



**Subject:** Minutes of the 71<sup>st</sup> meeting of the Auditing and Assurance Standards Board (AUASB)  
**Venue:** Ken Spencer Room, AUASB offices  
Level 7, 600 Bourke St, Melbourne  
**Date:** 9 September 2014 from 10.00 a.m. to 4.30 p.m.

All Agenda Items were discussed in public.

### Attendance

AUASB Members: Ms Merran Kelsall (Chairman)  
Mr Greg Pound (Deputy Chairman)  
Ms Jo Cain  
Mr Neil Cherry (until 4.00 pm)  
Ms Valerie Clifford  
Mr Chris George  
Ms Robin Low  
Prof. Nonna Martinov-Bennie  
Ms Caithlin Mc Cabe  
Ms Jane Meade  
Mr Colin Murphy  
Mr Bernie Szentirmay

Apologies: Mr John Gavens

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 938)

“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 939)

Ms Mc Cabe requested an amendment to the draft minutes of the 70<sup>th</sup> meeting held on 10 June 2014. The amended draft will be recirculated to the AUASB for approval at the following meeting.



## **Matters Arising and Action list**

### **(Agenda Item 3 – Minute 940)**

The status of matters arising brought forward from previous AUASB meetings and action items were noted with several amendments requested.

## **Assurance on Controls**

### **(Agenda Item 4 – Minute 941)**

The AUASB considered a summary of the submissions received on exposure draft ED 01/14 of proposed standard on controls ASAE 34XX and agreed that the operative date be amended to engagements commencing 1 January 2016. The AUASB requested that, in amending the standard to address submissions suggesting additional requirements, guidance or appendices, the length of the standard not be increased significantly. The detailed comments received and proposed disposition along with amendments to the proposed standard will be brought to the 21 October 2014 meeting. Approval to issue that standard will be sought at either that or the 25 November 2014 AUASB meeting.

## **GS 004 *Audit Implications of Prudential Reporting Requirements for General Insurers***

### **(Agenda Item 5 – Minute 942)**

The AUASB considered correspondence from APRA in relation to the Auditor's Report on the General Insurer's Statutory Accounts as currently included in Appendix 1 to GS 004. The AUASB decided not to amend and reissue GS 004 with APRA's revised General Insurer's Auditor Report at this time. However, the AUASB agreed that a website notice should be issued to communicate APRA's changes to general insurance auditors and to liaise further with APRA. The AUASB noted its concern with APRA's due process and that the AUASB had not been consulted on the revised General Insurer's Auditor Report prior to its completion.

## **GS 017 Auditing Prudential Requirements of Life Companies**

### **(Agenda Item 6 – Minute 943)**

The AUASB approved the project plan to revise GS 017 *Audit Implications for Prudential Reporting Requirements of a Life Company*.

## **ASIC Presentation**

### **(Agenda Item 7 – Minute 944)**

Mr Doug Niven, ASIC Senior Executive Leader, presented an overview of the ASIC Audit Update and related developments including ASIC's audit activities and issues emanating from past inspection findings as well as ways to improve audit quality. In addition, ASIC provided an overview of their other areas of future audit focus, a summary of Firm action plans and provided the AUASB with an insight into their views on the Auditing Standards that ASIC and IFIAR considered require attention by the IAASB.



## **Deregulation Agenda**

### **(Agenda Item 8 – Minute 945)**

The AUASB received an update on the activities of the Technical Group to address the requests for information and comment in relation to the Government's Deregulation Agenda. The AUASB also noted that the AUASB's FRLI costs are very high for its size compared to other regulators as the AUASB's core activity is issuing legislative instruments rather than administering those issued by others. It was also noted that the suite of 2006 Auditing Standards are still active legislative instruments, and that their repeal would be conducive to the deregulation process. The AUASB agreed that there was no impediment from the assurance practitioner's perspective to repealing the 2006 standards, as audits conducted now for past years would use the methodology currently in place in the firm. The AUASB agreed that they would further consult with ASIC in relation to repealing the 2006 series of standards in 2016.

## **GS 005 *Using the Work of a Management's Expert***

### **(Agenda Item 9 – Minute 946)**

The AUASB approved the project plan to revise GS 005 *Using the Work of a Management's Expert*. The revision of GS 005 is proposed to broaden the scope of the existing GS 005 *Using the Work of an Actuary* to provide guidance on the use of management's experts more generally.

## **Using the Work of Internal Audit**

### **(Agenda Item 10 – Minute 947)**

The AUASB discussed the issue of the prohibition of direct assistance of internal auditors for engagements conducted in accordance with Australian Auditing Standards in a group audit scenario. The AUASB agreed to develop and issue a bulletin discussing the issues auditors need to consider around reliance on internal auditors in jurisdictions where there is no prohibition on the use of direct assistance.

