



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

Our ref ED Submission 01/16 ASA 800  
and 02/16 ASA 805  
Contact Juliet Low (02) 9295 3881

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14 July 2016

Dear Sirs

### **AUASB Exposure Drafts (ED), 01/16 on ASA 800 and 02/16 on ASA 805**

We are pleased to have the opportunity to respond to the below EDs issued by the Australian Auditing and Assurance Standards Board (AUASB):

- (1) ED 01/16, *ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (ASA 800)*; and
- (2) ED 02/16, *ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (ASA 805)*.

This letter represents the views of KPMG Australia.

#### **Overarching comments**

Overall, KPMG Australia supports the revised requirements and additional application and other explanatory material related to ASA 800 and ASA 805.

However, we would like to bring to your attention our views on the following minor matters:

#### ***Specific comments on ED 01/16, ASA 800***

##### *Definitions*

We noted inconsistency in the definition paragraph Aus 6.1 compared to the AUASB glossary 'Special purpose financial report'. The fuller definition in the glossary states that its source is ASA 800. We suggest using the fuller definition in ASA 800, or updating the glossary section for consistency purposes. Alternatively if the fuller description is not

included in ASA 800, suggest to delete the reference to ASA 800 as the source of the definition.

*Example wording in Illustrations 4[Aus] and 5[Aus]*

We noted that the phrase “Note X” is used in a number of different places, yet it may be different notes that contain the information. Instead we suggest referring to different note references.

The relevant sections are:

- Opinion (extract) – *‘complying with Australian Accounting Standards to the extent described in “Note X” and the Corporations Regulations 2001.’*
- Emphasis of Matter – Basis of accounting (extract) – *‘We draw attention to “Note X” to the financial report, which describes the basis of accounting.’*
- Responsibilities of the Directors for the Financial Report (extract) – *‘The directors of the Company... have determined that the basis of preparation described in “Note X” to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members.’*

For example, in the directors’ responsibilities paragraph, it may be notes (x-z) that refer to types of entities (e.g. reporting or non-reporting entities), basis of preparation and significant accounting policies, whilst in the opinion paragraph it may be only note (y) that includes the basis of accounting.

We propose either to use different “Note references” at each section or add guidance on the notes references to the financial statements.

*Example wording for Illustration 5[Aus]*

We noted the illustration does not include an option to select the term “*true and fair view*” in the management responsibilities section. We propose the following update for consistency with the opinion section.

*“Management is responsible for the preparation and fair presentation of the financial report (or that gives a true and fair view) in accordance with the financial reporting requirements of the applicable legislation...”*

**Specific comments on ED 02/16, ASA 805**

*Scope of this Auditing Standard*

We recognise that the following comment does not relate to changes made to ASA 805, but include here for completeness and encourage the board to take this point on notice.

We note that paragraph 2 states that ASA 805 does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report.



We further note that ASA 600 does not include an illustration report on special purpose financial statements that may be used by a component auditor for group reporting purposes.

We encourage the Board to give this point further consideration, when an appropriate opportunity arises, for example in light of any potential revisions to ISA/ASA 600 following the IAASB's recent Invitation To Comment.

*Example wording in Illustration 3A [Aus]*

We noted a minor correction in the *Basis for Opinion*.

*"We conducted our audit in accordance with Australian Auditing Standards ~~on Auditing~~."*

Appendix 1 to this letter contains our responses to the specific questions raised in the explanatory memorandum that accompanies the exposure drafts.

Please contact me on (02) 9295 3881 if you wish to discuss any of the issues raised in this letter.

Yours faithfully

Juliet Low  
*Partner*

**Appendix 1 – KPMG responses to the specific questions listed in the AUASB Exposure Drafts**

1. *Have applicable laws and regulations been appropriately addressed in the proposed standard?*

We believe the applicable laws and regulations have been appropriately addressed.

2. *Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?*

We are not aware of any laws or regulations that may prevent or impede application of the proposed standard or may conflict with the proposed standard.

3. *What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?*

We do not anticipate any significant incremental costs to auditors and the business community arising from compliance with the revised requirements of this proposed standard.

Marginal additional costs are expected in:

- updating revised report templates;
- educating management and those charged with governance as to the changes; and
- training and coaching auditors to apply the changes in requirements.

The more significant costs from applying both extant and the proposed revised ASA 800 and ASA805 continue to be liaising with regulators who prepare “required” reporting templates that frequently do not apply the principles and terminology of ASA 800 and 805. It is challenging for practitioners as they are caught between applying the requirements of the Standards or the requirements of the regulator. On some occasions a report prepared under the requirements of the Standards will be rejected. On other occasions long and costly negotiations occur to achieve compliance with the Standards. We encourage the Board to consider how the changes to these Standards will be communicated to regulatory bodies, such that their templates can be adjusted to comply with the requirements of the revised Standards. We also encourage the Board to provide additional guidance to practitioners on what to do when a prescribed report does not comply with the requirements; for example, where the prescribed report does not give a prominent placement of the auditor’s opinion as the first section of the auditor’s report.

4. *Are there any other significant public interest matters that constituents wish to raise?*

No, there are no other significant public interest matters we wish to raise.