



Suggested Approach to Describing the Auditor’s Responsibilities on the AUASB Website

Introduction

Auditing Standard – ASA 700 *Forming an Opinion and Reporting on a Financial Report*

1. The guidance related to auditor’s responsibilities located on a website is found in Auditing Standard ASA 700 paragraph Aus A57.1 is: <http://www.auasb.gov.au/Home.aspx>
2. Footnote * attached to the above paragraph states: “The auditor’s report should refer to the specific webpage that applies to the auditor’s responsibilities applicable in the context of the engagement”.

New Zealand

3. The wording in ASA 700 is identical to that used in the equivalent NZ standard – ISA (NZ) 700 paragraph NZ A57.1 and footnote 36.

Explanatory Guide (EG)

4. The proposed EG [see Agenda Item 4(b).1] on auditor reporting is to include a section on auditor responsibilities descriptions located on the AUASB website. The material comprises:
 - (a) Brief guidance that emphasizes the ASA 700 references, especially the footnote;
 - (b) Lists the separate web links for each of the 4 example auditor’s reports found in the Appendix to ASA 700; and
 - (c) Provides one example of how the link would appear in an auditor’s report.

Proposed approach to AUASB Website

AUASB Website - Home Page

5. The AUASB web site architecture is fixed and so we must work within this constraint.

On the Home page, the first level of tabs has high usage and is the portal to the main contents of the website. Descriptions of the auditor’s responsibilities would not rank at the same level of importance and so no changes are suggested to these tabs.

The second level of tabs on the AUASB Homepage is prominent due to its background colouring and positioning which is immediately below the image of Melbourne city. It is suggested that this tab row is used as the prime access to the descriptions of auditor responsibilities, namely:

<p>Auditor’s Responsibilities Description forming part of the auditor’s report.</p>	<p>Subscribe for Alerts Stay up to date with email alerts and eNewsletters.</p>	<p>Open for Comment Click here to view all documents that are open for comment.</p>	<p>The Standard-Setting Process Discover the processes used by the AUASB in setting Standards.</p>
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New Zealand

6. NZ does not have an auditor’s responsibilities link on its home page.
7. However, the NZ home page includes a link to: “Revised Auditing Standards Effective Dec 2016”. This link takes the reader to a page titled: “The New Auditor’s Report” which lists the new, revised and compiled standards effective 15 December 2016.



Note: The New Auditor's Report page refers to, and links to, only the new, revised and compiled standards – it is *not* a listing of all standards and therefore differs from the AUASB site in this regard.

AUASB Website - Australian Auditing Standards Page

8. The Australian Auditing Standards page, which contains the list of all current Australian Auditing Standards, is accessed via links starting from the Pronouncements tab at the top of the Home page.

Pronouncements > AUASB Standards > Australian Auditing Standards

9. It would also be linked to from the proposed new “Auditor’s Responsibilities” tab on the Home page as discussed above.

Auditor’s Responsibilities (Home Page) > Australian Auditing Standards (Page)

10. A new heading/sub-heading and a link could be introduced to the Australian Auditing Standards Page so as to locate a link in close proximity to the Auditing Standards:

Auditor’s Responsibilities

[Click here](#) for more information

11. The existing heading, Australian Auditing Standards, on this webpage would remain unchanged and so too would be the listing of all the Auditing Standards.

AUASB Website – Auditor’s Responsibilities Page

12. This new page would be accessed from the following links:

- (a) Directly from the Home page tab; and
- (b) From the new heading/sub-heading on the Australian Auditing Standards page.

13. The new page would comprise introductory information about auditor’s responsibilities and a Table listing the 4 descriptions aligned to the 4 illustrative auditor’s reports contained in the Appendix to ASA 700. See **Appendix 1** to this document.

14. Each example in the Table would be hyperlinked to the detailed descriptions as set out in **Appendix 2** to this document.

New Zealand

15. The New Auditor’s Report page is set out with the list of standards (first) followed by a sub-heading titled: “Description of the auditor’s responsibilities”. Under the sub-heading is a link: “Click here for more information”.

16. The link takes the reader to a new page titled: “Description of the auditor’s responsibilities”. The page is set up as follows:



Description of the auditor’s responsibilities

Paragraph 41(c) of ISA (NZ) 700 (Revised) allows an auditor’s report to refer by specific reference within the auditor’s report to the location of a description of the auditor’s responsibilities on a website of an appropriate authority.

The “Auditor’s Responsibilities for the Audit of the Financial Statements” section of the auditor’s report may cross refer to the XRB’s web-site.