## **Contract, Regulatory and Grant Acquittal Compliance Engagements**

### **(Agenda Item 11 – Minute 948)**

The AUASB was provided with a verbal update of progress with the development of a new Guidance Statement on blended engagements. A project advisory group (PAG) has been formed which comprises both auditors and users of audit reports, including two Federal Government agencies with significant involvement in the supply and management of grants. The first meeting of the group was held in August when an early draft of the guidance statement was considered. The PAG supported the overall direction of the GS and proceeded with valuable suggestions for refinement. A draft guidance statement will be brought to the 21 October 2014 meeting.

## **International**

### **(Agenda Item 12 – Minute 949)**

#### **(a) *IAASB Auditing Disclosures ED***

The AUASB considered the proposed AUASB submission on the IAASB ED *Proposed Changes to the International Auditing Standards (ISAs) - Addressing Disclosures in the Audit of Financial Statements*. It was agreed to make some further amendments prior to finalisation of the submission.



(b) *IAASB Meeting 15-19 September 2014*

The AUASB was provided with a verbal update on auditor reporting, which will be the major focus of the IAASB meeting to be held 15-19 September 2014 in New York. The AUASB was informed of the status of the more important issues especially those that have been controversial in their ongoing development. Of particular note, the AUASB was informed of the following changes:

- (i) Simplified requirement when describing key audit matters (KAM) – only the “why” and “how” questions need be included – changed from previously requiring the effect on the audit.
- (ii) Need for only the most significant matters to be included in KAM – designed to encourage only a few KAM to be communicated.
- (iii) There is now some clarity around the circumstances when an auditor may not communicate a matter that was considered to be a KAM. This involves ethical considerations and extremely rare cases where there is likely to be harm to the entity, an individual or the public.
- (iv) Clarification of documentation requirements.
- (v) Retention of an Emphasis of Matter paragraph in certain circumstances.
- (vi) Reversion to the status quo requirement to report on going concern only when there is an issue.
- (vii) Reiteration that the auditor considers the requirements of the financial reporting framework when considering the appropriateness of disclosures in the financial report (i.e. the need for fair presentation, including a “near miss” going concern issue).

The AUASB was given further information about anticipated issuance dates, conforming amendments to other standards, reversal of the requirement for all the sources of independence to be spelled out in the auditor’s report and that illustrative KAM examples will be published through a non-authoritative staff paper. Further information provided related to the status of the ISA 720 (other information) revision and the disclosures project.

The AUASB was informed that outreach and roundtables, and the drafting of Australian exposure drafts would take place in the first-half of 2015 with standards issued in the second half of the year. Operative dates for all standards would be for financial reporting periods commencing on or after 1 January 2016. Therefore, the enhanced auditor reporting would be commonly applicable to audits commencing 1 July 2016.

(c) *Trans-Tasman harmonisation*

The AUASB was informed that the AUASB website had been updated with:

- (i) The new communications protocols with the NZAuASB;
- (ii) The convergence and harmonisation policy paper updated for the new communications protocols; and
- (iii) The AUASB Functions and Processes paper updated to reflect the above changes.

## **Other Auditing and Assurance Matters**

### **(Agenda Item 13 – Minute 950)**

(a) *Integrated Reporting Update*

The Chairman updated the AUASB on developments in Integrated Reporting including the upcoming round tables to be held in conjunction with the Business Reporting Leaders Forum, CPA and CAANZ in October. The feedback from the round tables will be used in a submission to the IIRC due in early December 2014.



(b) *Department of Environment/CER Update*

The AUASB was updated on progress made by the Department of Environment and the Clean Energy Regulator in establishing the Emissions Reduction Fund to replace the carbon pricing mechanism, which was repealed with effect from 1 July 2014.

(c) *ACNC Update*

The AUASB was apprised of the work that had been done with the staff of the ACNC in developing a series of auditor's report templates for the June 2014 reporting period. The AUASB was informed that the auditor's reports covered both audits and reviews in relation to general purpose and special purpose financial statements and also covered the transitional arrangements available to entities registered with the ACNC.

## **Corporate Matters**

### **(Agenda Item 9 – Minute 951)**

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

The AUASB noted the Chairman's key meetings attended and presentations given since the last AUASB meeting.

(b) *Report from NZAuASB Chairman*

The Report from the NZAuASB Chairman was deferred until the next AUASB meeting on 21 October 2014.

(c) *Updated AUASB 2014-2015 Technical Program*

The AUASB noted the updated *AUASB 2014-2015 Technical Program*.

(d) *Current AUASB PAG memberships*

The AUASB noted the current PAG membership listing.

## **Next Meeting**

The next meeting of the AUASB will be held on Tuesday, 21 October 2014 commencing at 10.00 a.m.

## **Close of Meeting**

The Chairman closed the meeting at 4.30 p.m.

## **Approval**

Signed as a true and correct record.

M H Kelsall  
*Chairman*

Date: 21 October 2014