



Subject: Minutes of the 70th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 10 June 2014 from 10.00 a.m. to 5.00 p.m.

All Agenda Items were discussed in public.

Attendance

AUASB Members:

- Ms Merran Kelsall (Chairman)
- Ms Jo Cain
- Mr Neil Cherry (10.00 a.m. – 12.30 pm; 3.30 p.m. – 5.00 p.m.)
- Ms Valerie Clifford
- Mr John Gavens
- Mr Chris George (from 11.00 a.m.)
- Ms Robin Low
- Ms Caithlin Mc Cabe
- Ms Jane Meade
- Mr Colin Murphy
- Mr Greg Pound
- Mr Bernie Szentirmay

Apologies: Prof. Nonna Martinov-Bennie

AUASB Technical Group:

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

Declarations of Interest

(Agenda Item 1 – Minute 928)

“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 AUASB.

Minutes

(Agenda Item 2 – Minute 929)

The AUASB approved the minutes of the 69th meeting held on 7 April 2014.



Matters Arising and Action list

(Agenda Item 3 – Minute 930)

The status of matters arising brought forward from previous AUASB meetings and action items were noted. The AUASB requested a response to be drafted in relation to the ASIC deregulation initiative *Report 391* impacting Managed Investment Schemes.

Revised Assurance Framework and Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information and Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a Result of Revisions to ASAE 3000

(Agenda Item 4 – Minute 931)

The AUASB considered the final pronouncements on the *Framework for Assurance Engagements*, ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the conforming amendments to the other ASAE's.

The AUASB discussed and agreed not to stipulate within ASAE 3000 a specific requirement for risk assessment and internal controls for limited assurance engagements which had been proposed on the earlier Exposure Draft, since there are an extensive variety of engagements impacted by ASAE 3000. Instead, it was agreed that these pronouncements should conform with the IAASB's revised ISAE 3000 and conforming amendments issued in December 2013, based on feedback received from the exposure process which indicated that such amendments would not be compelling. Whilst two members supported the case for specific mention of risk assessment and internal controls evaluation as per the Exposure Draft, as a preferable outcome, they agreed to support the issue of the document given that all aspects of the AUASB's criteria under the "compelling reasons" test were not met. On exposure, the majority of respondents supported the IAASB requirements without substantive changes. The AUASB however agreed to use the term "assurance practitioner" and "lead assurance practitioner" and reference to relevant ethical requirements contained in ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagement*. Accordingly, the AUASB considered that there were no compelling reasons to make substantive amendments to the requirements of ISAE 3000. Consideration may be given to expanded risk and controls assessment requirements in subsidiary standards e.g. ASAE 3100, ASAE 3500 and the new ASAE on Controls Assurance.

All members present of the AUASB approved the issue of the revised Framework for Assurance Engagements, ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and the conforming amendments to ASAE 3402 and ASAE 3410 as a result of the revisions to ASAE 3000. Eleven members of the AUASB approved the conforming amendments to ASAE 3420 as a result of revisions to ASAE 3000 with one member (Ms Mc Cabe) abstaining from the vote (refer addendum).

These pronouncements and conforming amendments will be issued in late June 2014 and apply to assurance engagements commencing on or after 1 January 2015 with early adoption permitted where appropriate.

Assurance on Controls

(Agenda Item 5 – Minute 932)

After considering a further draft of the proposed Standard for Assurance Engagements on Controls, eleven members of AUASB approved the proposed Standard to be issued as an Exposure Draft (ED 01/14), subject to finalisation of further editorial amendments, with one member (Ms Mc Cabe) abstaining from the vote (refer addendum). ED 01/14 will be released once the amendments are finalised. The Exposure Draft will have a 60 day comment period ending 22 August 2014 and roundtables will be held in July/August.



GS 003 Audits of AFSL Licensees

(Agenda Item 6 – Minute 933)

The AUASB considered a revised draft of the revision to GS 003 *Assurance Relating to Australian Financial Services Licences issued under the Corporations Act 2001*. Finalisation of the GS is subject to ASIC's consideration of several outstanding technical matters.

Assurance Engagements to Report on Combined Reporting Frameworks

(Agenda Item 7 – Minute 934)

The AUASB considered a revised scope and format proposal for a new guidance statement (GS) dealing with grant acquittals and other combined assurance engagements. The AUASB discussed the overall scope and format of the proposed GS and approved it as a working document with which to commence development of the guidance material. The AUASB Technical Group was instructed to establish a project advisory group (PAG) with representation from auditors, preparers and user groups.

As an interim measure, the AUASB decided to rename the project: "*Contractual, Regulatory and Grant Acquittal Compliance Engagements*" but requested further input from the PAG once established.

Subject to extending the proposed timetable, the AUASB approved the project plan.

International

(Agenda Item 8 – Minute 935)

(a) NSS Meeting 29-30 May 2014

The AUASB received a report on key matters discussed at the NSS meeting held on 29-30 May 2014 in New York which largely focused on the auditor reporting project and the IAASB strategy and work program for the next 5 years.

