



**Subject:** Agenda for the 74<sup>th</sup> meeting of the AUASB

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

**Time:** 24 February 2015 from 10.00 a.m. to 4.30 p.m.

Time	Agenda Item No.
10.00 a.m.	1. <b>Introductory Comments</b>
	2. <b>Minutes of Previous AUASB Meeting</b>
	3. <b>Matters Arising from Previous Meetings and Action List</b>
10.15 a.m.	4. <b>Auditor Reporting</b>
11.45 a.m.	6. <b>Grant Acquittals and Multi-Scope Engagements</b>
12.30 p.m.	<b>Lunch*</b>
1.30 p.m.	7. <b>Approval of Project Plans</b>
2.15 p.m.	8. <b>AUASB Bulletin on Internal Audit</b>
2.45 p.m.	9. <b>GS 005 Auditor's Use of a Management's Expert</b>
3.15 p.m.	<b>Break</b>
3.30 p.m.	10. <b>Other Auditing and Assurance Matters</b>
4.10 p.m.	11. <b>Corporate Matters</b>
4.30 p.m.	<b>Close</b>

\* *Closed session*

NOTE: The running order and time allocated to agenda items is subject to change prior to and during the course of the meeting.



# AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4(1)**

Meeting Date: 24 February 2015

Subject: Auditor Reporting – Overall planning for revision

Date Prepared: 9 February 2015

☒ Action Required

☐ For Information Purposes Only

## Agenda Item Objectives

To approve proposed project plan and related planning documents for changes to Australian Auditing Standards as a consequence of revisions made/planned to be made to IAASB standards.

## Background

1. Refer Agenda Item 4(1)(a) for an explanation.

## Matters to Consider

### **Part A – General**

1. Refer Agenda Items 4(1)(a) for the proposed project plan.
2. Refer Agenda Item 4(1)(b) for a copy of the project timetable:
3. Refer Agenda Item 4(1)(c) for the planned AUASB change protocols.
4. Refer Agenda Item 4(1)(d) for a sample of the contents of the proposed Explanatory Memorandum to be issued with each Exposure Draft.

### **Part B – NZAuASB**

1. Refer Agenda Item 4(2) for NZAuASB considerations and interactions.

### **Part C – “Compelling Reasons” Assessment**

1. Refer Agenda Item 4(2) for a discussion of identified AUASB issues and then those issues that have been transferred to the “compelling reasons” documentation.

The proposed changes conform with IAASB modification guidelines for NSS?

Y ☒

N ☐

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## **AUASB Technical Group Recommendations**

The AUASB Technical Group recommends the planning documents be approved.

### **Material Presented**

Agenda Item 4(1)	AUASB Board Meeting Summary Paper
Agenda Item 4(1)(a)	Project Plan [confidential]
Agenda Item 4(1)(b)	Project Timetable [confidential]
Agenda Item 4(1)(c)	AUASB Change protocols [confidential]
Agenda Item 4(1)(d)	Sample Explanatory Memorandum [confidential]

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB to consider and approve	Approval	AUASB	24 February 2015	O/S

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# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.** 4(2)  
**Meeting Date:** 24 February 2015  
**Subject:** Auditor Reporting - Issues and compelling reasons documentation  
**Date Prepared:** 4 February 2015

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☒ **Action Required**

☐ **For Information Purposes Only**

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## Agenda Item Objectives

1. To continue consideration of identified issues and their disposition (ongoing WIP); and
2. Consider and approve compelling reasons for modifying the ISAs.

## Background

1. 21 October 2014: Agenda Item 8(c).2

The AUASB considered a work-in-progress paper that:

- (a) Identified issues arising from the draft ISAs;
- (b) Identified issues arising from AUASB additions contained in existing Australian standards; and
- (c) Comments and suggestions on treatment of the issues, including suggestions to transfer to the issue to the compelling reasons process.

2. 25 November 2014: Agenda Item 9(b).1

The AUASB continued consideration of the updated work-in-progress issues paper addressing potential issues that arise from the IAASB's Auditor Reporting project and its adoption into the Australian Auditing Standards. The AUASB determined which issues need further deliberations, and others which require no further action.

## Matters to Consider

### *Part A – General*

1. The AUASB is requested to continue its consideration of the updated issues paper and the disposition of each item, including those that have been transferred to the compelling reasons documentation. [Agenda Item 4(2)(a)]
2. The issues paper relates only to those standards issued by the IAASB so far – ISAs 700, 701, 705, 706, 570, 260 and other conforming changes to ISAs\* 210, 220, 230, 510, 540, 580, 600 and 710.

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- \* Changes to these standards are alignments with changes in the main reporting standards (ISAs 700 series, 570 and 260). Accordingly, they do not present issues that are not already identified – they comprise mainly of changes to the example auditor’s reports cross references and other editorials.

## **Part B – NZAuASB**

1. The AUASB Technical Group has engaged in a teleconference with the NZAuASB Technical Staff and the NZAuASB Chairman on 29 January 2015. The purpose of the teleconference was to ensure both parties are aware of the initial proposals to modify the ISAs to be brought to each Board’s February 2015 meeting. Both parties spoke to their respective draft compelling reasons documentation.

