



Subject:	Minutes of the 40 th meeting of the Auditing and Assurance Standards Board (AUASB)
Venue:	Ken Spencer Room, AUASB offices Level 7, 600 Bourke St, Melbourne
Date:	7 September 2009, from 9.00 a.m. to 5.00 p.m. 8 September 2009, from 9.00 a.m. to 4.00 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 Ms Valerie Clifford Mr John Gavens Mr Chris Hall Ms Elizabeth Johnstone (participated by telephone) Dr Christine Jubb Mr Clive Mottershead (except Day 2, 9.00 am – 11.30 am) Mr Colin Murphy Mr Greg Pound Mr David Simmonds
Apologies	Mr Mike Blake
Staff	Mr Richard Mifsud (Executive Director) Ms Susan Fraser (in part) Ms Claire Grayston (in part) Ms Marina Michaelides (in part) Ms Ruth Oliquino Mr Howard Pratt (in part) Ms Patricia Wales (in part)

Declarations of Interest

(Agenda item 1 – Minute 514)

“Declarations of Interests” forms for Members were tabled and confirmed, including an amendment for Ms E Johnstone, who advised the Board that she would be retiring from her firm at the end of September 2009.

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.

Minutes

(Agenda item 2 – Minute 515)

The Board approved the minutes of the 39th meeting held 20-21 July 2009.

Matters Arising and Action list

(Agenda item 3 – Minute 516)

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.

Reports from AUASB Chairman on Recent Meetings and Corporate Matters

(Agenda item 4 – Minute 517)

The Chairman reported on key meetings attended since the last meeting.

- (a) The Trans-Tasman Accounting and Auditing Standards Group (TTSAAG) meeting on 2 September 2009 particularly acknowledged the Joint Statement of Intent: *Single Economic Outcomes Framework* from the Prime Ministers of Australia and New Zealand. This is a framework of principles and a range of shared medium term outcomes aimed at developing cross border economic initiatives between the two countries. The Board discussed the potential impact of this Framework on the activities of the AUASB, and the auditing profession in Australia.
- (b) A Financial Reporting Workshop under the auspices of the FRC was held on 17 August 2009, which was focused on differential financial reporting.

New Zealand Professional Standards Board (NZ PSB)

(Agenda item 5 – Minute 518)

Mr Neil Cherry, NZ PSB Chairman, presented on the latest activities and projects of the PSB. Mr Cherry also discussed with the Board matters of mutual interest to the AUASB and PSB.

ASA Redrafting

(Agenda item 6 – Minute 519)

Consider Penultimate Drafts of Proposed Auditing Standards for Clearance for Final Approval

The Board considered and cleared (with minor amendments) the penultimate draft versions of the following proposed Auditing Standards in Clarity format:

- (a) ASA 230 *Audit Documentation*
- (b) ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*
- (c) ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*
- (d) ASA 300 *Planning an Audit of a Financial Report*

- (e) *ASA 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*
- (f) *ASA 500 Audit Evidence*
- (g) *ASA 505 External Confirmations*
- (h) *ASA 530 Audit Sampling*
- (i) *ASA 720 The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report*
- (j) *ASA 550 Related Parties*
- (k) *ASA 600 Special Considerations – Audits of a Group Financial Report (Including the Work of Component Auditors)*
- (l) *ASA 450 Evaluation of Misstatements Identified during the Audit*
- (m) *ASA 330 The Auditor's Responses to Assessed Risks*
- (n) *ASA 510 Initial Audit Engagements – Opening Balances*
- (o) *ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

The above proposed Auditing Standards will be presented to the Board for final approval at the 26-27 October 2009 meeting.

ASA Redrafting

(Agenda item 7 – Minute 520)

Consider Penultimate Drafts of Proposed Auditing Standards for Clearance for Final Approval

The Board considered and cleared (with minor amendments) the penultimate draft versions of the following proposed Auditing Standards in Clarity format:

- (a) *ASA 210 Agreeing the Terms of Audit Engagements*
- (b) *ASA 260 Communication with Those Charged with Governance*
- (c) *ASA 402 Audit Considerations Relating to the Entity Using a Service Organisation*
- (d) *ASA 501 Audit Evidence – Specific Considerations for Inventory and Segment Information*
- (e) *ASA 560 Subsequent Events*
- (f) *ASA 620 Using the Work of an Auditor's Expert*

The above proposed Auditing Standards will be presented to the Board for final approval at the 26-27 October 2009 meeting.

ASA Redrafting

(Agenda item 8 – Minute 521)

Consider Penultimate Drafts of Proposed Auditing Standards and Clearance for Final Approval

The Board considered and cleared (with minor amendments) the draft versions of the following proposed Auditing Standards in Clarity format:

- (a) ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance*
- (b) ASA 320 *Materiality in Planning and Performing an Audit*
- (c) ASA 502 *Audit Evidence – Specific Considerations for Litigation and Claims*
- (d) ASA 580 *Written Representations*
- (e) ASA 700 *Forming an Opinion and Reporting on a Financial Report*
- (f) ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*
- (g) ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- (h) ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*
- (i) ASA 805 *Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- (j) ASA 810 *Engagements to Report on Summary Financial Statements*

The above proposed Auditing Standards will be presented to the Board for final approval at the 26-27 October 2009 meeting.

