



Minutes of the 29th meeting of the Auditing and Assurance Standards Board (AUASB) held in Melbourne on Monday 25 (from 8.45 a.m. to 5.15 p.m.) and Tuesday 26 February 2008 (from 8.45 a.m. to 3.00 p.m.).

ATTENDANCE

PARTICIPANTS	DAY 1		DAY 2	
	PRESENT	APOLOGIES	PRESENT	APOLOGIES
Ms M. Kelsall (Chairman)	X		X	
Mr J. Tyers (Deputy Chairman)	X			X
Ms D. Azoor Hughes	X		X	
Mr M. Blake	X		X	
Ms V. Clifford	X		X	
Mr J. Gavens	X		X	
Mr C. Hall		X	X	
Ms E. Johnstone	X		X	
Prof C. Jubb	X		X	
Mr I. McPhee	X		X	
Mr C. Mottershead	X		X	
Mr G. Pound	X		X	
Mr D. Simmonds	X		X	
				X From 1.00pm

In attendance:

Mr R. Mifsud	Ms M. Michaelides
Ms J. Foyster	Mr H. Pratt
Ms C. Grayston	Ms M. Salter
Mr R. Grose	Mr A. Marrone
	Mr L. Walker (Day 1 – Agenda Item 9)

INTRODUCTORY COMMENTS

(Agenda Item 1)
Minute 369

Membership

The Chairman welcomed Ms Valerie Clifford and Mr John Gavens to their first meeting as members of the AUASB. The Chairman also acknowledged the contribution of recently retired board members, Mr Kim Smith and Mr Kevin Neville, whose terms concluded at the end of 2007.

Declarations of Interest

Members have adopted the standing policy of declaring any interest they have in an issue before the AUASB.

Mr M Blake declared that he has participated in preparing the ACAG response to



AUASB ED 5/07 on Compliance Engagements.

No other declarations of interest were declared.

MINUTES OF PREVIOUS AUASB MEETING

(Agenda Item 2) Minutes of the previous meeting of the AUASB held 3 December 2007
Minute 370
The minutes of the 28th meeting of the AUASB held on 3 December 2007, were approved and signed as a correct record.

MATTERS ARISING FROM ACTION ITEMS NOT DEALT WITH ELSEWHERE

(Agenda Item 3) Matters arising brought forward
Minute 371
The status of matters arising brought forward from previous AUASB meetings was noted.

REPORTS FROM AUASB CHAIRMAN AND CORPORATE MATTERS

(Agenda Item 4) (a) Report on recent meetings attended:
Minute 372

- i. The Chairman reported on recent meetings with:
 - FRC
 - TTAASAG
 - FRC Finance Committee
 - ASIC Standing Chairs Committee
- ii. R Mifsud reported on recent meetings with:
 - Dept. of Climate Change – National Greenhouse and Energy Reporting System
 - APRA – regular meeting to discuss APRA/AUASB developments

(b) Corporate matters

The Chairman informed the Board of forthcoming meetings on the implementation of the Uhrig proposals which would involve a restructuring of the AUASB and AASB organisations, and their potential implications for the relationship between the AUASB and the FRC.

(c) Consultative Meeting – Feedback on 4 December 2007 meeting

The AUASB received an update on the Consultative meeting.

34 representatives from key stakeholders and constituents attended the meeting, and five constituents presented on their perspectives of the first



year of application of ASAs:

Responses to the Evaluation Questionnaire and general feedback indicated that the meeting was well received and considered informative and useful.

The AUASB will conduct further meetings on an annual basis to promote discussion which should be valuable in gaining feedback and buy-in from constituents on the AUASB's strategic objectives and actions.

(d) 2008-2009 Business Plan & Work Programme

An "Outline of the 2008-2009 Business Plan" provided to the FRC was tabled together with the proposed Work Programme to 30 June 2008 and for the 2008-2009 year.

The Chairman reported that the AUASB is working with the FRC and AASB to provide its business plan for 2008-2009 on a consistent format, incorporating the concept of "strategy on a page". The process entails a detailed "bottom up" consideration of projects and staffing requirements for the forthcoming year.

The AUASB considered key strategies to be included in the business plan.

A draft of the Plan in the new format will be tabled at the 14 April AUASB meeting

ASAE 3500 PERFORMANCE ENGAGEMENTS

Agenda Item 5)
Minute 373

Consider final draft of ASAE 3500 *Performance Engagements*

The AUASB considered a final draft of the proposed ASAE 3500 *Performance Engagements* and subject to minor amendments approved the release of ED 1/08 for exposure with comments due by 15 April 2008.