In summary, both parties agreed that there were no substantial conflicts between the respective proposed modifications and that the different proposed modifications were supported by reasonable compelling reasons in the respective jurisdictions.

2. Broadly, the NZ modifications will include the following:
  - (a) Inclusion of an additional independence statement disclosing “relationships”. This is an existing difference between Aus and NZ standards.
  - (b) Inclusion of reference to NZ ethical standards, an existing requirement in NZ legislation.
  - (c) KAM (ISA 701) to be applicable to “listed issuers” as opposed to “listed entities” – a term not used in NZ. Listed issuers are present in both the private and public sectors. Other references (not just KAM) will be expanded to apply to all entities, for example: the name of the engagement partner is to be included in the auditor’s report.

In other instances the amended ISA requirements are to be applied to FMC reporting entities (financial markets).

- (d) Modifications to reflect the legislative and corporate governance practice that those charged with governance are responsible for the preparation of the financial statements. This is an existing difference between the Aus and NZ standards.

## **Part C – “Compelling Reasons” Assessment**

1. The AUASB is requested to consider each item in the compelling reasons documentation and approve each modification to the relevant ISAs. [Agenda Item 4(2)(b)]

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☒ N ☐

## **AUASB Technical Group Recommendations**

Approve the proposed modifications to the ISAs enabling the changes to be incorporated into the Australian exposure drafts.

## **Material Presented**

Agenda Item 4(2)	AUASB Board Meeting Summary Paper
Agenda Item 4(2)(a)	WIP Issues Paper [confidential]
Agenda Item 4(2)(b)	Compelling Reasons documentation [confidential]

## **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the compelling reasons for modifying the ISAs	Approval	AUASB	24 February 2015	o/s

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# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.** 4(3)  
**Meeting Date:** 24 February 2015  
**Subject:** Auditor Reporting - Example auditor's reports  
**Date Prepared:** 4 February 2015

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☒ **Action Required**

☐ **For Information Purposes Only**

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## Agenda Item Objectives

1. To consider first-draft versions of revised example auditor's reports for ASA 700 and ASA 570 that comply with:
  - (a) The *Corporations Act 2001*; and
  - (b) The IAASB's auditor reporting revisions to the ISAs.
2. To approve the first-draft example auditor's reports thereby enabling all relevant auditor's reports in several standards to be developed or modified accordingly.

## Background

N/A.

## Matters to Consider

### *Part A – General*

1. The AUASB is asked to consider the first-draft example auditor's reports and approve the intended changes so that all relevant illustrations can be prepared for the ED.
2. The AUASB is asked to pay particular attention to the proposed wording of the "Basis for Opinion" paragraph in respect of compliance with the requirements and guidance in the revised standard:

[For information only]

- (a) ISA 700, paragraph 28(c):

*Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other*

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*ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code);...*

- (b) ISA 700, paragraphs A29 to A34:

*The identification of the jurisdiction of origin of relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. ISA 200 explains that relevant ethical requirements ordinarily comprise Parts A and B of the IESBA Code related to an audit of financial statements together with national requirements that are more restrictive. When the relevant ethical requirements include those of the IESBA Code, the statement may also make reference to the IESBA Code. If the IESBA Code constitutes all of the ethical requirements relevant to the audit, the statement need not identify a jurisdiction of origin.*

*In some jurisdictions, relevant ethical requirements may exist in several different sources, such as the ethical code(s) and additional rules and requirements within law and regulation. When the independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant source(s) (e.g., the name of the code, rule or regulation applicable in the jurisdiction), or may refer to a term that is commonly understood and that appropriately summarizes those sources (e.g., independence requirements for audits of private entities in Jurisdiction X).*

*Law or regulation, national auditing standards or the terms of an audit engagement may require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those pertaining to independence, that applied to the audit of the financial statements.*

*In determining the appropriate amount of information to include in the auditor's report when there are multiple sources of relevant ethical requirements relating to the audit of the financial statements, an important consideration is balancing transparency against the risk of obscuring other useful information in the auditor's report.*

#### Considerations specific to group audits

*In group audits when there are multiple sources of relevant ethical requirements, including those pertaining to independence, the reference in the auditor's report to the jurisdiction ordinarily relates to the relevant ethical requirements that are applicable to the group engagement team. This is because, in a group audit, component auditors are also subject to ethical requirements that are relevant to the group audit.*

*The ISAs do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the IESBA Code or other ethical requirements to which the group engagement team is subject, nor do the ISAs require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group engagement team. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. ISA 60024 provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations where the component auditor does not meet the independence requirements that are relevant to the group audit.*

#### **Part B – NZAuASB**

3. N/A – distinct jurisdictions.

#### **Part C – “Compelling Reasons” Assessment**

1. See compelling reasons documentation under Agenda Item 4(2)

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☒ N ☐

## **AUASB Technical Group Recommendations**

Approve the proposed modifications to the example auditor's reports enabling the changes to be incorporated into the Australian exposure drafts.

