

EXPOSURE DRAFT

ED 01/13

(May 2013)

Proposed Auditing Standard ASA 2013-3
Amendments to Australian Auditing Standards

and

**Proposed Amendments to Standard on
Related Services ASRS 4400**
*Agreed-Upon Procedures Engagements to
Report Factual Findings*

Issued for Comment by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

Proposed Auditing Standard ASA 2013-3 Amendments to Australian Auditing Standards and Proposed Amendments to Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings

Commenting on this Exposure Draft

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 26 June 2013. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 01/13

The Auditing and Assurance Standards Board (AUASB) is proposing to issue Auditing Standard ASA 2013-3 *Amendments to Australian Auditing Standards* and amendments to Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*. Under section 227B of the ASIC Act, the AUASB may formulate Assurance Standards for other purposes.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality as well as continuing to develop auditing and assurance standards other than for historical financial information.

Main Proposals

Part A: This proposed Auditing Standard makes amendments to the Auditing Standards comprising:

ASA 102	<i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>
ASA 502	<i>Audit Evidence - Specific Considerations for Litigation and Claims</i>
ASA 570	<i>Going Concern</i>
ASA 580	<i>Written Representations</i>
ASA 700	<i>Forming an Opinion and Reporting on a Financial Report</i>
ASA 800	<i>Special Considerations - Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks</i>
ASRE 2410	<i>Review of a Financial Report Performed by the Independent Auditor of the Entity</i>
ASRE 2415	<i>Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation</i>

Part B: The proposed amendments to ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* comprise:

- Removal of the word “distribution” from the standard; and, where appropriate, replacing it with the word “use”.
- Replacement of the term “other specified parties”, “additional parties”, “parties” and “parties involved” with “intended users”.
- Replacement of the reference to receipt of the report of factual findings with “use” of the report by those intended users.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 July 2013 and the proposed amendments to ASRS 4400 will be operative for agreed-upon procedures engagements commencing on or after 1 July 2013.

Request for Comments

Comments are invited on this Exposure Draft of the proposed issuance of ASA 2013-3 *Amendments to Australian Auditing Standards* and of amendments to ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* by no later than 26 June 2013. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard and proposed amendments to ASRS 4400?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard or the amended standard, ASRS 4400, or may conflict with the proposed standard or the amended standard, ASRE 4400?
4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed Auditing Standard or for assurance practitioners and the business community arising from compliance with the proposed amendments to ASRS 4400? If there are significant costs, do these outweigh the benefits to the users?
5. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard and proposed amendments to ASRS 4400, as a whole, are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Auditing Standard and Standard on Related Services.

AUTHORITY STATEMENTS

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2013-3 *Amendments to Australian Auditing Standards*, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Amendments to Standard on Related Services ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings* are made pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

PART A

AUDITING STANDARD ASA 2013-3

Amendments to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2013.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to the Australian Auditing Standards. The amendments arise principally from editorial corrections and have no impact on the requirements of the amended Auditing Standards.
5. This Auditing Standard uses underlining, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. However, the amendments made by this Auditing Standard do not include that underlining, striking out or other typographical material.

Objective

6. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
 - (a) *ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*
 - (b) *ASA 502 Audit Evidence - Specific Considerations for Litigation and Claims*
 - (c) *ASA 570 Going Concern*
 - (d) *ASA 580 Written Representations*
 - (e) *ASA 700 Forming an Opinion and Reporting on a Financial Report*
 - (f) *ASA 800 Special Considerations - Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

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- (g) ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*
- (h) ASRE 2415 *Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation*

Definition

7. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

Amendments to Auditing Standard

Amendments to ASA 102

8. The first sentence of paragraph A1 is amended to read as follows:

The auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants*, issued by the Accounting Professional and Ethical Standards Board (~~February 2008 and~~ December 2010 as amended December 2011 applicable), which are to be taken into account in determining whether relevant ethical requirements referred to in paragraph 5 of this Auditing Standard have been met.

Amendments to ASA 502

9. Paragraph number 1, assigned to the text appearing directly under the sub-heading: “Effective Date”, is deleted.

Amendments to ASA 570

10. The 14th bullet point in paragraph A2 is amended to read as follows:

- Loss of a major market, key customer(s), franchise, ~~license~~ licence, or principal supplier(s).

11. The first line of the emphasis of matter under paragraph A21 is amended to read as follows:

Without ~~qualifying-modifying~~ our opinion, we draw attention to Note X in the financial report which indicates that the entity incurred a net loss of...

12. Paragraph Aus A21.1 is amended to read as follows:

Refer to [Aus] Appendix 3 for an Illustrative Auditor’s Report that contains an ~~unqualified~~ unmodified opinion with an Emphasis of Matter paragraph.

13. The last paragraph of the *Auditor’s Responsibility* section of [Aus] Illustration 1 in [Aus] Appendix 3 is amended to read as follows:

We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our ~~qualified~~ audit opinion.

Amendments to ASA 580

14. Appendix 1 is amended to read as follows:

...

ASA 502 *Audit Evidence—Specific Considerations for Litigation and Claims* – paragraph ~~76~~

Amendments to ASA 700

15. The introductory information to [Aus] Illustration 3A in Appendix 1 is amended to read as follows:

...

- The financial report is prepared for a general purpose under the *Corporations Act 2001*.

Note: This illustrative auditor's report refers to both the company AND the consolidated entity, however, where applicable under the Act, the financial report may comprise only consolidated information. Where this option is adopted, this illustrative auditor's report will need to be amended accordingly.

