



Subject: Highlights of the 38th meeting of the AUASB
Venue: Auditing and Assurance Standards Board, Melbourne
Date: 1-2 June 2009

1. Going Concern Issues

The AUASB has worked with the Australian Institute of Company Directors and has developed a joint publication focussing on the responsibilities of directors in relation to going concern issues. The publication was released on 2 June.

The AUASB Bulletin *Auditing Considerations in an Uncertain Economic Environment* was released on 30 April.

2. ASA Redrafting (Clarity Format)

Project Update:

The Board received a progress report on the "Clarity" project and noted that the project is on-track for completion, as planned, for October this year and that the revised and redrafted Auditing Standards (in Clarity format) will be operative for financial reporting periods commencing on or after 1 January 2010 and ASQC 1 from 1 January 2010.

Approval of ASQC 1

The Board considered the policy related and technical comments received on exposure of ED 09/09 of proposed ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information and Other Assurance Engagements*.

With regard to the policy issues, the Board confirmed that ASQC 1 should be issued as an AUASB Standard and operative from 1 January 2010. The release of this standard would be consistent with the AUASB's statutory public interest mandate and its issuance as a legislative instrument will confer explicit legal backing to the requirements of ISQC 1, as adopted in Australia by the AUASB in the form of ASQC 1. Moreover, the issuance of ASQC 1 would provide a significant improvement in the framework for *Corporations Act* audits, as it will apply to, and be legally enforceable in relation to audit firms.

The Board cleared ASQC 1 for final approval to release in October after agreeing to several technical editorial amendments based on comments received from ED respondents.

Approval of Redrafted Auditing Standards:

The Board also considered final versions in "Clarity" format of the following proposed Auditing Standards:

- (a) ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*
- (b) ASA 500 *Audit Evidence*

- (c) *ASA 700 Forming an Opinion and Reporting on a Financial Report*
- (d) *ASA 705 Modifications to the Opinion in the Independent Auditor's Report*
- (e) *ASA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- (f) *ASA 800 Special Considerations – Audits of a Financial Report Prepared in Accordance with Special Purpose Frameworks*
- (g) *ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- (h) *ASA 810 Engagements to Report on Summary Financial Statements*

The Board cleared these proposed Standards for final approval in October this year.

Approval of Release of Exposure Drafts:

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

- (a) *ASA 101 Preamble to Australian Auditing Standards*
- (b) *ASA 520 Analytical Procedures*
- (c) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*

The Board approved the issue of the above EDs, which will be released in June with a 30 day comment period.

3. Approval of Guidance Statement - Prudential Reporting Requirements of Authorised Deposit Taking Institutions

The Board considered a further draft of the proposed revision of AGS 1008 *Prudential Reporting Requirements of Authorised Deposit Taking Institutions*. The revised Guidance Statement provides guidance when reporting in accordance with APRA Prudential Standard APS 310 (issued in December 2008) applicable to reporting periods commencing 1 January 2009. The Board approved the issue of the revised Guidance Statement, which will be released later in the month subject to finalisation of editorial changes and further liaison with APRA.

4. Other Projects

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

The Board received an update on recent developments affecting the NGERS and CPRS schemes. The Department of Climate Change is currently progressing the draft NGERS regulations on auditor registration, as well as the legislative instrument for the conduct of audits – the latter document is expected to be received by the AUASB for comment. AUASB staff will continue to liaise with the Department on auditing and assurance related matters affecting NGERS.

(b) Specified Assurance Procedures

The Board received an update on the project to revise AUS 904 *Engagements to Perform Agreed-upon Procedures*. The project Advisory Group has met twice and is presently considering the scope of the pronouncement. The Board indicated that it would need to further deliberate as to whether the pronouncement should be developed as a Guidance Statement or as a Standard on Assurance Engagements.

(c) **Comfort Letters and Privity Letters and Fundraising**

The Board received an update on projects for the:

- development and issue of a Guidance Statement on Comfort Letters based on US SAS 72 *Letters to Underwriters and Certain Other Requesting Parties*.
- revision and reissue of AGS 1014 Privity Letter Requests.
- revision of AUS 804 *The Audit of Prospective Financial Information* and AGS 1062 *Reporting in Connection with proposed Fundraising* and reissue as one Standard on Assurance Engagements (ASAE).

(d) **Withdrawal of AGS 1006**

The Board approved the immediate withdrawal of AGS 1006 *Expression of an Opinion on Internal Control*.

5. **International Matters**

IAASB and National Auditing Standards Setters Meeting and International Update

The Board received a report on the highlights of the National Auditing Standards-Setters Meeting held in Vancouver, Canada on 23-24 April 2009. The Board also noted the key agenda items to be discussed at the June 2009 IAASB meeting.

The Board noted the latest International Update on the activities of the IAASB and other national standards setters for the period April-May 2009. The International Update is available on the AUASB web site.

6. **Corporate Planning**

The Board approved its Corporate Plan for 2009-12 and Business Plan for 2009-10. These documents will be made available on the AUASB web site after the FRC meeting to be held on 10 June.

7. **Discussion with Mr J Lucy – Chairman of the Financial Reporting Council**

Mr Jeffrey Lucy (FRC Chairman) participated in a public discussion with the Board on various matters of interest.

***The next AUASB meeting will be held on 20 and 21 July 2009
at Level 7, 600 Bourke Street, Melbourne.***

The meeting will be open to the public.

Details of the meeting agenda are posted on the AUASB web site www.auasb.gov.au in the week prior to the meeting.

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