### **Material Presented**

Agenda Item 4(3)	AUASB Board Meeting Summary Paper
Agenda Item 4(3)(a)	Example Auditor's Report (Revised ASA 700) [Marked Up Version] [confidential draft]
Agenda Item 4(3)(b)	Example Auditor's Report (Revised ASA 700) [Clean Version] [confidential draft]
Agenda Item 4(3)(c)	Example Auditor's Report (Revised ASA 570) [Marked Up Version] [confidential draft]
Agenda Item 4(3)(d)	Example Auditor's Report (Revised ASA 570) [Clean Version] [confidential draft]

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the proposed modifications to the example auditor's reports	Approval	AUASB	24 February 2015	o/s





# AUASB Board Meeting Summary Paper

**AGENDA ITEM NO.** 4(4)  
**Meeting Date:** 24 February 2015  
**Subject:** Auditor Reporting – Draft ASA 700  
**Date Prepared:** 30 January 2015

☒ **Action Required**

☐ **For Information Purposes Only**

## Agenda Item Objectives

To consider a first-draft of a revised ASA 700 to be included in an exposure draft.

## Background

N/A

## Matters to Consider

### *Part A – General*

The AUASB is asked to consider the first-draft of a revised ASA 700 in conjunction with the changes contemplated in the compelling reasons documentation [see Agenda Item 4(2)(b)]; and to provide direction and comment for refinement of the document as an Exposure Draft.

### *Part B – NZAuASB*

N/A

### *Part C – “Compelling Reasons” Assessment*

Refer Agenda Item 4(2)(b).

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☒ N ☐

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## **AUASB Technical Group Recommendations**

None at this time.

### **Material Presented**

Agenda Item 4(4)	AUASB Board Meeting Summary Paper
Agenda Item 4(4)(a)	1 <sup>st</sup> draft of proposed ASA 700 (Revised) [Marked Up Version] [confidential draft]

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and provide comment on the first draft of a revised ASA 700	Comments	AUASB	24 February 2015	o/s

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# AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4(6)**

Meeting Date: 24 February 2015

Subject: Auditor Reporting – IAASB Disclosures Project – Cross referencing

Date Prepared: 17 February 2015

☐ Action Required

☒ For Information Purposes Only

## Agenda Item Objectives

To inform the AUASB of matters related to the IAASB Disclosures project in respect of cross referencing of certain disclosures out of the financial statements where permitted by the applicable financial reporting framework.

## Background

1. Refer Agenda Item 4.6(a)

## Matters to Consider

### *Part A – General*

1. Refer Agenda Item 4.6(a)

### *Part B – NZAuASB*

1. Not applicable at this stage.

### *Part C – “Compelling Reasons” Assessment*

1. Not applicable

The proposed changes conform with IAASB modification guidelines for NSS?  
N/A

Y ☐ N ☐

## Material Presented

Agenda Item 4(6) AUASB Board Meeting Summary Paper

Agenda Item 4(6)(a) Attachment to BMSP [confidential]

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# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**           **6**

**Meeting Date:**               24 February 2015

**Subject:**                     GS 022 *Grant Acquittals and Multi-Scope Engagements*

**Date Prepared:**             14 February 2015

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☒ **Action Required**

☐ **For Information Purposes Only**

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## Agenda Item Objectives

To consider and provide approval to issue GS 022 [Agenda Item 6.1]

## Background

1. The project was originally proposed as a guidance statement (GS) relating only to the development of single-form auditor/assurance practitioner reports when multiple reporting frameworks existed.
2. The AUASB requested the scope of the GS to be expanded to cover performance of such engagements as well as reporting them.
3. The AUASB adjusted the scope further to focus on practical implementation issues in a Q&A type format as opposed to a summarised audit approach manual.
4. The AUASB has also considered the use to which this GS may be put in lobbying for consistency in the industry.
5. A PAG was formed which comprises mainly auditors/assurance practitioners but also includes 2 large Federal Government agencies that provide significant grants to a wide range of applicants.
6. The drafting team met on 6 November 2014 and agreed that the practical application issues listed in the draft GS could apply equally to a single-subject grant acquittal as well as a multi-scope engagement, which in turn could be a grant acquittal. Accordingly, the name of the proposed GS has been changed as well as relevant content within the document.
7. The PAG has met 3 times – all input from PAG members has been included in the final draft. [Agenda Items 6.1 and 6.2]
8. Two partners from a practitioner firm, each from a different State, volunteered to provide a confidential review of the draft GS. Their input has been processed and can be seen in the marked up version of the GS. [Agenda Item 6.2]

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9. The AUASB has agreed to a proposal to develop a fit-for-purpose strategy to lobby for consistency of requirements and practice in grants and multi-scope engagements once GS 022 is issued.

### **Matters to Consider**

#### ***Part A – General***

1. The proposed GS 022.

#### ***Part B – NZAuASB***

1. Once approved, GS 022 would be available to the NZAuASB and staff for their adoption and/or amendment to enable appropriate use in NZ.

#### ***Part C – “Compelling Reasons” Assessment***

1. N/A

The proposed changes conform to IAASB modification guidelines for NSS?

Y ☐ n/a N ☐ n/a

### **AUASB Technical Group Recommendations**

1. The AUASB is requested to provide approval for issuance of proposed GS 022.
2. AUASB approval would be subject to any further changes to the draft GS and thorough QA procedures.

