

23 March 2023

Auditing and Assurance Standards Board
PO Box 204
Collins Street West VIC 8007

By email: enquiries@auasb.gov.au

Dear Sir/Madam,

Response to Discussion Paper – Expanding Key Audit Matters beyond listed entities

We welcome the opportunity to provide our views on the AUASB's Discussion Paper – *Expanding Key Audit Matters beyond listed entities*.

Nexia Australia Pty Ltd represents the six independent chartered accounting firms comprising the Nexia Australia network with 80 partners servicing clients from small to medium enterprises, large private companies, not-for-profit entities, subsidiaries of international companies, and listed public companies.

We make the following comments on the Discussion Paper:

Question 1 – Do you support requiring the communication of KAMs in the auditor's report for the following:

Option 1: Listed entities only (i.e., No amendment to ASA 701); or

Option 2: Listed entities plus certain other types of entities; or

Option 3: All audited financial reports.

We support Option 1 – listed entities only (no amendment to ASA 701).

Listed entities generally have a large number of users who do not have access to management and those charged with governance. Listed entities are subject to enhanced reporting and governance requirements designed to enhance transparency, including in respect of the audit and to assist users in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report.

We disagree with extending mandatory key audit matter (KAM) reporting to other types of entities, whether those required to prepare an annual report in accordance with the *Corporations Act 2001*, *Australian Charities and Not-for-profits Commission Act 2012* or other legislation.

For example, large proprietary companies are often closely held and represent those charged with governance. In our opinion, the cost to extend the communication of KAMs to other entities would add an additional regulatory cost on those entities and outweigh any potential benefits to users of doing so. We remain supportive of other entities having the ability to voluntarily request that the auditor communicate KAMs if, in the specific circumstances, those charged with governance consider it appropriate or if the auditor otherwise decides to communicate key audit matters.

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We are aware that some Auditors General currently report KAMs for significant public sector entities. We express no view as to whether the auditor's report of public sector entities and agencies should be *required* to communicate KAMs, although ASA 701 permits an auditor to communicate key audit matters if appropriate.

Question 2 - If in response to Question 1 you support Option 2, for which types of entities do you think auditors should be required to communicate KAMs?

Not applicable.

Question 3 - If you do not support any of the Options currently under consideration by the AUASB in this discussion paper, do you have any suggestions for alternative options the AUASB should consider when evaluating the population of entities that KAMs should apply to going forward?

Not applicable.

In our opinion, Option 1 balances the objective of communicating KAMs for those entities with the greatest number of users (ie, listed entities) while not imposing an unreasonable regulatory cost across a wider cohort with limited benefits for the users of those financial reports.

Should you wish to discuss any aspects of our submission, please contact Martin Olde at molde@nexiaaustralia.com.au.

Yours faithfully

Nexia Australia Pty Ltd

Nexia Australia