Amendments to ASA 800

16. The illustrative auditor's report, [Aus] Illustration 4, in Appendix 1 is amended to read as follows:

Report on Other Legal and Regulatory Standards

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

Amendments to ASRE 2410

17. Paragraph (i) in the example of an Engagement Letter (i) contained in Appendix 1 is amended to read as follows:

...

access to information relevant to the preparation of the half-year financial report;

18. The paragraph on directors' responsibility in the example auditor's review report contained in Appendix 3 is amended to read as follows:

The directors of the [company/registered scheme/disclosing entity] are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors [those charged with governance] determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Amendments to ASRE 2415

19. The paragraph on directors' responsibility in the example auditor's review report contained in Appendix 1 is amended to read as follows:

The directors/board of management of the company/entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001/ACNC Act* and for such internal control as the directors/board of management determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

* * *

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

PART B

AMENDMENTS TO STANDARD ON RELATED SERVICES ASRS 4400

Agreed-upon Procedures Engagements to Report Factual Findings

Application

1. This Standard on Related Services applies to agreed-upon procedures engagements to be performed by an assurance practitioner, where factual findings are reported but no conclusion or opinion is expressed and no assurance is provided by the assurance practitioner. The intended users draw their own conclusions based on the factual findings reported combined with any other information they have obtained.
2. This standard may also be applied, as appropriate, to agreed-upon procedures engagements to be performed by a practitioner other than an assurance practitioner.

Operative Date

3. The amendments to Standard on Related Services ASRS 4400 apply for engagements commencing on or after 1 July 2013.

Amendments to ASRS 4400

4. Paragraph 10 is amended to read as follows:

This standard deals with how the form, content and restrictions on ~~distribution use~~ of an assurance practitioner's report of factual findings helps to minimise misinterpretation and promote the intended users' understanding of that report.

5. Paragraph 21 is amended to read as follows:

...

- (c) ~~distribution use~~ of the report of factual findings cannot be restricted to the engaging party and any intended users identified, due to legal requirements or other circumstances; or

...

6. Paragraph 23 is amended to read as follows:

The assurance practitioner shall agree the terms of the agreed-upon procedures engagement with the engaging party, and ~~other specified parties intended users~~ who will ~~receive copies of use~~ the report. If ~~additional parties are the~~ intended users of the report of factual findings ~~but~~ are not signatories to the terms of the engagement, those ~~parties intended users~~ shall be identified in the terms of the engagement and all other parties shall be excluded from using the report.

7. Paragraph 24 is amended to read as follows:

...

- (k) a statement that the ~~distribution use~~ of the report of factual findings would be restricted to the engaging party, who has agreed to the procedures to be performed, and the intended users identified; and

...

Proposed Auditing Standard ASA 2013-3 Amendments to Australian Auditing Standards and Proposed Amendments to Standard on Related Services ASRS 4400 Agreed-Upon Procedures Engagements to Report Factual Findings

8. Paragraph 43 is amended to read as follows:

...

- (n) a statement that use ~~and distribution~~ of the report is restricted to those parties identified in the report, who have agreed to the procedures to be performed or were identified in the terms of the engagement;

...

9. Paragraph A1 is amended to read:

...

Ethical requirements, applicable to Other Assurance Engagements, permit the independence requirements to be modified, if the intended users of the assurance practitioner's report are knowledgeable as to the purpose, subject matter information and limitations of the report and explicitly agree to the application of the modified independence requirements. In these circumstances, the report is to include a restriction on use ~~and distribution~~ to the intended users only, which is already included in the report of factual findings. If modified independence requirements are adopted in the terms of the engagement, but the intended users include a class of users who are not party to the terms of the engagement, they are required to be made aware of the modified independence requirements, such as by reference to them in the report of factual findings. In any case, the independence of the assurance practitioner and the engagement team will need to be assessed.

...

10. Paragraph A10 is amended to read:

In certain circumstances, for example when the procedures have been agreed to between the regulator, industry representatives and representatives of the accounting profession, the assurance practitioner may not be able to discuss the procedures with all the ~~parties intended users~~ who will ~~receive use~~ the report of factual findings. In such cases, the assurance practitioner may consider, for example, discussing the procedures to be applied with appropriate representatives of the ~~parties involved-intended users~~, reviewing relevant correspondence from such ~~parties users~~ or sending them a draft of the report of factual findings that will be issued.

11. The example of a Report of Factual Findings in Connection with Accounts Payable in Appendix 4 is amended to read:

...

Restriction on ~~Distribution and~~ Use of Report

This report is intended solely for the use of [entity] and [intended users identified in the terms of the engagement] for the purpose set out above. As the intended user of our report, it is for you and other intended users to assess both the procedures and our factual findings to determine whether they provide, in combination with any other information you have obtained, a reasonable basis for any conclusions which you wish to draw on the subject matter. As required by ASRS 4400, ~~distribution use~~ of this report is restricted to those parties that have agreed the procedures to be performed with us and other intended users identified in the terms of the engagement (since others, unaware of the reasons for the procedures, may misinterpret the results). Accordingly, we expressly disclaim and do not accept any responsibility or liability to any party other than [company full name, name of intended users and name of class of users] for any consequences of reliance on this report for any purpose.

...

Conformity with International Standards on Related Services

The amendments to ASRS 4400 do not affect conformity with International Standard on Related Services ISRS 4400 *Engagements to Perform Agreed-Upon Procedures Regarding Financial Information*.

* *