(b) IAASB Meeting 16-20 June 2014

The AUASB considered the papers on auditor reporting, which will be the major focus of the IAASB meeting to be held 16-20 June 2014 in New York. The AUASB Technical Group provided the AUASB with a summary of the key developments in the Auditor Reporting project. The presentation and discussion focussed on changes that the IAASB drafting teams had made in response to feedback received on the IAASB's exposure draft. Particular attention was paid to the requirements and practical application issues around key audit matters (KAM) and exception reporting in relation to going concern. The discussion centred on how auditors will have to deal with sensitive matters such as going concern "near misses" and whether any such matter constitutes a KAM.

One AUASB member, Mr Pound, raised the issue of an apparent conflict between compliance with the confidentiality requirements in ethical standards and the (proposed) KAM requirements in the auditing standards, particularly in respect of sensitive matters such as a going concern "near miss".

The AUASB was briefed on two other IAASB projects, namely: the revision of ISA 720 (the auditor's responsibilities regarding other information); and the new standard on auditing disclosures. Further, the AUASB was apprised of the IAASB's timetables and the likely timetable for developing and issuing the Australian equivalents.



(c) *Trans-Tasman Harmonisation*

The AUASB considered a final version of the amendments to the joint AUASB/NZAuASB policies on convergence with international standards and harmonisation with New Zealand standards. With minor editorial changes, preliminary approval was given and the AUASB requested the documents be passed on to the NZAuASB for their approval.

Corporate Matters

(Agenda Item 9 – Minute 936)

(a) *Report from AUASB Chairman on Recent Meetings*

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

- IAASB and teleconferences re strategy and work programs
- FRC audit quality meeting
- NSS meeting in New York
- IAASB INFO Working Group meeting in London focusing on Integrated Reporting and assurance on hybrid/non-financial information together with use of Big Data and the effect of Data Analytics on the audit)
- IIRC meeting with Mr Paul Druckman
- UK FRC meeting focusing on going concern and auditor reporting and banking sector projects

(b) *Report from NZAuASB Chairman*

Mr Cherry updated the AUASB on developments impacting the NZAuASB including: alignment with the AUASB projects of ASAE 3000 and auditor reporting, regulatory change impacted by the merger of the Institute of Chartered Accountants Australia and New Zealand; and NZAuASB user needs research project.

(c) *Consultative Meeting feedback and revised AUASB Technical Program for 2014-15*

The AUASB noted the summary feedback of the AUASB Consultative Meeting held on 8 April 2014 and the updated AUASB technical program. The AUASB suggested that the requested guidance arising from the consultative meeting, on group audits and data analytics, be held off as it is expected that the IAASB will commence similar projects. The AUASB acknowledged that a project on cloud computing and cyber security could be further explored.

(d) *Current AUASB PAG memberships*

The AUASB noted the current PAG membership listing.

(e) *Proposed AUASB Meeting Dates for 2015*

The AUASB noted the proposed AUASB meeting dates for 2015. Final dates will be confirmed prior to the next AUASB meeting.



Other Matters

(Agenda Item 10– Minute 937)

(a) *Integrated Reporting*

The AUASB received an update on the Chairman's meeting with the IIRC CEO Mr Paul Druckman in June 2014.

(b) *Department of Environment and CER update*

The AUASB received an update on developments in relation to the proposed Emissions Reduction Fund, including the activities of the Clean Energy Regulator and the Department of Environment

(c) *Deregulation Agenda*

The AUASB received an update on developments in relation to the deregulation agenda impacting the AUASB.

(d) *Other*

The AUASB thanked the FRC Chairman, Ms Lynn Wood, for her interest and active involvement in the affairs of the AUASB particularly her support regarding improvements in audit quality and noted that her term as FRC Chairman has just ended.

Next Meeting

The next meeting of the AUASB will be held on Tuesday, 9 September 2014 commencing at 10.00 a.m.

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: 21 October 2014



Addendum

Conforming Amendments to ASAE 3420 as a Result of Revisions to ASAE 3000

(Agenda Item 4 – Minute 931)

Reasons for abstention from the vote approving the conforming amendments to ASAE 3420 as a result of revisions to ASAE 3000

Ms C Mc Cabe – Abstaining AUASB Member

Ms Mc Cabe gave the following reason for her abstention on the vote in respect of ASAE 3420. ASAE 3420 has been modified from the equivalent international standard upon which it is based to allow for practitioners to perform limited assurance engagements. Given the subject matter of the standard, Ms McCabe does not believe that a limited assurance engagement to conclude whether the process has been following results in a meaningful engagement that will be understood by users. She did note however that she supported the conforming amendments that had been made to ASAE3420 as a result of the revisions to ASAE3000.

Assurance on Controls

(Agenda Item 5 – Minute 932)

Reasons for abstention from the vote to approve the proposed Standard to be issued as an Exposure Draft.

Ms C Mc Cabe – Abstaining AUASB Member

Ms Mc Cabe gave the following reason for her abstention on the vote in respect of ASAE 34XX. She noted that the development of this standard had been underway for some considerable time before she became a board member and acknowledged the efforts to respond to some of her concerns with the proposed standard. However, she continued to have some significant concerns in relation to the appropriateness of limited assurance engagements on controls. Her key concerns were that difference in the requirements between limited and reasonable assurance engagements were not sufficiently clear and that users of a limited assurance report may not understand the scope of the engagement and the nature of the assurance that the practitioner had obtained. Finally, she felt that the standard required further enhancement for circumstances where a direct engagement was performed.