



Subject: Minutes of the 88th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: TEQSA Boardroom, Tower Level 14, 530 Collins Street, Melbourne
Date: 1 March 2017 from 8.30 a.m. to 5.00 p.m.

Attendance

AUASB Members:

- Ms Merran Kelsall (Chairman)
- Ms Robin Low (Deputy Chairman)
- Mr Gareth Bird
- Mr Robert Buchanan
- Ms Jo Cain
- Mr Chris George
- Prof. Nonna Martinov-Bennie
- Mr Colin Murphy
- Ms Carolyn Ralph
- Mr Justin Reid
- Mr Ashley Wood

AUASB Technical Group:

- Mr Matthew Zappulla
- Ms Rene Herman
- Ms Marina Michaelides
- Ms Anne Waters
- Mr Mark Dowling

Observers

- Prof. Roger Simnett
- Ms Fiona Campbell
- Ms Kala Kandiah (AASB)
- Ms Evelyn Ling (AASB)
- Ms Claire Grayston (CPA)
- MS Melanie Scott (CA ANZ)

Welcome and Declarations of Interest

(Agenda Item 1 – Minute 1089)

The AUASB Chairman welcomed Professor Roger Simnett (AUASB Chair from 1 April 2017) and Fiona Campbell (IAASB Member) who attended the AUASB meeting as observers, and Matthew Zappulla (AUASB Technical Director) to his first meeting.

(Agenda Item 1 – Minute 1090)

“Declaration of Interests” forms for members were tabled and confirmed. Members have adopted a 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 1 – Minute 1091)

The Chairman approved the minutes of the 86th (held on 29 November 2016) and 87th (held on 31 January 2017) AUASB meetings.



Matters Arising and Action List

(Agenda Item 1 – Minute 1092)

The status of matters arising and action items brought forward from the previous AUASB meeting was noted.

Auditor Reporting Implementation

(Agenda Item 2 – Minute 1093)

The AUASB continued their discussions on the communication of key audit matters for parent entity financial statements, stapled security groups and condensed interim financial reports. The discussion included a review of the legal advice received by the AUASB on these matters and focused on both the technical and practical issues arising.

PARENT ENTITY FINANCIAL STATEMENTS

The AUASB discussed the views of individual members in relation to when key audit matters should be reported in respect to a 4 column parent and consolidated entity financial report (typically prepared by entities subject to regulation by APRA).

The discussions centred around the definition of a complete set of financial statements (a term used in ISA 701) and whether ASA 701 is impacted by jurisdictional issues arising from the use of Australian Corporations Act terminology and use of the term financial report.

A number of factors were discussed in relation to when the parent entity information could be considered to be a complete set of financial statements, including the completeness of note disclosures (such as related party information, commitments and contingencies) as well as whether the audit opinion covers both the parent and consolidated entities. The AUASB noted mixed practice in this area.

The AUASB discussed when the financial report is a complete set of financial statements, and the auditor is providing an opinion on the parent entity, should separate key audit matters be reported for both the parent and consolidated entities.

As there is mixed practice in the preparation of parent entity financial statements, and auditor's report there on, and the definition of a complete set of financial statements is an accounting matter, the AUASB requested that AUASB technical consult with the AASB technical group and prepare a paper for consideration by the AUASB.

STAPLED SECURITIES GROUPS

The AUASB discussed the views of individual members whether key audit matters should be reported for listed individual entities within a stapled group, in addition to the stapled group as a whole.

The AUASB discussed whether the individual financial reports could be considered as a complete set of financial statements and came to a consensus that as they are required to be completed by the Corporations Act, they are a complete set of general purpose financial statements.

Additional discussion centred on the definition of a listed entity and whether the individual entities in a stapled group are separately listed on the ASX official quotation list. Legal advice obtained by the AUASB Technical Group in relation to this matter was deemed to be inconclusive.



At the request of the Chair a show of hands was called, and passed by a majority of members, that the AUASB believed that, in their view:

- only the stapled group met the definition of a listed entity; and
- consequently the reporting of key audit matters by stapled securities entities was only required at the stapled group level.

Consequently, the AUASB directed that the AUASB Technical Group to conduct further research in relation to this issue to confirm the Board's technical position and obtain additional feedback from the ASX and ASIC given the inconclusive legal advice received on the topic to date.

