



Subject: Minutes of the 34th meeting of the AUASB

Venue: Ken Spencer Room, AUASB offices
Level 7, 600 Bourke St, Melbourne

Time(s): 27 October 2008, from 9.00 a.m. to 4.45 p.m.
28 October 2008, from 9.00 a.m. to 12.15 p.m.

All agenda items were discussed in public.

Attendance

Members

- Ms Merran Kelsall (Chairman)
- Mr Jon Tyers (Deputy Chairman) (day 1)
- Mr Mike Blake (day 2)
- Ms Valerie Clifford
- Mr John Gavens
- Mr Chris Hall
- Ms Dianne Azoor Hughes
- Ms Elizabeth Johnstone (except day 1, 10.30 a.m. to 1.30 p.m.)
- Prof. Christine Jubb
- Mr Clive Mottershead
- Mr Ian McPhee (day 1)
- Mr Greg Pound
- Mr David Simmonds

Apologies

- Mr Jon Tyers (day 2)
- Mr Mike Blake (day 1)
- Ms Elizabeth Johnstone (day 1, 10.30 a.m. to 1.30 p.m.)
- Mr Ian McPhee (day 2)

Staff

- Mr Richard Mifsud (Executive Director) (in part)
- Mr Howard Pratt (in part)
- Mr Alan Marrone
- Ms Johanna Foyster (in part)
- Ms Susan Fraser (in part)
- Ms Claire Grayston (in part)
- Ms Patricia Wales (in part)

Declarations of Interest

(Agenda item 1 – Minute 425)

“Declarations of Interests” forms for Members were tabled and confirmed.

Members have adopted the standing policy in respect of declarations of interest that a specific declaration will be made where there is a particular interest in an issue before the Board.

No declarations of interest in an issue before the AUASB were noted.

Minutes

(Agenda item 2 – Minute 426)

The Board confirmed the minutes of the 33rd meeting held 9 September 2008.

Matters Arising From Action Items Not Dealt With Elsewhere

(Agenda item 3 – Minute 427)

Matters arising brought forward from previous AUASB meetings not dealt with as separate agenda items:

- *ASA 508 Enquiry Regarding Litigation and Claims (implications of Westpac Case):*

The Board was informed that Treasury is considering a proposal to amend the Corporations Act to address the legal privilege issue. Staff were requested to monitor this matter, liaise with Treasury and report on any further developments.

- Research Proposal – “Reforms to Auditing Standards – the Costs and Benefits”:

Prof. C Jubb reported that the Australian Research Council had declined funding for the proposal. The Chairman will raise this matter at the next FRC meeting.

Reports from AUASB Chairman and Corporate Matters

(Agenda item 4 – Minute 427)

- (a) The Chairman report on key meetings attended since the last meeting including:

- TTAASAG meeting held 10 September
- ASIC Standing Chairs Committee (attended by Mr R Mifsud)
- FRC Nominations Committee
- Various with Accounting Bodies re funding
- Accounting and Auditing Emerging Issues discussion group

- (b) Planning for AUASB Consultative Meeting:

The format and key discussion items for the Consultative Meeting to be held 2 December were discussed and agreed in principle by the Board.

- (c) A schedule of proposed meeting dates for the AUASB for the 2009 was agreed by the Board.

IAASB Matters

(Agenda item 5 – Minute 428)

Mr Ian McPhee provided an update on IAASB activities and major decisions made by the IAASB meeting held on 15-19 September 2008.

Key matters noted:

- IAASB Clarity Project: A further ten revised and redrafted ISAs were approved and comments received in respect of exposure drafts for three other ISAs were considered. The project is on track for release of revised and redrafted ISAs for periods commencing on or after 15 December 2009.

It was noted that amendments to proposed ISA 210 *Agreeing Terms of Audit Engagements* may result in conforming amendments to other ISAs.

- ISQC1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and ISA 220 *Quality Control for an Audit of Financial Statements* were approved.
- Update on work carried out to date by the Fair Value Auditing Task Force.

The IAASB also considered development of an alert to highlight areas within the ISAs of particular relevance to the audit of fair value accounting estimates in light of the current credit market difficulties.

ASA Redrafting

(Agenda item 6 – Minute 429)

Project Update:

The Board noted that the project to revise and redraft the Australian Auditing Standards (ASAs) is on track for completion as planned by October 2009.

The Board also discussed a working document based on ASA 100 *Preamble to AUASB Pronouncements*. This interpretive document will be revised progressively as other standards are redrafted. Progressive versions will be available on the AUASB website to assist constituents in responding to the EDs.

