

Via email: [edcomments@auasb.gov.au](mailto:edcomments@auasb.gov.au)

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

30 June 2015

Dear Sir/Madam

**AUASB ED01/15 REPORTING ON AUDITED FINANCIAL REPORTS - NEW AND REVISED AUDITOR REPORTING STANDARDS AND RELATED CONFORMING AMENDMENTS**

BDO Australia (BDO) is pleased to have the opportunity to respond to the Auditing and Assurance Standards Board's (AUASB) Exposure Draft, Reporting on Audited Financial Reports (ED or proposal).

We remain supportive of the AUASB's goal of improving the communicative value of the auditor's report, in recognition of the significant demand for change from users of financial statements and the need for greater clarity about what an audit represents. As a result we confirm our support as a whole for the proposed Auditing Standards included in the ED.

Our views on the specific questions raised in the ED are set out below.

**Responses to questions common to all proposed standards included in the ED**

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

Yes, we believe laws and regulations have been appropriately addressed in the proposed standards.

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

We are not aware of any laws or regulations that may impede the application of the proposed standards.

*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 the proposed standards? If there are significant costs, do these outweigh the benefits to the users of audit services?*

We believe there are both additional costs and benefits for auditors and the business community in applying the main changes to the requirements of the proposed standards. Refer to Appendix 1 for a summary of the key costs and benefits.

5. *Is the removal of (only) 'AUS' paragraph references to the Corporations Act 2001—currently included within the requirements and application and other explanatory material—supported? If removal of existing references is not supported, respondents are asked to indicate their preference for locating the re-instated material within the standard:*
- *In the requirements and application and other explanatory material (as applicable) of the proposed standard; or*
  - *By inclusion of a cross-referenced listing in an appendix to the standard?*

No, we strongly prefer for the 'AUS' paragraph references to the Corporations Act 2001 to be included within the requirements and application and other explanatory material as they currently are. We believe it is much easier for the requirements and guidance to be available in the appropriate location to avoid the important links being missed.

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

We continue to strongly believe that financial reporting should reflect management's responsibility for providing information about the entity and that the responsibility of the auditor is to provide assurance on that information, rather than the auditor providing such information to users directly.

Based on this belief we support consideration being given to entities (directors/audit committees/management) being required to prepare a report on the key risk areas and how the matters have been addressed in the financial report that the auditor can then provide an opinion on.

#### **ASA 700 - Forming an Opinion and Reporting on a Financial Report**

4. *Is there support for permitting the auditor to choose whether to locate the auditor's responsibilities section in either the body of the auditor's report or in an accompanying appendix to the auditor's report?*

We strongly believe the auditor's responsibilities required by paragraph 38-39 of ASA 700 should be referenced to an authoritative website as is allowable by paragraph 40c of ASA 700.

This option allows for the content of the audit report to primarily focus on the entity specific matters that are important to users of the financial report and allows the detail of the responsibilities to be located with other educational material that support and promote the value of audit to assist in narrowing the knowledge and expectation gap of users.

There is no substantial difference between the information being in the body of the report compared to an appendix as the responsibilities section is now at the end of the report.

6. *Should the name of the engagement partner be disclosed only when required by law or regulations; or for all engagements?*

We support the inclusion of the engagement partners name on audit reports for all engagements.

#### **ASA 701 - Communicating Key Audit Matters in the Independent Auditor's Report**

4. *Whether, in the future, ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report should be mandated in the audit of entities in addition to listed entities; and if so:*
- *Which entities; and*

- *What criteria should be used to identify such entities?*

We support the AUASB undertaking a post implementation review involving stakeholders to assist with determining whether requirements to communicate key audit matters to certain categories of entities need amending.

We believe the requirement that allows the auditor to voluntarily decide whether key audit matters are communicated for entities, other than listed, provides adequate flexibility in the initial implementation period.

In being consistent with responses that the BDO International network has provided to the IAASB on this area we would encourage the post implementation review to evaluate whether a size consideration being applied to listed entities (for example restricting application to listed entities above a certain market capitalisation) would be beneficial.

Before any consideration is given to widening the scope to Public Interest Entities (PIEs), there needs to be a consistent PIE definition used on a global basis.

#### **ASA 570 - Going Concern**

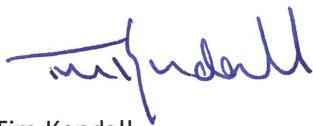
4. *Do respondents support the retention of the 'relevant period' concept set out in paragraph AUS 13.2, which extends the auditor's going concern assessment period beyond the financial report's balance date to that of the expected date of the auditor's report?*

Yes, we believe that significant effort has been invested by the profession to educate the business community on this area and it would be detrimental to change this.

If you have any comments regarding our submission, please do not hesitate to contact Jane Bowen at [jane.bowen@bdo.com.au](mailto:jane.bowen@bdo.com.au).

Yours faithfully

**BDO Australia Ltd**



Tim Kendall  
National Audit Leader



## APPENDIX 1 - SUMMARY OF COSTS AND BENEFITS

	Auditors	Business community
<b>Costs</b>	<ul style="list-style-type: none"> <li>Increased costs for engagement partner and senior members of team for drafting, primarily in the initial implementation, however this could be an ongoing costs as the nature and complexity of key audit matters will vary each year</li> <li>May be difficult to pass on costs, especially with firms adopting a 'dry run' approach and the business community</li> <li>Training costs</li> <li>Increased consultation time is expected as well as firms being required to consider their approach to and requirements for technical consultation in respect of key audit matters</li> <li>Potential for increased litigation costs.</li> </ul>	<ul style="list-style-type: none"> <li>Potential for increased time cost for management and those charged with governance arising from increased engagement with auditors to discuss and finalise key audit matters for inclusion in the audit report.</li> </ul>
<b>Benefits</b>	<ul style="list-style-type: none"> <li>Potential for increased engagement with those charged with governance/greater visibility of partner/manager time on engagements</li> <li>May encourage more robust discussions at an earlier stage of the audit process on key areas of the audit.</li> </ul>	<ul style="list-style-type: none"> <li>More informative information is provided to the users of the financial statements</li> <li>Potential to enhance the quality of financial report disclosures on critical areas of judgement</li> <li>May encourage more robust discussions at an earlier stage of the audit process on key areas of the audit.</li> </ul>