International Matters

(Agenda item 9 – Minute 522)

- (a) The Board received an update on the recent activities of the International Auditing and Assurance Standards Board (IAASB) from Ms Caithlin Mc Cabe, IAASB Member. The update included a discussion of the latest IAASB projects, such as the:
 - Revision of ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Information*;
 - Revision of ISRE 2400 *Engagements to Review Financial Statements*;
 - Proposed ISRE 3402 *Assurance Reports on Controls at a Service Organisation*;
 - Proposed ISAE 3410 *Assurance on a Greenhouse Gas Statement*;

- Proposed ISAE 34XX *Assurance Reports on the Proper Compilation of Pro Forma Financial Information Included in Prospectuses*; and
 - XBRL.
- (b) The Board also received updates from taskforce members on IAASB projects:
- Review and Compilations – Ms D Azoor Hughes
 - Pro Forma Information in Prospectuses – Mr D Simmonds (correspondent taskforce member)

ASA Redrafting (Continued)

(Agenda item 10 – Minute 523)

Consider Penultimate Drafts of Proposed Auditing Standards and Clearance for Final Approval

The Board considered and cleared (with minor amendments) the draft versions of the following proposed Auditing Standards in Clarity format:

- (a) ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*
- (b) ASQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information and Other Assurance Engagements*
- (c) ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*
- (d) ASA 570 *Going Concern*
- (e) ASA 610 *Using the Work of Internal Auditors*
- (f) ASA 710 *Comparatives*

The above proposed Auditing Standards will be presented to the Board for final approval at the 26-27 October 2009 meeting.

ASA Redrafting

(Agenda item 11 – Minute 524)

Consider Penultimate Drafts of Proposed Auditing Standards and Clearance for Final Approval

The Board considered and cleared (with minor amendments) the draft versions of the following proposed Auditing Standards in Clarity format:

- (a) ASA 101 *Preamble to Australian Auditing Standards*

- (b) ASA 520 *Analytical Procedures*
- (b) ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*

The above proposed Auditing Standards will be presented to the Board for final approval at the 26-27 October 2009 meeting.

The Board also considered and made minor amendments to the latest draft version of the revised *AUASB Glossary*. It has been approved for publication, pending final approval of the revised and redrafted Auditing Standards in Clarity format.

ASA Redrafting

(Agenda item 12 – Minute 525)

(a) References to Relevant Ethical Requirements in AUASB Standards

The Board considered and approved for exposure ED 21/09 Proposed Auditing Standard 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. This Proposed Auditing Standard provides a mechanism for enabling references to relevant ethical requirements in other AUASB Standards to remain current as they will be explicitly linked to Proposed ASA 102, and refers specifically to APES 110 *Code of Ethics for Professional Accountants*.

(b) Regulation Impact Statement

The Board considered and cleared the Regulation Impact Statement (RIS) on *Redrafting Auditing Standards in Clarity Format*. The RIS will be submitted to the Office of Best Practice Regulation for review and approval.

National Greenhouse and Energy Reporting Scheme

(Agenda item 13 – Minute 526)

The Board received an update on the draft NGER *Audit Determination* and NGER *Audit Regulations*, and the liaison between the Department of Climate Change and AUASB regarding matters raised by the AUASB relating to the draft proposed NGERs. It was noted that a meeting between the Department of Climate Change and AUASB staff would be held in the following week.

Specified Assurance Procedures

(Agenda item 14 – Minute 527)

The Board will receive an update on the project to develop a Guidance Statements on *Specified Assurance Procedures* (replacing AUS 904 *Engagements to Perform Agreed-Upon Procedures*), including a discussion of the Issues Paper, at the 26-27 October 2009 meeting.

Other Business

(Agenda item 15 – Minute 528)

The Board noted the recent release of APRA Reporting Standards for general insurance groups. The AUASB Technical Group will liaise further with APRA, and will report to the Board at the 26-27 October 2009 meeting about the implications of the new APRA Reporting Standards.

Other Matters

The Board met, during lunch of Day 2, with Mr Graham Crombie, Chairman of the New Zealand Institute of Chartered Accountants (NZICA), and Mr Terry McLaughlin, NZICA CEO, regarding impending developments affecting auditors and the accounting profession in New Zealand.

Next Meeting

The next meeting of the AUASB will be held on Monday 26 and Tuesday 27 October 2009.

Close of Meeting

The Chairman closed the meeting at 5.00 p.m. on 7 September and 4.00 p.m. on 8 September 2009.

Approval

Signed as a true and correct record

M H Kelsall

Chairman

Date: 26 October 2009