Approval of the first group of Auditing Standards:

In respect of the following proposed Auditing Standards the Board considered:

- comments received in respect of exposure drafts, and
- final draft versions in “Clarity” format:
 - (a) ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*
 - (b) ASA 260 *Communication with Those Charged with Governance*

- (c) *ASA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment*
- (d) *ASA 330 The Auditor's Procedures in Response to Assessed Risk*

The Board requested minor amendments and agreed on clearance for final approval of these standards, with the exception of ASA 260, which will be further considered at the 1 December 2008 board meeting.

It was noted that as the IAASB finalises its international standards on auditing, the Australian Auditing Standards may require further conforming amendments.

Approval of Release of the Third Group of Exposure Drafts:

The Board considered draft versions, in "Clarity" format, of the following exposure drafts (EDs) of proposed revised Auditing Standards:

- (e) *ED 15/08 ASA 200 Objective and General Principles Governing an Audit of a Financial Report*
- (f) *ED 16/08 ASA 250 Considerations of Laws and Regulations in an Audit of a Financial Report*
- (g) *ED 17/08 ASA 320 Materiality and Audit Adjustments*
- (h) *ED 18/08 ASA 450 Evaluation of Misstatements Identified During the Audit*
- (i) *ED 19/08 ASA 510 Initial Engagements- Opening balances ED 20/08 ASA 550 Related Parties*
- (j) *ED 21/08 ASA 580 Management Representations*
- (k) *ED 22/08 ASA 720 Other Information in Documents Containing Audited Financial Reports*

The Board approved the issue of these EDs, which will be released in early November with comments due by 17 December.

GS 001 Concise Financial Reports

(Agenda Item 7 – Minute 430)

The Board considered various amendments to GS 001 comprising:

- (a) Amendments to the illustrative auditor's reports following revision of AASB 1039 *Concise Financial Reports* to align terminology with that used in AASB 101 *Presentation of Financial Statements* and AASB 8 *Operating Segments*.
- (b) Amendments to paragraphs on independence requirements following amendments to the Corporations Act.
- (c) Inclusion, where applicable, of reference to the auditor's report on the Remuneration Report in the illustrative auditor's report.

A final draft of the revised Guidance Statement will be circulated for out of session approval.

Engagements to Perform Agreed Upon Procedures

(Agenda Item 8 – Minute 431)

The Board discussed the need for the AUASB to revise and reissue AUS 904 *Engagements to Perform Agreed Upon Procedures*.

The Board agreed with the recommendation to revise and reissue AUS 904, subject to the scope of this project being assessed further. It was recognised that the commencement of work on this project would be dependant on meeting other AUASB priorities and on resource availability, to enable a proposed revised standard to be developed for exposure in 2009. It was agreed that a project plan be developed and brought to the December meeting of the AUASB for further consideration, with a view to considering the overall framework with which Agreed Upon Procedures engagements are conducted.

Other Matters

(Agenda Item 9 – Minute 432)

(a) GS 009 Auditing Self Managed Superannuation Funds

An update was provided to the Board on the completion of this project – final amendments and quality control procedures are being completed and the Guidance Statement will be released by 31 October 2008.

(b) Debenture Issuers – RG 69 Update

An update was provided to the Board on ASIC's revision of the auditor's report on Debenture Issuers' benchmark information.

Further consultation with ASIC will take place when ASIC provide a revised Auditor's report.

(c) National Greenhouse and Energy Reporting (NGER) Act 2007 - External Auditing Requirements

The Department of Climate Change has been in consultation with the AUASB in the development of auditing requirements for the NGER Scheme.

The Board agreed that a formal submission should be made to the Department on its "External Audit Consultation Paper", which was released on 17 October 2008.

(d) Other Emerging issues

The Board noted that the major accounting firms have canvassed the development of guidance for the use of "comfort letters". This matter is to be raised with the ICAA.

(e) Update on Regulatory Guide 43 – Financial reports and Audit Relief

An update was provided to the Board on liaison with ASIC regarding the form and content of the auditor's report on Debenture Issuers' benchmark information.

ASIC is presently considering feedback from the AUASB and major accounting firms to determine amendments that may be necessary for 31 December 2008 reports.

(f) ASAE 3500 Performance Engagements

The Board approved minor editorial amendments to paragraphs 27(b)(ii) and 69 of ASAE 3500 which was issued in July 2008.

Next Meeting

The next meeting of the AUASB will be held on Monday 1 December 2008.

Close of Meeting

The Chairman closed the meeting at 4.45 p.m. on 27 October and at 12.15 p.m. on 28 October.

Approval

Signed as a true and correct record

M H Kelsall

Chairman

Date: 1 December 2008