### **Material Presented**

Agenda Item 6	AUASB Board Meeting Summary Paper
Agenda Item 6.1	Draft GS 022 (Clean Version) [confidential]
Agenda Item 6.2	Draft GS 022 (Marked Up Version) [confidential]

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consideration of draft GS 02X	Provide comments	AUASB	21 October 2014	√
2.	Consider WIP draft GS 02X	Commentary to the GS drafting team	AUASB	25 November 2014	√
3.	Consider GS 022	Approval	AUASB	24 February 2015	o/s

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# AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7(a)**

Meeting Date: 24 February 2015

Subject: Project Plan – Guidance on ASA 600 *Special Considerations – Audits of a Group Financial Report (including the Work of Component Auditors)*

Date Prepared: 6 February 2015

☒ Action Required

☐ For Information Purposes Only

## Agenda Item Objectives

To present a project plan to provide additional guidance on ASA 600 *Special Considerations – Audits of a Group Financial Report (including the Work of Component Auditors)*.

## Background

Refer Agenda Item 7(a).1 for the project plan.

## Matters to Consider

### ***Part A – General***

1. Refer Agenda Item 7(a).1 for the project plan.

### ***Part B – NZAuASB***

1. The NZAuASB will be consulted if the project plan is approved to gauge interest in working with the AUASB in developing the guidance.

### ***Part C – “Compelling Reasons” Assessment***

1. Not required.

The proposed changes conform with IAASB modification guidelines for NSS?  
N/A

Y

☐

N

☐

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## **AUASB Technical Group Recommendations**

The AUASB Technical Group recommends the AUASB approve the Project Plan.

### **Material Presented**

Agenda Item 7(a)	AUASB Board Meeting Summary Paper
Agenda Item 7(a).1	Project Plan [confidential]
Agenda Item 7(a).2	IAASB Work Plan extract of ISA 600 planned work [confidential]

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB to approve project plan	approval	AUASB	24 February 2015	O/S

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# AUASB Board Meeting Summary Paper

**AGENDA ITEM NO.** 7(b)  
**Meeting Date:** 24 February 2015  
**Subject:** Project Plan – Revision to ASAE 3100 *Compliance Engagements*  
**Date Prepared:** 5 February 2015

☒ **Action Required**

☐ **For Information Purposes Only**

## Agenda Item Objectives

To present for the AUASB's approval the project plan to revise ASAE 3100 *Compliance Engagements* for current practice and in clarity format to bring it in line with revised ASAE 3000.

## Background

1. Refer to project plan at Agenda Item 7(b).1 for detail on the project.

## Matters to Consider

### *Part A – General*

2. Refer to project plan at Agenda Item 7(b).1 for detail on the project.

### *Part B – NZAuASB*

3. This standard was developed by the AUASB with regard to the Australian regulatory environment however the NZAuASB may determine that a similar standard is required and which can be adapted for the NZ market.

### *Part C – “Compelling Reasons” Assessment*

4. N/A

The proposed changes conform with IAASB modification guidelines for NSS?  
N/A

Y ☐ N ☐

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## **AUASB Technical Group Recommendations**

The Technical Group recommends that the AUASB approve the proposed project plan for the revision of ASAE 3100 *Compliance Engagements*.

### **Material Presented**

Agenda Item 7(b)	AUASB Board Meeting Summary Paper
Agenda Item 7(b).1	ASAE 3100 <i>Compliance Engagements</i> Project Plan [confidential]
Agenda Item 7(b).2	Post Implementation Survey ASAE 3100 <i>Compliance Engagements</i> Disposition Paper [confidential]
Agenda Item 7(b).3	ASAE 3100 Project Timeline [confidential]

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approval of Revision to ASAE 3100 Project Plan		AUASB	24 February 2015	

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# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.** 7(c)  
**Meeting Date:** 24 February 2015  
**Subject:** Approval of Project Plan – ASAE 3500 Performance Engagements  
**Date Prepared:** 5 February 2015

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☒ **Action Required**

☐ **For Information Purposes Only**

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## Agenda Item Objectives

To present the project plan for the revision of ASAE 3500 *Performance Engagements* for approval.

## Background

1. The existing ASAE 3500 was issued in 2008. In the meantime, in addition to a new suite of auditing standards being issued in 2009 in clarity format, ASAE 3000 has been reissued in June 2014 with significant changes in terminology and far greater detail in the approach to assurance engagements. As ASAE 3000 is the overarching standard for other Standards on Assurance Engagements, these changes to ASAE 3000 need to be reflected in revisions to ASAE 3500. As a consequence, the revision of ASAE 3500 is on the AUASB's work program for 2014/15 financial year.

## Matters to Consider

### *Part A – General*

2. The AUASB conducted a post-implementation survey in 2012 to obtain feedback on ASAE 3500 and identify areas where improvements could be made when ASAE 3500 is revised. The responses to this survey, which are analysed in Agenda Item 7(c).3, identified a number of areas to be addressed in any revision including:
  - (a) Consideration of applicability of limited assurance and attestation engagements to performance engagements.
  - (b) Applicability of other objectives to performance engagements in addition to economy, efficiency and effectiveness.
  - (c) Allowing for conclusions on objectives at the overall objectives level and the sub-objective level, which was a matter addressed in the new standard ASAE 3150 for controls engagements.
  - (d) Whether the report format is always long form rather than short form and allowing for other information to be included.

