Regulator.
- (g) The Board approved its business plan for 2011-12. The business plan and work program will be made available on the AUASB website.
- (h) Review of meeting – no other matters were noted.

### **Next Meeting**

The next meeting of the AUASB will be held on 12 September 2011.

### **Close of Meeting**

The Chairman closed the meeting at 5.00 p.m.

### **Approval**

Signed as a true and correct record

M H Kelsall  
*Chairman*

Date: 12 September 2011