



Attachment to Board Meeting Summary Paper

Subject: ASA 700 (Revised and Redrafted)

Prepared by: AUASB Technical Group

Date: 9 February 2009

## ATTACHMENT A

### Issues

The AUASB is requested to consider and resolve the following issues:

Item #	Issues	Approve? Y/N
1	<p><u>Issue:</u> Is the proposed treatment of each difference, listed in the <i>Tables of Differences</i>, appropriate?</p> <p>Particular attention is drawn to Exhibit 2, item 2 of the Tables— suggestion to carry forward the extant requirement to express an opinion on the entity's compliance with IFRS. [See paras in revised Std., Aus 37.1 and A32.1-Aus A32.2]</p> <p><u>Recommendation:</u> Yes, the treatment is appropriate.</p>	
2	<p><u>Issue:</u> Extant ASA 700 addresses one financial reporting framework (only)—general purpose financial report, <i>fair presentation</i> framework. However, ISA 700 (Redrafted) addresses two financial reporting frameworks, namely:</p> <ol style="list-style-type: none"><li>a general purpose financial report, <i>fair presentation</i> framework; and</li><li>a general purpose financial report, <i>compliance</i> framework.</li></ol> <p>This addition to the reporting framework addressed by the standard will need to be emphasised to Australian practitioners.</p> <p><u>Recommendations:</u></p> <ol style="list-style-type: none"><li>Include in the separate document <i>Explanatory Guide to ASA Reporting Standards</i>, accompanying the exposure drafts, under the section heading “Main Changes from Extant Standards”.</li></ol>	

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	<p>b. Include in the Tables of Changes attached to the ED.</p> <p>c. Include in the AUASB website. A suggestion from the AUASB consultative meeting (Dec. 08) was for a list of all the major changes arising from the ASAs revision/redrafting exercise to be made available on the AUASB website.</p> <p>d. Include in the joint professional bodies' information sessions.</p>	
3	<p><u>Issue:</u> Requirement paragraph 26 refers to the responsibilities of management and uses the phrase: "...design, implementation and maintenance of internal controls...". [Follows on to illustrative auditor's reports.]</p> <p>When describing the responsibilities of those responsible for the financial report, paragraph 24 requires the term that is appropriate in the context of the legal framework, to be used—the report need not refer specifically to "management".</p> <p>Extant ASA was changed so as to use the alternative wording: "...establishing and maintaining internal controls..." in response to the suggestion that the words "design, implementation and maintenance" were inappropriate descriptions of <i>Directors'</i> responsibilities.</p> <p>To keep the extant wording will result in a difference from the underlying redrafted ISA. To adopt the redrafted ISA wording will re-ignite the original argument of inappropriate description where the directors are the responsible party.</p> <p>[Paragraphs: 26, A20, Appendix 1—Illustration 1, 2 and 3]</p> <p><u>Recommendation:</u> Keep extant wording ("...establishing..."). On the basis that the extant wording was considered necessary in the Australian environment and nothing has changed to alter that view. Conformity with the equivalent ISA would not seem to be compromised.</p>	
4	<p><u>Issue:</u> See Tables of Changes, Exhibit 2, Item 1—re Extant para 33(b). The extant requirement was to include in the auditor's report, that those charged with governance are responsible for "...selecting and applying appropriate accounting policies..." This description is no longer specifically required under the new standard.</p> <p>However, under para 26 of the new standard, should the terms of the audit engagement include "selecting and applying appropriate accounting policies" then the auditor's report shall include this description (i.e. a conditional requirement).</p> <p><u>Recommendation:</u> Accept the ISA approach as there is no significant diminution of the standard.</p>	

Item #	Issues	Approve? Y/N
5	<p><u>Issue:</u> Refer para A29 (and others, including the illustrative auditor’s reports) where reference is made to the Australian Accounting Standards. In the extant auditing standards any reference to the Accounting Standards was followed by the phrase “(including the Australian Accounting Interpretations)”. This phrase was used to emphasise that the Interpretations formed part of the Accounting Standards. This emphasis was considered necessary in the context of the relatively new legislative approach to standard-setting.</p> <p>However, as the Interpretations form part if the Accounting Standards (see AASB 1048 <i>Interpretation and Application of Standards</i> para 9 &amp; 11), and have done for some time, consideration should be given as to the need to continue referring to them. Suggest there is no real value in emphasising the Interpretations any longer and such references should be dropped.</p> <p><u>Recommendation:</u> Cease referring to the Accounting Interpretations.</p>	

**Information**

The following matters are brought to the Board’s attention for information purposes only:

Item #	Information-only Matters	Para. #
1	The proposed changes to the Application paragraph will be discussed at Agenda Item 13(a) [ASA 200].	Aus 0.1 (a) and (b)
2	Requirements and/or Guidance paragraphs in Extant ASA which contained references to Australian ethical body, which have not been retained are listed	None
3	Paragraphs that contain “management” or “those charged with governance” references, which have been amended	None

## Conforming Amendments

<b>Item #</b>	<b>ASA (Revised &amp; Redrafted)</b>	<b>Proposed Amendments</b>	<b>Approve? Y/N</b>
1	<i>ASA 100 Preamble</i>	None noted at this point	
2	<i>Assurance Framework</i>	None noted at this point	
3	<i>Glossary</i>	ASA 700 (Revised and Redrafted) includes definitions at para 7 which will have to be included in the Glossary.	
4	<i>Foreword</i>	None noted at this point.  However, a number of generic changes will have to be made to the <i>Foreword</i> , in due course, that will cover all standards including ASA 700	
5	<i>Other</i>	There are no conforming amendments required to other standards as a result of ASA 700.	