GS 007 AUDIT IMPLICATIONS OF THE USE OF SERVICE ORGANISATIONS FOR INVESTMENT MANAGEMENT SERVICES

(Agenda Item 6)
Minute 374

Consider Final Draft of Guidance Statement for Approval

The AUASB considered and approved for release Guidance Statement GS 007 *Audit Implications on the Use of Service Organisations for Investment Management Services*.

The Guidance Statement will be released early next month, and will be operative for reporting periods commencing on or after 1 July 2008.



ASRE 2400 REVIEW OF FINANCIAL REPORTS AND OTHER FINANCIAL INFORMATION

(Agenda Item 7)
Minute 375

Consider Update on IAASB Amendments and Impact on Australian Standards on Review Engagement

The AUASB considered amendments to the proposed Standards on Review Engagements:

- ASRE 2400 Review of Financial Reports
- ASRE 2405 Review of Other Historical Financial Information
- ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity

The AUASB was provided with a brief outline of the development of the review Standards, including amendments to ISRE 2400 and ISRE 2410 made by the IAASB at its December 2007 meeting.

The Board considered first the proposed changes to ASRE 2410 that reflected the recent IAASB amendments. The point was raised that adoption of the IAASB's amendment wording was inappropriate for ASRE 2410 as it meant that the entire Standard is to be adapted when reviewing other than interim financial information. The Board agreed on revised wording and the Board also requested minor changes to the proposed application paragraphs and the title of the Standard.

As a consequence of the proposed expansion in the scope of ASRE 2410, the Board also considered the proposed inclusion of requirements and guidance relating to financial reporting frameworks not designed for fair presentation. The Board rejected the proposed amendment and requested that such reviews be incorporated in ASRE 2405. This point led to further discussion on the definition of "financial report". The Board requested additional guidance to be included in the review Standards where appropriate, to clarify the meaning of "financial report".

The Board was briefed on the remaining matters listed in the issues paper and it requested that the explanatory diagrams contained within the *Explanatory Guide to Review Engagements* be included in the Preface of each review standard.

It was agreed that the amendments to the suite of review standards be processed as quickly as possible with a view to out-of-session approval, if possible. Further, it was agreed that the exposure period should be 45 days.



ASRE 3100 COMPLIANCE ENGAGEMENTS

(Agenda Item 8) Consider Update on Responses to ED 5/07
Minute 376

The AUASB was provided with an update on responses received in respect of ED 5/07 which closed for comment on 15 February 2008. Submissions have now been received from a number of organisations. The ED submissions are yet to be reviewed in detail; however in the main most respondents were supportive of the proposed standard.

The AUASB requested that responses be considered, and that a final version of the Standard be presented for approval at the 14 April 2008 AUASB meeting.

GUIDANCE STATEMENT – FINANCIAL AND COMPLIANCE AUDITS OF SELF MANAGED SUPERANNUATION FUNDS

(Agenda Item 9) Consider First Draft of Proposed Guidance Statement
Minute 377

The AUASB considered the first draft of the proposed Guidance Statement and requested various amendments and further consideration by the Project Advisory Group.

The AUASB requested that a further revision be tabled for consideration at the June AUASB meeting.

SUSTAINABILITY – ASSURANCE ON GREENHOUSE AND ENERGY REPORTING

(Agenda Item 10) Consider Update on Government Paper on Greenhouse and Energy Reporting Requirements
Minute 378

The AUASB received an update on recent meetings with the Department of Climate Change and the status of the Department's project on issuing Regulations and Policy under the National Greenhouse and Energy Reporting Act (NGER).

The AUASB has been advised by the Department that it is the process of obtaining feedback on its Regulations Discussion Paper in order to begin drafting its external audit requirements under the NGER, which would incorporate ASAE 3000 and ASAE 3100, once the latter is finalised.

The AUASB agreed to continue working with the Department on the proposed audit requirements.

SME AUDIT ISSUES

Consider IFAC SMP Guide and Strategies for Going Forward

The AUASB considered the Guide to Using International Standards on Auditing in the Audits of Small and Medium-sized Entities issued by the International Federation of Accountant's (IFAC) Small and Medium Practices (SMP) Committee in December 2007.



The AUASB was informed that the Institute of Chartered Accountants in Australia will be adapting the guide for issuance in Australia. The AUASB welcomed this initiative.

