



Subject: Minutes of the 54th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne
Date: 28 November 2011 from 8 50 a.m. to 4 45 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 Ms Valerie Clifford Mr John Gavens Ms Elizabeth Johnstone - by telephone Mr Greg Pound Mr David Simmonds Mr Bernie Szentirmay
Apologies	Mr Colin Murphy Mr Neil Cherry
In attendance	Mr Richard Mifsud (Executive Director) Ms Anna Cooshna Ms Susan Fraser – in part Ms Claire Grayston – in part Ms Marina Michaelides – in part Ms Patricia Wales – in part Mr Howard Pratt – in part

Declarations of Interest and Board Member Appointments

(Agenda item 1 – Minute 717)

“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.

September 2011 Minutes

(Agenda item 2 – Minute 718)

The Board approved the minutes of the 53rd meeting held on 12 September 2011, subject to the following minor amendments:

- Minute 711: Mr Pound requested that the reason for his intention not to vote in favour of the proposed ASRS ED for comfort letters be documented.



- Minute 714: The Chairman advised that the Future of Audit Report was a closed item as there were no further matters to be dealt with.

Matters Arising and Action list

(Agenda item 3 – Minute 719)

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 720)

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

- Joint Accounting Bodies International Representatives meeting in Sydney held on 13 September 2011.
- IAASB meeting held on 19-23 September 2011.
- NZAuASB/AUASB meeting held on 29 September 2011.
- Institute of Internal Auditors (IIA-A) meeting with Mr C McRostie and Ms S Koehn held on 12 October 2011.
- ASIC Directors Briefing on the Centro decision held on 19 October 2011.
- AICD meeting on Institutional Investor Briefing held on 18 November 2011.
- IFRS Asia-Oceanic conference held on 25 November 2011.

Joint Video Conference with New Zealand AuASB

(Agenda item 5 – Minute 721)

The AUASB, in the spirit of Trans-Tasman closer co-operation, held a joint video conference with New Zealand colleagues from the newly formed NZAuASB. It was agreed that both the Australian and New Zealand boards should benefit greatly from sharing resources on certain projects, and that opportunities to do so would be sought by both parties on an on-going basis. The Boards will consider developing a joint statement on the principles of conformity with the International Standards on auditing and harmonisation of auditing standards between New Zealand and Australia in early 2012.

The key items discussed were:

- Licensing of auditors and accreditation of ICAA members in NZ
The NZAuASB is working on a consultation paper on how to approach the audit of issuers in New Zealand. Education and experience requirements might be made tighter and broader.
- Ethical standards



The NZAuASB is updating its ethical standard and is using the Australian code of ethics APES 110 as a base.

- **Harmonisation**
The NZAuASB has just completed a road show around New Zealand. There is great demand for the level of assurance and quality but there also is an acknowledgement of the costs involved with harmonisation and producing a set of audited financial reports.
- **Web-based survey**
The boards discussed the use of a web-based survey to obtain real-time responses to documents, independent proposals and other documents. The Boards intend to join forces to implement the survey.

Amendments to ASA 510 and ASA 705

(Agenda item 6 – Minute 722)

The AUASB deliberated on the proposed amendments to ASA 510 *Initial Audit Engagements – Opening Balances* and ASA 705 *Modifications to the Opinion in the Independent Auditor’s Report* regarding “split opinions”. The Board considered a letter from ASIC regarding the matter of ‘split opinion’ audit reports and agreed to discuss the matter further with ASIC and report back at the 27 February 2012 meeting.

Corporations Legislation Amendment (Audit Enhancement) Bill 2011

(Agenda item 7 – Minute 723)

The AUASB considered a staff paper on the proposed legislative reforms to the *Corporations Act 2001* and the *ASIC Act 2001*. It was agreed that no further action was required from the AUASB.

ASIC

(Agenda item 8 – Minute 724)

Mr Michael Dwyer, Commissioner and Mr Doug Niven, Senior Executive Leader, attended the board meeting and presented key information on various audit related issues with the AUASB.

Areas discussed included:

- **ASIC strategy and audit activities**
- **Inspection findings**
The main findings in the recent inspection report related to:
 - Audit evidence;
 - Professional scepticism; and
 - Engagement quality control issues.
- **Focuses**
ASIC will be performing more work on:
 - the use of experts;
 - opinion shopping; and
 - outsourcing to other countries
- **Auditing standards**
Specific matters to be considered included:
 - Service organisations;
 - Use of experts;



- Using the work of other auditors and Group audits;
 - Disclosures; and
 - Use of Internal audit
- Recent cases
ASIC advised that there did not appear to be 'gaps' in the Auditing Standards, but more a matter of audits in some instances, not being undertaken at the required level of quality.