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- (e) Further guidance required on evidence required for limited assurance engagements.
  - (f) Revised definition of materiality and material deficiency or variation and provide further guidance required on assessing materiality, including qualitative matters.
  - (g) Alignment with the terminology used in practice and avoidance of financial audit terms and concepts.
  - (h) Allowance for the discretion afforded to Auditors General in their engagement scope and reporting.
  - (i) Clarification of the requirements to assess appropriate subject matter and suitable criteria in a direct engagement when the assurance practitioner determines those matters.
  - (j) Differentiation of assertions (attestations) and written representations.
  - (k) Clarification of risk assessment and separation from the materiality concepts.
  - (l) Further guidance on understanding the performance engagement circumstances and the activity subject to the performance engagement.
  - (m) Clarify method of evaluation of deficiencies and modified reports.
  - (n) Provide for reporting to Parliament.
  - (o) Guidance on means of selective testing.
3. The AUASB Technical Group have commenced research on current performance engagement practice in Australia and are planning to meet with the Australasian Council of Auditors-General (ACAG) Performance Audit Heads and following that meeting will establish a Project Advisory Group to advise on development of the standard. The Project Plan is attached as Agenda Item 7(c).1, along with the Project Timeline (Agenda Item 7(c) 2).

#### ***Part B – NZAuASB***

4. The AUASB will advise the NZAuASB of this project so that they may remain apprised of progress of the project in the event that they wish to issue an equivalent standard in NZ.

#### ***Part C – “Compelling Reasons” Assessment***

5. There is no equivalent IAASB Standard on performance engagements.

#### **AUASB Technical Group Recommendations**

6. The AUASB Technical Group recommend approval of the project plan for the revision of ASAE 3500.

#### **Material Presented**

Agenda Item 7(c)	AUASB Board Meeting Summary Paper
Agenda Item 7(c).1	ASAE 3500 Revision Project Plan [confidential]
Agenda Item 7(c).2	Project Timeline [confidential]
Agenda Item 7(c).3	AUASB Comments Received and Proposed Disposition Paper for 2012 Post Implementation Survey Results for ASAE 3500 <i>Performance Engagements</i> [confidential]

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**Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve of Project Plan	Approval	AUASB	24 February 2015	Pending



# AUASB Board Meeting Summary Paper

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AGENDA ITEM NO.      **8**

Meeting Date:            24 February 2015

Subject:                  AUASB Bulletin: Internal Audit – Impact of Direct Assistance Prohibition on Group Audits

Date Prepared:          3 February 2015

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☒ Action Required

☐ For Information Purposes Only

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## Agenda Item Objectives

To approve the draft AUASB Bulletin: *Internal Audit – Impact of Direct Assistance Prohibition on Group Audits*.

## Background

The AUASB has recently revised Auditing Standard ASA 610 *Using the Work of Internal Auditors*. The revised standard reflects recent developments in the internal auditing environment and provides a more robust framework for the evaluation and, where appropriate, use of the work of the internal audit function by the independent external auditor. The revised standard also prohibits the use of internal auditors to provide direct assistance in an independent audit or review conducted in accordance with the Australian Auditing Standards.

For a group audit, this prohibition extends to the use of internal auditors to provide direct assistance in an audit or review of a component, including an overseas component, conducted in accordance with the Australian Auditing Standards.

One of the areas of difficulty impacting auditors since the revision of ASA 610 is around the issues that auditors need to consider when relying on internal auditors in jurisdictions where there is no prohibition on the use of direct assistance, such as in the United States (US).

A draft Bulletin was presented to the AUASB at the 24 November 2014 meeting. Several amendments requested at that meeting have processed in the amended bulletin as attached. In addition, the AUASB expressed particular concern in relation to service organisations and the impact that the prohibition may be having on the use of reports from service organisation auditors. The AUASB Technical Group was requested to contact the FRC in the UK to further understand whether UK audit firms are experiencing difficulties in relation to the impact that the prohibition may be having in relation to service organisations and whether the FRC has issued any guidance in this area.

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The UK FRC confirmed to the AUASB Technical Group that they are unaware of any issues being raised in relation to this matter. The question of the impact of the prohibition in relation to service organisations did come up in the FRC’s 2013 consultation on the prohibition of direct assistance by internal audit and the FRC’s response to the concern raised was similar to what the AUASB Technical Group have presented in the bulletin attached. For reference we have attached a copy of our email correspondence with the UK FRC.

**Matters to Consider**

***Part A – General***

1. Refer Draft AUASB Bulletin.

***Part B – NZAuASB***

1. N/A

***Part C – “Compelling Reasons” Assessment***

1. N/A

The proposed changes conform with IAASB modification guidelines for NSS? Y ☐ N ☐

**AUASB Technical Group Recommendations**

Approve the draft Bulletin.

