



Subject: Minutes of the 57th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 4 June 2012 from 8.30 a.m. to 4.45 p.m.

All agenda items were discussed in public.

Attendance

Members present

- Ms Merran Kelsall (Chairman)
- Mr Jon Tyers (Deputy Chairman)
- Ms Dianne Azoor Hughes
- Mr Neil Cherry (By videoconference)
- Ms Valerie Clifford (until 4.00 p.m.)
- Mr John Gavens (1.30 p.m. onwards)
- Prof. Nonna Martinov-Bennie
- Mr Colin Murphy
- Mr Greg Pound
- Mr David Simmonds
- Mr Bernie Szentirmay (9.10 a.m. onwards)
- Ms Kristen Wydell

Apologies

- Ms Elizabeth Johnstone

In attendance

- Mr Richard Mifsud (Executive Director)
- 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 – in part
- Ms Patricia Wales – in part

Declarations of Interest

(Agenda item 1 – Minute 763)

“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.



April 2012 Minutes

(Agenda item 2 – Minute 764)

The Board approved the minutes of the 56th meeting held on 16 April 2012.

Matters Arising and Action list

(Agenda item 3 – Minute 765)

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 766)

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

- IAASB meeting on Auditor Reporting in London attended by telephone on 17-18 April 2012
- IESBA NSS meeting in New York on 25 April 2012
- IAASB NSS meeting in New York on 26-27 April 2012
- Videoconference with the IMF Banking Assessors on 7 May 2012
- FRC meeting held in Sydney on 10 May 2012
- IAASB Auditor Reporting Task Force Meetings held on 14-15 May 2012
- FRC Integrated Reporting Task Force teleconference on 22 May 2012
- FRC Audit Quality Taskforce teleconference on 23 May 2012

AUASB Strategic Plan 2012-15

(Agenda item 5 – Minute 767)

The AUASB discussed, in camera, an updated draft of its strategic plan for the period 1 July 2012 to 30 June 2015. The AUASB is working towards completion of the plan for issuance in late June 2012.



AUASB and New Zealand harmonisation of standards

(Agenda item 6 – Minute 768)

The AUASB further discussed a draft joint policy paper on the principles of convergence of standards with international standards and harmonisation of trans-Tasman standards. The paper will be further amended and considered for out-of-session approval to release later this month.

Foreword to AUASB Pronouncements and Due Process

(Agenda item 7 – Minute 769)

- (a) The Board considered a revision of the *Foreword to AUASB Pronouncements*. The Board approved the revised Foreword for release later this month.
- (b) The Board agreed that a separate document be developed to provide information about the AUASB's mandates, its operations and the development of pronouncements and other publications. As a component part of this document, the Board considered a draft paper on the AUASB's due process and confirmed that there will be no change to the Board's current due process with respect to its exposure of proposed new standards that are based on IAASB Standards. The Board requested additional information on Project Advisory Groups (PAGs) be provided at the future meetings.

Bulletin on Audit Scepticism

(Agenda item 8 – Minute 770)

The Board considered an AUASB Bulletin titled *Professional Scepticism in an Audit of a Financial Report*. The Board requested amendments and a revision will be considered for out-of-session approval to release in June 2012.

Audit Committees Best Practice Guide

(Agenda item 9 – Minute 771)

The Board considered a revision of the publication *Audit Committees a Guide to Good Practice* – a joint publication with the Australian Institute of Company Directors (AICD) and The Institute of Internal Auditors - Australian (IIA-A). The Board approved the Guide, subject to minor amendments, consideration by the AICD and IIA-A, and editorial review. It is anticipated the Guide will be released in July 2012 with a joint launch planned with the other two sponsoring bodies.

Australian Accounting Standards Board (AASB)

(Agenda item 10 – Minute 772)

Mr Kevin Stevenson (Chairman of the AASB) presented to the Board on the following matters involving the AASB:

- IAASB projects;
- AASB Not-for-profits work program;



- Special Purpose Financial Reporting;
- The International Scene.

The Board thanked Mr Stevenson for his presentation.

Fundraisings Project

(Agenda item 12 – Minute 773)

At the previous AUASB meeting on 16 April 2012, the Board requested that feedback be sought from particular constituents in respect of one issue related to ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* (ASAE 3450) and one issue related to ASAE 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* (ASAE 3420). At the 4 June 2012 AUASB meeting, the Board considered a summary of this feedback, together with Technical Group recommendations for how to address these issues.

Key matters discussed included:

- The inclusion of an option within proposed ASAE 3420 to conduct engagements to report on the compilation of pro forma financial information as limited assurance engagements.
- The appropriate type of assurance to be included within proposed ASAE 3450 in respect of assurance reporting on the different elements of prospective financial information.