CONDENSED INTERIM FINANCIAL REPORTS

The AUASB discussed the views of individual members in relation to whether key audit matters should be reported for interim financial reports that are subject to an audit.

The AUASB discussed whether the interim financial reports could be considered to be a complete set of financial statements under the relevant accounting standards (AASB 134 & AASB 101), as well as whether KAMs should be required or optional.

The AUASB requested that technical staff conduct further research in relation to the definition including consultation with the AASB.

Auditor Reporting – Auditor's Responsibilities Statements

(Agenda Item 2 – Minute 1094)

The AUASB approved the preparation of additional Auditor's Responsibilities Statements by the technical staff.

GS 001 Concise Financial Reports

(Agenda Item 3 – Minute 1095)

The AUASB approved for issue the revised version of GS 001 *Concise Financial Reports Under the Corporations Act* subject to final editorials and quality review being completed. The revised guidance statement will be released during April 2017.

Revision of Audit Committees – A Guide to Good Practice, 3rd edition

(Agenda Item 4 – Minute 1096)

The AUASB considered and provided input into the draft *Audit Committees – A Guide to Good Practice*. The AUASB made further suggestions for consideration by the technical staff and the other co-authors of the guide (the Australian Institute of Company Directors and the Institute of Internal Auditors). The next version of the guide will be circulated to the AUASB for out of session review and approval in order to meet the proposed publishing timetable.



International Update

(Agenda Item 5 – Minute 1097)

- (a) Data Analytics Request for Input Submission
The AUASB discussed the pending submission and recommended a number of changes to be incorporated prior to submission to the IAASB.
- (b) Agreed-Upon Procedures – IAASB Discussion Paper Submission
The AUASB discussed the pending submission and recommended a number of changes to be incorporated prior to submission to the IAASB.
- (c) IAASB SMP Workshop Update
An AUASB Member provided the board with a summary of their attendance at the IAASB SMP Conference held in Paris on 26 & 27 January 2017.
- (d) EER Update – Final Submission for Information Only
The AUASB noted the final draft of the EER submission.

ASAE 3500 Performance Engagements

(Agenda Item 6 – Minute 1098)

The AUASB considered an initial version of the revised exposure draft of ASAE 3500 *Performance Engagements*. The AUASB complimented the work done to date by the Project Advisory Group and technical staff, provided feedback and requested that an updated exposure draft be provided for the 26 April 2017 AUASB meeting.

Other Business

(Agenda Item 7 – Minute 1099)

- (a) AASB Tentative Agenda Decision on *KMP related party transactions for public sector entities*
The AUASB discussed the AASB Tentative Agenda decision and provided comment to the AASB Technical Director who attended the meeting as an observer.
- (b) PIOB Workshop Update (for noting only)
The AUASB noted the PIOB workshop update.
- (c) ACNC update
The AUASB were provided an update in relation to AUASB Technical Group input in relation to the updated example audit reports published by the ACNC.
- (d) APRA update
The AUASB were provided an update in relation to AUASB Technical Group input in relation to the Approved Audit Form (SPS 310) published by APRA.



Closed Session

(Agenda Item 8 – Minute 1100)

(a) Voting Procedures

The AUASB discussed and approved the following changes to the AUASB's voting rules:

- The required quorum for a meeting of the AUASB will change from 7 out of 11 members to a majority of members (i.e. 6 out of 11 members).
- The required number of affirmative votes to approve an Auditing, Assurance or Other Standard (including related published guidance) will change from 9 out of 11 members to a two-third's majority (i.e. 8 out of 11 members).
- The required number of members to agree to the holding of an out-of-session vote will change from 7 out of 11 members to a majority of members (i.e. 6 out of 11 members)

(b) Strategic Objectives

The AUASB discussed the current AUASB mission statement and strategic objectives with a view to continuing the discussion at the next AUASB meeting to be held on 26 April 2017.

Next Meeting

The next regular meeting of the AUASB will be held will be on 26 April 2017 at the CPA Australia Committee Room, Level 3, 111 Harrington Street, Sydney at 8.30am.

Close of Meeting

The Chair closed the meeting at 5.00 p.m.

Approval

Signed as a true and correct record.

Prof Roger Simnett
Chair

Date: 30 May 2017