**Material Presented**

Agenda Item 8	AUASB Board Meeting Summary Paper
Agenda Item 8.1	Draft AUASB Bulletin [confidential draft]

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**Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve Bulletin	Approval	AUASB	24 February 2015	

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# AUASB Board Meeting Summary Paper

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AGENDA ITEM NO.      **9**

Meeting Date:            24 February 2015

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

Date Prepared:          4 February 2015

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☒ Action Required

☐ For Information Purposes Only

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## Agenda Item Objectives

For the AUASB to review and consider ASIC's feedback on the final draft of revised GS 005 *Using the Work of a Management's Expert*.

## Background

At the 25 November 2014 AUASB meeting, the AUASB approved for issue GS 005 *Using the Work of a Management's Expert*, subject to the finalisation of several editorial amendments, internal QA process and review by ASIC.

GS 005 has been through internal QA and has received OBPR clearance. The final draft was circulated to ASIC in early December 2014 and on 27 January 2015 ASIC provided the AUASB technical Group with ASIC staff level comments (not a settled position on the Commission).

The attachment to the BMSP (refer Agenda Item 9.1) contains a summary of ASIC's comments and the AUASB technical Group's response to those comments.

## Outstanding Matters

1. Resolution of matters above.

## AUASB Technical Group Recommendations

The AUASB Technical Group recommends that the AUASB consider ASIC comments as presented, and provide further comment/input.

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### **Material Presented**

Agenda Item 9	AUASB Board Meeting Summary Paper
Agenda Item 9.1	Attachment to BMSP
Agenda Item 9.2	GS 005 <i>Using the Work of a Management's Expert</i> – Final Draft [confidential]

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB to provide comments on ASIC feedback.	Comments at Board meeting.	AUASB	24 February 2015	





# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**           **10(a)**

**Meeting Date:**               24 February 2015

**Subject:**                     GS 018 *Franchising Code of Conduct – Auditor's Report*

**Date Prepared:**             10 February 2015

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☒ **Action Required**

☐ **For Information Purposes Only**

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## Agenda Item Objectives

To provide an update to the AUASB on the status of GS 018 *Franchising Code of Conduct – Auditor's Report*, which was last issued in October 2010.

## Background

1. GS 018 *Franchising Code of Conduct – Auditor's Reports* was last revised and issued in October 2010. The Competition and Consumer (Industry Codes—Franchising) Regulation 2014 (the franchising code of conduct) on which the guidance is based and the audit requirements are outlined was initially introduced as a code that regulates the conduct of franchising participants in 1998 and since then has been amended four times 1999, 2001, 2008 and most recently in October 2014.

The purpose of GS 018 was to assist the auditor engaged to report under the previous Annexure 1 Item 20.3 audit reporting requirements as applicable of the code which is now Annexure 1 Item 21.4.

## Matters to Consider

### **Part A – General**

1. The AUASB should refer to the attachment to the Board Meeting Summary Paper 10(a).1 for more details on the specific changes to the audit requirements under the code and matters to consider for GS 018 as outlined by the AUASB Technical Group.

### **Part B – NZAuASB**

1. N/A. This guidance statement is only applicable for the Australian jurisdiction as it relates specifically to laws under the Competition and Consumer (Industry Codes—Franchising) Regulation 2014 which is regulated by the Australian Competition and Consumer Commission (ACCC).

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**Part C – “Compelling Reasons” Assessment**

1. N/A

The proposed changes conform with IAASB modification guidelines for NSS?

Y ☐ N ☐

**AUASB Technical Group Recommendations**

The AUASB to consider the need to retain and revise GS 018 *Franchising Code of Conduct – Auditor’s Reports*.

**Material Presented**

Agenda Item 10(a)	AUASB Board Meeting Summary Paper
Agenda Item 10(a).1	Attachment to BMSP
Agenda Item 10(a).2	Excerpt from the Franchising Code of Conduct

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**Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB to decide on retaining and revising GS 018.		AUASB	24 February 2015	

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# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**           **10(b)**

**Meeting Date:**           24 February 2014

**Subject:**                 Update on Integrated Reporting – Assurance Activities

**Date Prepared:**         16 February 2015

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☐ **Action Required**

☒ **For Information Purposes Only**

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## Agenda Item Objectives

To provide an update to the AUASB on IR Assurance activities since the 24 November 2014 meeting.

## Background

1. On 1 August 2014, the IIRC issued two assurance papers “[Assurance on <IR>: an introduction to the discussion](#)” and “[Assurance on <IR>: an exploration of issues](#)”. The first paper has been released to help stakeholders understand the role of assurance and initiate a global discussion on its benefits and challenges. This paper also poses 13 questions in relation to assurance on integrated reporting. The second paper which is more detailed discusses issues such as: the nature of assurance and how different mechanisms contribute to credibility and trust; methodology issues dealing with, for example, future oriented information, soft narrative and completeness of a report; and materiality, the reporting boundary and connectivity for assurance purposes.
2. The IIRC believes these papers will provide a catalyst for those with an interest in assurance to initiate and get involved in forums around the world during the second half of 2014, in order to debate the practical and technical challenges in ensuring credibility and trust in <IR>.
3. In October 2014, the AUASB in conjunction with the Business Reporting Leaders Forum, KPMG and the Accounting bodies, held three Australian Assurance on Integrated Reporting Roundtables to discuss the paper and key questions and seek the views of stakeholders on assurance on <IR>. In addition, the Chairman of the AUASB also attended an Assurance on Integrated Reporting Roundtable in New York and the IIRC Annual Pilot Program conference in Madrid in September. The input and feedback from the Australian roundtables was used to assist the AUASB in formulating its response to the IIRC lodged on 1 December 2014.