The Board decided, after considering a summary of constituent feedback and further discussion in respect of the above key matters:

- To allow the option for the assurance practitioner to conduct an engagement to report on the compilation of pro forma financial information as a limited assurance engagement as well as on a reasonable assurance basis as per ISAE 3420. Furthermore, the Board requested requirements and guidance be included to distinguish the work effort for a limited assurance engagement in this area from that of a reasonable assurance engagement. A marked up version of proposed ASAE 3420, incorporating these changes, is to be presented at the 23 July AUASB meeting.
- To allow the option for the assurance practitioner to conduct an engagement to report on prospective financial information as either a limited assurance engagement or as a combination of limited and reasonable assurance on certain elements of that financial information, as follows:
 - Limited assurance reporting on whether the assumptions provide reasonable grounds for the prospective financial information. (Limb 1)
 - Limited or reasonable assurance reporting on whether the prospective financial information is prepared in accordance with the assumptions, and presented fairly in accordance with the stated basis of preparation; and (Limb 2)
 - Limited assurance reporting on whether the prospective financial information itself is unreasonable. (Limb 3)

Furthermore, the Board requested in respect of Limb 2, requirements and guidance be included to distinguish the work effort for expressing limited assurance from that of reasonable assurance. A marked up version of proposed ASAE 3450, incorporating these changes, is to be presented at the 23 July AUASB meeting.



Going Concern

(Agenda item 13 – Minute 774)

- (a) The AUASB considered proposed amendments to [Aus] Appendix 1 in ASA 570 *Going Concern*. The Board agreed to amend the Appendix for incorporation in an Amending Standard, and requested further amendments. The Amending Standard will then be considered for out-of-session approval later this month.
- (b) The Board also considered a draft update to the AUASB Bulletin *Auditing Considerations in a Prolonged Uncertain Economic Environment*. The Board requested further amendments and a revision will be considered for out-of-session approval later this month.

NGERS and Clean Energy Schemes and Greenhouse Gas Assurance

(Agenda item 14 – Minute 775)

The AUASB was provided with an update of the status of the Clean Energy Scheme (CES) and the conduct of audits under the National Greenhouse and Energy Reporting Scheme (NGERS).

An exposure draft of the proposed assurance standard ASAE 3410 *Assurance on Greenhouse Gas Statements* was released in early May, with the comment period closing on 8 June 2012. A disposition paper on comments received will be considered out-of-session. It is intended that the proposed standard be operative for reporting periods commencing on or after 1 July 2012 to coincide with the commencement of the Australian Government's carbon pricing mechanism. Accordingly, the proposed standard will also be considered out-of-session for approval to release in late June.

The Board approved a project plan to develop a Guidance Statement, which will link the NGERS and CES assurance requirements with the requirements of the AUASB Standards including ASAE 3410. A project advisory group will be formed for this project.

Internal Control Engagements

(Agenda item 15 – Minute 776)

The AUASB received a further update on the project to develop a new assurance standard on engagements to report on controls and discussed further aspects of the scope of the proposed standard, which is being jointly undertaken with the NZAuASB. The AUASB Technical Group has commenced drafting the revised standard. The project timetable has been revised in light of other competing priorities.

Australian Charities and Not-for-profits Commission (ACNC)

(Agenda item 16 – Minute 777)

The AUASB received an update on the ACNC proposed legislation and preliminary comments, on auditing and assurance related issues, provided by the AUASB.



Proposed APRA Prudential Standards for Superannuation

(Agenda item 17 – Minute 778)

The AUASB received an update on APRA Prudential Standards for superannuation issued on 27 April 2012. A project plan for the development of a Guidance Statement on the draft APRA standards will be considered at the 23 July AUASB meeting.

International Matters

(Agenda item 18 – Minute 779)

- (a) The Board received a report on the IAASB and National Standards-Setters meeting, attended by the AUASB Chairman and Executive Director, which was held on 26-27 April 2012 in New York.
- (b) The AUASB received reports on the IAASB projects: *Auditor Reporting*, *Audit Quality*, *ISA Implementation Monitoring*; *Disclosures*; and *Review Engagements*.
- (c) The AUASB discussed key agenda items for the IAASB meeting to be held on 11-15 June 2012 in Edinburgh.
- (d) The AUASB noted the latest International Update being a report on recent activities of the IAASB and other national standard setters.

Other Matters

(Agenda item 19 – Minute 780)

- (a) Post Implementation Review of ASAE 3100 *Compliance Engagements* and ASAE 3500 *Performance Engagements*

The Board received an update on the progress of responses from the post implementation survey for the Compliance and Performance assurance standards.

- (b) Integrated Reporting

The Board received an update on progress by the International Integrated Reporting Council on the outcomes of a recent discussion paper and the Business Leaders Reform Forum meeting held in early May 2012.

- (c) Assurance on Water Accounting Reports

The AUASB received a further project update on the development of an assurance standard for engagements on general purpose water accounting reports.

- (d) Applying Auditing Standards to Small Entity Engagements

The Board approved for release, subject to minor amendments and approval by the NZAuASB, a joint paper with the NZAuASB entitled *Applying the Australian and New Zealand Auditing Standards in Audits of Smaller Entities*.



Next Meeting

The next meeting of the AUASB will be held on 23 July 2012.

The Chairman closed the meeting at 4:45 p.m.

Approval

Signed as a true and correct record.

M H Kelsall
Chairman

Date: 23 July 2012