In January 2016, eight “Auditor’s Responsibilities for the Audit of the Financial Statements” were posted on the XRB’s web-site. The auditor’s report should refer to the specific webpage that applies to the auditor’s responsibilities applicable in the context of the engagement.

	Group audit	Not a group audit
Key audit matters are reported	Audit of a listed issuer (also use for FMC reporting entities considered to have a higher level of public accountability where reporting of key audit matters is early adopted)	Audit of a listed issuer (also use for FMC reporting entities considered to have a higher level of public accountability where reporting of key audit matters is early adopted)
	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) where the auditor voluntarily reports key audit matters	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) where the auditor voluntarily reports key audit matters
Key audit matters are not reported	Audit of a FMC reporting entity considered to have a higher level of public accountability - reporting of key audit matters is deferred until required in 2018	Audit of a FMC reporting entity considered to have a higher level of public accountability - reporting of key audit matters is deferred until required in 2018
	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) - auditor does not report key audit matters	Audit of all other entities (that is those entities that are not FMC reporting entities considered to have a higher level of public accountability) - auditor does not report key audit matters

(Please note: all of these examples assume that a fair presentation framework has been used to prepare the financial statements)



[AUASB WEBSITE: AUDITOR’S RESPONSIBILITIES PAGE]

Description of the Auditor's Responsibilities Forming Part of the Auditor's Report

Introduction

Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* sets out the requirement for an auditor’s report to include details of the auditor’s responsibilities for the audit of the financial report. [Ref: ASA 700, paragraph 37 onwards]

The auditor’s responsibilities descriptions applicable to the type of entity (see Table below) form part of the Auditor's Report when the auditor’s report refers specifically to the auditor’s responsibilities as being located on the AUASB website. [Ref: ASA 700, paragraph Aus A57.1]

Authorisation

The Auditing and Assurance Standards Board authorises the descriptions of the *Auditor's Responsibilities* linked to the following examples that correspond to the 4 examples contained in the Appendix to ASA 700:

	Group Audit [Fair Presentation Framework]	Not a Group Audit [Fair Presentation Framework]
Key audit matters are reported	Listed. <i>Group Entity - Corporations Act 2001</i>	Listed. <i>Single Company - Corporations Act 2001</i>
Key audit matters are not reported		Not listed <i>Single Entity</i>
		Not a Group Audit [Compliance Framework]
Key audit matters are not reported		Not listed <i>Single Entity</i>

Disclaimer of Audit Opinion

When the auditor disclaims an audit opinion, the auditor’s responsibilities are described in the auditor’s report and are *not* referred to as being located on the AUASB website. [Ref: ASA 705, paragraph 29 and A26]

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EXAMPLE 1

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Single Company—*Corporations Act 2001* (Fair Presentation Framework)

As part of an audit in accordance with the Australian Auditing Standards, the auditor¹ exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides the directors with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with the directors, the auditor determines those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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¹ "Auditor" refers to an individual, a firm or an audit company.
Suggestions for AUASB website re Auditor's Responsibilities
January 2016.



EXAMPLE 2

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Group Entity—*Corporations Act 2001* (Fair Presentation Framework)

As part of an audit in accordance with the Australian Auditing Standards, the auditor² exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Concludes on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. The auditor is responsible for the direction, supervision and performance of the Group audit. The auditor remains solely responsible for the audit opinion.

The auditor communicates with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

The auditor also provides the directors with a statement that the auditor has complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on the auditor's independence, and where applicable, related safeguards.

From the matters communicated with the directors, the auditor determines those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. The auditor describes these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, the auditor determines that a matter should not be communicated in the auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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² "Auditor" refers to an individual, a firm or an audit company.



EXAMPLE 3

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT

Single Entity—Not listed (Fair Presentation Framework)

As part of an audit in accordance with the Australian Auditing Standards, the auditor³ exercises professional judgement and maintains professional scepticism throughout the audit. The auditor also:

- Identifies and assesses the risks of material misstatement of the financial report, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence that is sufficient and appropriate to provide a basis for the auditor's opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concludes on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If the auditor concludes that a material uncertainty exists, the auditor is required to draw attention in the auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify the auditor's opinion. The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluates the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

The auditor communicates with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that the auditor identifies during the audit.

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³ "Auditor" refers to an individual, a firm or an audit company.
Suggestions for AUASB website re Auditor's Responsibilities
January 2016.



EXAMPLE 4

AUDITOR'S RESPONSIBILITIES FORMING PART OF THE AUDITOR'S REPORT SINGLE ENTITY—NOT LISTED (COMPLIANCE FRAMEWORK)

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.⁴
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

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⁴ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.