International Matters

(Agenda item 9 – Minute 725)

- (a) The AUASB discussed taskforce meetings of the IAASB comprising: *Audit Quality; ISA Implementation Monitoring; Reviews of Financial Statements; and Review Engagements.*
- (b) The AUASB considered key IAASB papers, which form part of the agenda for the forthcoming IAASB meeting to be held on 5-9 December 2011:
 - IAASB Strategy and Work Program, 2012-2014
 - Using the work of internal auditors
 - Auditor Reporting
 - Greenhouse Gas Engagements
 - The Evolving Nature of Financial Reporting: Disclosure and its Audit
 - The Auditor's Responsibilities Relating to Other Information in Documents Containing and Accompanying Audited Financial Statements and the Auditor's Report Thereon
- (c) The AUASB noted the latest International Update being a report on recent activities of the IAASB and other national standard setters.

Fundraisings and Comfort Letter Projects

(Agenda item 10 – Minute 726)

The AUASB received a preliminary update on key comments provided by respondents to ED 02/11 ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information* and ED 03/11 ASRS 4450 *Comfort Letter Engagements*. The Board will consider all detailed comments and the AUASB Technical Group's recommendations at its next meeting on 27 February 2012.

Comfort Letters:

- 4 submissions were received.
- The AUASB is awaiting a submission from a law firm.
- Some of the submissions requested the removal of paragraph 8 (overseas jurisdictions).

Fundraisings:

- 9 submissions were received.
- The submissions received have differing suggestions on the format and content of the ASAE.



NGER and Clean Energy Schemes

(Agenda item 11 – Minute 727)

The AUASB was provided with an update on the status on the Clean Energy Scheme and the conduct of audits under the National Greenhouse and Energy Reporting Scheme (NGERS). The Board agreed to develop ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*, in conformity with ISAE 3410 following the standard's release in mid-2012, and develop a guidance statement for applying the proposed ASAE 3410 when conducting "audits" under NGERS.

Internal Control Engagements

(Agenda item 12 – Minute 728)

The AUASB agreed to commence a project to revise AUS 810 *Special Purpose Reports on the Effectiveness of Control Procedures* and issue a new Standard on Assurance Engagements. The Board suggested some amendments to the Project Plan which will be approved out-of-session.

- The project plan will be amended to reflect suggestions by the Board.
- The Board agreed to include representatives from New Zealand and the public sector in the Project Advisory Group (PAG).

APRA

(Agenda item 13 – Minute 729)

The AUASB was presented with a general update on key APRA projects. The Board also considered audit related matters contained in the APRA discussion paper: *Prudential Standards for Superannuation*. It was agreed that the AUASB would make a submission to APRA on the discussion paper and to consider in 2012 the development of a new guidance statement that would address the audit requirements which would be contained in a new APRA prudential standard in this area.

Integrated Reporting

(Agenda item 14 – Minute 730)

The AUASB considered a draft response to the IIRC paper: *Towards Integrated Reporting – Communicating Value in the 21st Century* and agreed to finalise the submission out-of-session.

Assurance on Water Accounting Reports

(Agenda item 15 – Minute 731)

The AUASB received a project update on the responses to consultation paper: *Assurance Engagements on General Purpose Water Accounting Reports*, which was prepared jointly with the Water Accounting Standards Board. The Project Advisory Group and Steering Committee will meet in December to further consider next steps in the project.

FEE Paper on SMP Audits

(Agenda item 16 – Minute 732)

The AUASB considered the draft of a joint AUASB Bulletin-NZAuASB (Explanatory Guide) which is based on Briefing Paper No. 7 *Proportionality and ISAs*, recently issued by The Federation of European Accountants (FEE). The Board expressed reservations about proceeding with this document in its current form.



Other Matters

(Agenda item 17 – Minute 733)

(a) Institute of Internal Auditors - Australia

The AUASB was provided with an update on discussions with the Institute of Internal Auditors (IIA-A) on:

- ISA 610 Using the Work of Internal Auditors; and
- the revision of the Audit Committee Guide in 2012 (in conjunction with the AICD).

(b) Personal Property Securities Legislative Reforms

The AUASB considered key aspects of the impending Personal Property Securities Legislative Reforms, which will take effect in February 2012. It was recognised that at this stage, there were no specific matters of the legislation to consider.

(c) ASA 570 Going Concern

The AUASB considered a draft amendment to Appendix 1 of ASA 570. The Board requested further amendments which will be considered at the next meeting on 27 February 2012.

(d) Early implementation of revised GS 007

The AUASB considered whether it is possible for firms and their clients to implement the revised GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* prior to 1 January 2012. The Board agreed that this should not be problematic as long as firms and their clients are in agreement to early implementation.

Next Meeting

The next meeting of the AUASB will be held on 27 February 2012.

Retirement of Board Member and Close of Meeting

The Chairman, on behalf of the Board, thanked Mr Mike Blake for his contributions over the past six years during his membership of the AUASB and wished him well for his future endeavours.

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

Approval

Signed as a true and correct record.

M H Kelsall
Chairman

Date: 27 February 2012