



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8**
Meeting Date: 18 July 2017
Subject: Auditor Reporting Project Update
Date Prepared: 10 July 2017

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To provide an update on the Auditor Reporting project.

Progress since previous meeting

- The following are available on the AUASB website and have been communicated to stakeholders via the July AUASB Bulletin (refer Appendix 1):
 - *ASA 2017-1 Amendments to Australian Auditing Standards (ASA 2017-1)*
 - *ASA 701 Explanatory Statement*
 - *ASA 701 Basis for Conclusions*
 - *Frequently asked questions (FAQs) on AQUA Funds and Material Uncertainty Relating To Going Concern*
 - *Updated Auditor Responsibility Statements*
- The following compilations have been lodged with Federal Register of Legislative Instruments and will be released as soon as clearance is received:
 - *ASA 210 Agreeing the Terms of Audit Engagements*
 - *ASA 700 Forming an Opinion and Reporting on a Financial Report*
 - *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report*
 - *ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

- *ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*
- As agreed with the AUASB at the 30 May 2017 meeting, the AUASB Technical Group have separately communicated to auditors of Stapled Security groups.

Next Steps

- The AUASB Technical Group in conjunction with NZAuASB Technical Group, will continue to draft FAQs based on queries received.
- Continue to monitor auditor reporting over the June reporting period, including Stapled Security Groups.
- Commence planning for the post implementation review project.
 - Provide thought leadership on observations of the Enhanced Auditor Reporting, including KAM reporting.
 - Reaching out to stakeholders to obtain evidence about the benefits, the costs, and the issues.
 - Survey auditors
 - Working with academics
 - Working with Canadian AASB in considering cost / benefit for small listed entities.

PCAOB Auditor Reporting standard issued

- Applies to audits conducted under the PCAOB standards.
- Includes a requirement to communicate critical audit matters (CAMs), however the following entities are exempt from this requirement:
 - Audits of emerging growth companies
 - Brokers and dealers
 - Investment companies other than business development companies
 - Employee stock purchase, savings and similar plans
- CAMs are defined as matters that have been communicated to the audit committee, are related to accounts or disclosures that are material to the financial statements, and involved especially challenging, subjective, or complex auditor judgment.
- Whilst the PCAOB's definition of CAMs is different than the definition of key audit matters in ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, it is likely that similar matters would be identified.
- The requirement in relation to the description in the auditor's report is substantively the same as ISA 701.

- Also requires communication of audit tenor and includes other improvements to the auditor’s report consistent with ISA 700 *Forming an Opinion and Reporting on a Financial Report*.
- Link to standard <https://pcaobus.org/News/Releases/Pages/default.aspx>
- Staggered implementation date as follows:
 - New auditor's report format, tenure, and other information: audits for years ending on or after December 15, 2017
 - Communication of CAMs for audits of large accelerated filers: audits for years ending on or after June 30, 2019
 - Communication of CAMs for audits of all other companies: audits for years ending on or after December 15, 2020

Action required

No specific action required.

Material presented

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|---------------|------------------------------------|
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| | Appendix 1 - AUASB July Newsletter |

AUASB July Update July 2017

Introduction

The AUASB newsletter is a snapshot of developments at the AUASB and in international assurance standard setting.

The focus of this month's newsletter is the new enhanced auditor reporting requirements. These are now in effect, meaning auditors will be applying them in the 30 June year end reporting season.

Latest news

Auditor Reporting Requirements now in effect

All auditor's reports now look different and communicate more to users. The most significant change is the communication of Key Audit Matters (KAMs) in the auditor's reports for listed entities. AUASB Chair Roger Simnett said, "The aim of the enhanced auditor's report is to increase the public's confidence in both the audit process and the company financial statements".

"The audit report achieves this by providing investors with greater transparency and insights into the auditor's responsibilities, as well as the audit process and the procedures the auditor performed on the KAMs for listed entities".

New Auditor Reporting FAQs available

New FAQs to assist stakeholders with the implementation of the new requirements have been added to the website. [Read more](#)

New amending standard ASA 2017-1 issued

The AUASB has issued ASA 2017-1 Amendments to Australian Auditing Standards which amends ASA 210, ASA 700, ASA 701, ASA 800 and ASA 805. [Read more](#).

Auditor Responsibility Statements updated

The Auditor Responsibility Statements have been updated to accommodate a wider range of audit engagements. They are available via the [AUASB website](#).

New Release: *Audit Committees: A guide to good practice, 3rd Edition*

An AICD, AUASB and IIA collaboration, this guide provides a practical introduction to the role and responsibilities of an audit committee. It explains the context in which an audit committee typically operates and outlines good practice. [Click here for more information and to purchase](#)

International update

IAASB

The latest meeting International Auditing and Assurance Standards Board (IAASB) was held

in New York on 19-22 June 2017. Topics on the agenda included:
quality management at the firm and engagement level
updates on emerging external reporting, group audits, data analytics, and professional skepticism.
The meeting papers are available via the [IAASB website](#).

PCOAB

The US Public Company Accounting Oversight Board (PCOAB) has recently released:
[AS 3101 The Auditor's Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion](#): (the equivalent of ASA 700 and 701)

For public comment: [a proposal](#) in relation to auditor's use of the work of specialists, which strengthens the requirements for evaluation of the work of a specialist employed by the client, or a specialist employed – or engaged – by the auditor.

For public comment: [a proposal](#) to enhance the requirements that apply when auditing accounting estimates, including fair value measurements.

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