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**Matters to Consider**

***Part A – General***

1. Refer to Agenda Item 10(b).1 for a brief update on IAASB IR WG and IIRC activities since November 2014.

***Part B – NZAuASB***

1. N/A

***Part C – “Compelling Reasons” Assessment***

1. N/A

The proposed changes conform with IAASB modification guidelines for NSS?

N/A

Y	<input type="checkbox"/>	N	<input type="checkbox"/>
	<input type="checkbox"/>		<input type="checkbox"/>

**Material Presented**

Agenda Item 10(b)

AUASB Board Meeting Summary Paper

Agenda Item 10(b).1

Attachment to AUASB Board Meeting Summary Paper



# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**           **10(d)**  
**Meeting Date:**           24 February 2015  
**Subject:**                 Deregulation Agenda Update  
**Date Prepared:**         4 February 2015

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☒ **Action Required**

☐ **For Information Purposes Only**

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## Agenda Item Objectives

1. To provide an update of the AUASB's activities in response to the Government's deregulation agenda.
2. To seek approval for the repeal of legislative instruments, being the suite of 2006 auditing standards.

## Background

1. The Australian Government's Deregulation Agenda is aimed at reducing the regulatory burden on business, individuals and community organisations (stakeholders). The compliance cost reduction target set by the Government is \$1 billion per annum.
2. During 2014, the AUASB contributed to the Deregulation Agenda in the following ways:
  - (a) Provided the number of current AUASB regulations or quasi regulations for the Government's "stocktake and audit" and commented on the qualitative assessment of the financial reporting regulatory burden, used to determine the "baseline" of current level of regulatory burden and the areas with the greatest potential for reform.
  - (b) Repealed regulations which were no longer necessary, being a number of amending standards.
  - (c) Submitted Quarterly Deregulation Reports to Treasury.
  - (d) Obtained Office of Best Practice Regulation (OBPR) clearance through approval of Regulatory Impact Assessments on every regulation or quasi regulation issued. No Regulatory Impact Statements were required during the year.
  - (e) Reported volume of transactions between business and the AUASB, to help Treasury identify benefit from using SBR.
  - (f) Provided the Treasurer with a Statement of Intent in response to the Treasurer's Statement of Expectation, which included the AUASB's commitment to the Deregulation Agenda.

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## **Matters to Consider**

### **Deregulation Activity during 2015**

3. The Treasury Portfolio made a significant contribution to the Government's deregulation agenda last year and is in the process of compiling the Portfolio's Deregulation Annual Report for likely release on the Autumn Repeal Day in March 2015. The AUASB has provided information on regulatory measures undertaken during 2015 for the Deregulation Annual Report.
4. Whilst the AUASB repealed some amending standards, the AUASB was not able to contribute any savings to the Government's deregulation target of \$1B for 2014, however the limited capacity of the AUASB to achieve savings was acknowledged by Treasury in providing no allocation of target savings. Treasury Portfolio expect a target for net reduction in the red tape burden of around \$400 million in 2015 and possibly more in 2016, as their share of the \$1B annual whole-of-government target.
5. The Regulator Performance Framework, which provides for performance self-assessment by Regulators with respect to imposition of regulatory burden on stakeholders, will be implemented in 2015, however, the AUASB will not be subject to the Framework as the AUASB issues policy rather than implementing, enforcing or monitoring that policy.

### **Adopting International Standards**

6. Late last year the Government announced its policy on International Standards and Risk Assessments, which in essence stated that if a system, service or product has been approved under a trusted international standard or risk assessment, then regulators should not impose any additional requirements for approval in Australia. On 1 December, the Office of Deregulation released a related guidance note which is provided at Agenda Item 10(d).2.
7. This policy supports the AUASB's current approach of conforming as closely as possible to IAASB Standards unless there are compelling reasons for amendments. Nevertheless, following international standards does not appear to be reason for exempting the AUASB from the regulatory impact assessment process. However, the AUASB's regulatory measures do not usually result in any appreciable regulatory impact, consequently costing of these measures is not typically necessary, subject to OBPR clearance.

### **Preparing for Spring 2015 Repeal Day**

8. Treasury is currently working on measures that will form part of the Spring 2015 Repeal Day and is calling for any measures that are deregulatory, including the repeal of legislative instruments.
9. The AUASB needs to consider the opportunity to participate in the bulk repeal of LIs in October 2015, which will need to be submitted to Treasury by April 2015. The 2006 suite of auditing standards were superseded by the 2009 suite of auditing standards, which applied for reporting periods commencing 1 January 2010.

