



31 March 2023

Mr Bill Edge
Chair
Australian Auditing and Assurance Standards Board
PO Box 204, Collins Street West
VICTORIA 8007

By email: enquiries@auasb.gov.au

Dear Mr Edge,

Discussion Paper – Expanding Key Audit Matters beyond listed entities

Thank you for the opportunity to comment on the AUASB's Discussion Paper.

IPA supports the enhanced audit report reforms introduced in December 2016. The communication of Key Audit Matters (KAMs) in the auditor's report of listed entities as required by ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* has been a progressive and valuable reform to audit reporting. On this basis, IPA:

- continues to support requiring the communication of KAMs in the auditor's report in Option 1 for listed entities only.
- conditionally supports Option 2 for listed entities plus certain types of other entities, as there is merit in a scalable approach where KAMs are extended to a range of other types of entities. However, further research is required to ascertain the costs and benefits of KAMs for the proposed entities.
- does not support Option 3 of extending KAMs to all financial reports.

Our responses to the specific questions in the Discussion Paper are in Attachment 1.

If you have any queries with respect to our comments or require further information, please contact me at vicki.stylianou@publicaccountants.org.au.

Yours faithfully

Vicki Stylianou
Group Executive, Advocacy & Policy
Institute of Public Accountants

About the IPA

The IPA is one of the professional accounting bodies in Australia with over 49,000 members and students across 100 countries. Approximately three-quarters of our members either work in or are advisers to the small business and SME sectors. In 2023, the IPA celebrates its centenary year and looks forward to contributing to the future prosperity of our members and the profession.

ATTACHMENT 1 – IPA’s response to specific questions in 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.

As stated in our cover letter, IPA supports the enhanced audit report reforms introduced in December 2016. The communication of KAMs in the auditor’s report of listed entities as required by ASA 701 *Communicating Key Audit Matters in the Independent Auditor’s Report* has been a progressive and valuable reform to audit reporting. On this basis, IPA continues to support Option 1.

IPA also conditionally supports Option 2 as there is merit in a scalable approach where KAMs are extended to a range of other types of entities. To determine the other entities that KAMs could be applicable, we suggest the AUASB develop a range of models and consult with stakeholders on their viability, with a focus on the costs and benefits of KAMs for these entities.

IPA does not support Option 3 to extend KAMs to all audited financial reports, the costs are likely to exceed the benefits for the entities within this option.

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?

Do you support one of the suggested ways to segment the population of entities described in this discussion paper, or is there another way you would segment the population of entities that KAMs should apply to?

As stated in our response to Question 1, IPA conditionally supports Option 2. Although AUASB has identified potential types of entities or groups of entities that should include KAMs in their audit reports, further research and analysis need to be undertaken in order for stakeholders to provide more informed views on this matter.

IPA is generally supportive of extending the KAMs requirements on the basis of public interest and/or there being a broad range of users who are not able to command relevant information to inform any decision-making decisions. However, a threshold requirement of benefits outweighing costs needs to be met prior to this requirement being imposed on such entities.

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?

Please provide detailed reasons to support your responses.

Refer to IPA’s responses to Questions 1 and 2.