ASA REDRAFTING – (CLARITY FORMAT)

(Agenda Item 12)
Minute 380

ASA REDRAFTING – (CLARITY FORMAT)

- (a) Consider the ASA Redrafting Project Plan
- (b) Resolve preliminary issues
- (c) Approve the drafting policies and rules
- (d) Approve the “ASA Redrafting Pack”

The AUASB was presented with an overview of the ASA Redrafting Project Plan and was informed that it was still work-in-progress. For example a communications plan was yet to be developed in detail.

In particular there was discussion about, and clarification of, the proposed drafting policies and rules. Some changes were requested and general agreement reached. The Board gave preliminary approval of the policies and rules in order for the technical group to commence work on the first group of standards. It was understood that the drafting policies and rules are likely to be updated and refined as the project progresses.

The Board also gave preliminary approval to the proposed timetable which contemplates completion in July 2009 with the revised standards becoming operative for financial reporting periods commencing on or after 1 January 2010.

The Board also considered the proposed “ASA Redrafting Pack” which detailed the documentation that would accompany each redrafted ASA presented to the Board. The Board approved the pack with the understanding that *clean* copies of the redrafted ASA, the extant ASA and the redrafted ISA were not required.

The Board considered the issues paper (Agenda Item 12.1). All matters were resolved.

AUDIT IMPLICATIONS OF AASB 1049

(Agenda Item 13)
Minute 381

Consider and approve a revised project plan and consider the updated list of audit issues

The AUASB reviewed and approved a project plan to consider the audit implications of AASB 1049 *Whole of Government and General Government Sector financial Reporting* issued on 30 October 2007. The updated list of audit issues was discussed in brief. The AUASB requested that the technical group liaise with a public sector group currently reviewing AASB 1049, in order to



submit an updated list to the Project Advisory Group meeting scheduled for 12 March 2008.

The AUASB requested a further update be presented at the 14 April AUASB meeting.

GUIDANCE STATEMENT – AUTHORISED DEPOSIT TAKING INSTITUTIONS

(Agenda Item 14) Consider Project Plan to Formulate Guidance Statement
Minute 382

The AUASB considered and approved a Project Plan to develop and issue interim guidance to assist auditors of client Authorised Deposit-Taking Institutions (ADIs) reporting pursuant to the prudential reporting requirements specified by APRA in its Prudential Standard APS 310 *Audit & Related Arrangements for Prudential Reporting*.

This guidance will be issued as an Addendum to AGS 1008 and will consist primarily of example prudential reports to be used by ADI auditors for prudential reporting purposes. The Guidance Statement will apply to client ADIs with 31 March 2008 and 30 June 2008 reporting periods.

The AUASB requested that a draft Addendum be tabled for consideration at the 14 April 2008 AUASB meeting.

GUIDANCE STATEMENT –BANK CONFIRMATIONS

(Agenda Item 15) Consider First Draft of Guidance Statement - Bank Confirmation Requests
Minute 383

The Board considered the first draft of proposed Guidance Statement - Bank Confirmation Requests (revision of AGS 1002). The draft was prepared based on feedback received from large and medium sized accounting firms and the recently prepared Practice Note 16 issued by the Auditing Practices Board in the UK.

The Board requested a number of amendments and further input from practitioners and the Australian Bankers Association.

A further revision is to be considered at the 2-3 June AUASB meeting

GUIDANCE STATEMENT– PRIVACY LETTERS

(Agenda Item 16) Consider issues on revision of AGS 1014 Privacy Letter Requests
Minute 384

The AUASB considered the merits of drafting a new Guidance Statement on Privacy Letter Requests

Based on the feedback received from large, medium and small accounting firms,

The Board noted that Privacy Letter Requests are rarely used and considered that



they really should be considered as a risk management issue.

The AUASB requested that technical group investigate and report on:

- the legal implications of reissuing AGS 1014;
- whether AGS 1014 might better belong with the professional accounting bodies;

IAASB AND INTERNATIONAL MATTERS

(Agenda Item 17) Consider IAASB matters
Minute 385

- (a) Mr McPhee and Mr Mifsud provided feedback on the December IAASB meeting
- (b) The AUASB considered several key papers to be considered at the March IAASB meeting.

OTHER BUSINESS

(Agenda Item 18) Ms Valerie Clifford raised the following recent publications that may require consideration and action by the AUASB:
Minute 386

- ASIC Regulatory Guide 69
- UK Auditing Practice Board bulletin on “Audit issues when financial market conditions are difficult and credit facilities may be restricted”
- Assurance – Anti Money Laundering

MEETINGS

14 April 2008 Meeting

The next AUASB meeting will be held in Sydney on Monday 14 April 2008 at the offices of the Australian Securities and Investments Commission, No 1 Martin Place, Sydney.