## **Staff Recommendations**

The AUASB Technical Group recommend that the AUASB approve the repeal of the 2006 suite of auditing standards at the Spring repeal day, as listed in the attachment Agenda Item 10(d).1.

## **Material Presented**

Agenda Item 10(d)	AUASB Board Meeting Summary Paper
Agenda Item 10(d).1	Attachment to AUASB Board Meeting Summary Paper [confidential]
Agenda Item 10(d).2	Office of Deregulation, Prime Minister & Cabinet – Guidance Note <i>International Standards and Risk Assessments</i> as at 1 December 2014 [confidential]



# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**           **10(e)**

**Meeting Date:**           24 February 2015

**Subject:**                 Emissions Reduction Fund and Clean Energy Regulator Update

**Date Prepared:**         13 February 2015

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☒ **Action Required**

☐ **For Information Purposes Only**

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## Agenda Item Objectives

1. To provide the AUASB with an update on developments in relation to:
  - a. The Emissions Reduction Fund (ERF), including the activities of the Department of Environment in developing legislation and regulation for the scheme, and the Clean Energy Regulator (CER), who administers the scheme, to identify possible implications for the AUASB.
  - b. The National Greenhouse and Energy Reporting (NGER) and related schemes which the Clean Energy Regulator (CER) administers.
2. To consider whether and when Guidance Statement GS 021 *Engagements under the National Greenhouse and Energy Reporting Scheme, Carbon Pricing Mechanism and Related Schemes* will be updated to reflect the current schemes.

## Background

### *Policy*

The Department of Environment is responsible for policy development in relation to climate change and is responsible for developing the policy with respect to the government's proposed ERF, the legislation necessary to implement the scheme and the methodology determinations for quantification of abatements under each type of project. The ERF has replaced the carbon pricing mechanism (CPM), which was repealed with effect from 1 July 2014 and will incorporate projects operating under the Carbon Farming Initiative (CFI). Assistance schemes related to the CPM, the Jobs and Competitiveness program (JCP) and partial exemption certificate (PEC) relief under the Renewable Energy Target (RET) have been discontinued with effect from 1 July 2014.

### *Regulation*

The CER is responsible for the administration of schemes related to climate change, which currently include:

- National Greenhouse and Energy Reporting Scheme (NGERS) – on-going reporting requirements
- CPM & related assistance – final reporting period ended on 30 June 2014 and all obligations to meet carbon liabilities were required to be met by liable entities by 2 February 2015.

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- ERF – development of subordinate legislation (regulations, determinations and rules) to implement the ERF legislation, including specific audit and assurance requirements.

### **Matters to Consider**

The AUASB continues to liaise with the CER with respect to implementation of the ERF and assurance under the scheme. The ERF has been introduced by way of amendments to the *Carbon Credits (Carbon Farming Initiative) Act 2011*, which provide for the CER to conduct auctions and enter into contracts to purchase emissions reductions. The amendments enable a broader range of emissions reduction projects to be approved, as well as amending the project eligibility criteria and processes for approving projects and crediting carbon credit units. The ERF formally commenced on 12 December 2014 and the first auctions under the ERF are due to commence in April 2015. The auctions will be used by the CER to purchase emissions abatements in the form of Australian carbon credit units (ACCUs), on behalf the Government. ERF contracts will include a schedule for the delivery of ACCUs submitted by the project proponent, reporting under the scheme and will be subject to an audit, the frequency of which will depend on the volume of abatement.

The AUASB liaised with the Department of Environment in drafting *Carbon Credits (Carbon Farming Initiative) Rule 2015*, which was on public exposure in late 2014 and is expected to be finalised in early 2015. The Rules specify the nature and frequency of the audit requirements and the form of the audit reports to be provided with respect to ERF projects. The Rules provide for projects to undertake an initial audit at the beginning of the crediting period with a minimum of three audits, including the initial audit, in total over crediting periods of seven years or more.

The Department of Environment have been in the process of issuing exposure drafts of methodology determinations for each new activity which the ERF will encompass. Existing Carbon Farming Initiative projects will be automatically transitioned to the ERF. Changes to current and new methods will not affect these existing projects, in that they may either continue to operate under their existing CFI methods or apply to use an applicable ERF method.

The CER has been preparing prospective participants in the ERF by issuing the following material on its website, including:

- Steps to participate - a high-level overview of what is required to participate in the ERF.
- Carbon Abatement Contract – terms and conditions that will apply to contracts entered into to purchase abatement.
- Auction guidelines - information on auction schedules, bidding, suspension and cancellation, participant disqualification and information publication.
- Register of projects - information about projects currently registered under the ERF and the abatement achieved by those projects.
- Types of projects - eligible projects under the ERF.
- Application forms – registration of ERF projects.

The AUASB Technical Group will continue to liaise with the CER and the Department of Environment and monitor their activities.

### **AUASB Technical Group Recommendations**

With the repeal of CPM and related assistance schemes and the introduction of the ERF, GS 021 is now out-of-date and requires amendment. The AUASB Technical Group recommends that the AUASB consider inclusion of GS 021 on the work program.

### **Material Presented**

Agenda Item 10(e)                      AUASB Board Meeting Summary Paper