



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 4(b)
Meeting Date: 22 February 2016
Subject: Explanatory Guide: *Auditor Reporting*
Date Prepared: 3 February 2016

Action Required

For Information Purposes Only

Agenda Item Objectives

To consider and approve a proposed Explanatory Guide (EG) in relation to enhanced auditor reporting.

Subject

1. The proposed EG provides auditors with information relevant to auditor reporting under the following Auditing Standards issued in December 2015:
 - (a) ASA 700 *Forming an Opinion and Reporting on a Financial Report*; and
 - (b) ASA 701 *Communicating Key Audit Matters in the Auditor's Report*.
2. Information in this EG comprises:
 - (a) The approach when referring in the auditor's report, to the auditor's responsibilities located on the AUASB website (ASA 700);
 - (b) Application of ASA 701; and
 - (c) A decision schematic for determining key audit matters (KAM) (ASA 701).

Background

3. In December 2015, the AUASB made a number of revisions and other changes to the Australian Auditing Standards to align with the enhancements to auditor reporting made to the equivalent International Standards on Auditing (ISAs) by the International Auditing and Assurance Standards Board.
4. The revision of ASA 700 brought in an option for the auditor to include, in the auditor's report, a reference to a description of the auditor's responsibilities located on the AUASB website. As the standard requires the reference in the auditor's report to be direct to the relevant webpage, some additional procedural guidance is necessary.
5. ASA 701 was a new standard that introduced requirements and guidance for auditors to include information on key audit matters (KAM) in their reports on the audits of listed entities. The AUASB

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has decided to provide further information to assist auditors in applying the new standard in the Australian environment.

- (a) The definition of the term “listed entity” is included in the Auditing Standards (ASQC1 and ASA200). The definition mirrors the ISA definition. In Australia, there are some situations that may present difficulties in determining whether or not the audited entity falls within the definition of “listed entity” and therefore whether ASA 701 is to be applied.
- (b) The auditor is required to exercise professional judgement in determining KAM to be communicated in the auditor’s report. The AUASB has decided to provide a high level schematic depicting the auditor’s decision flow and considerations.

Matters to Consider

Part A – General

1. The AUASB is requested to consider and approve the suggested Explanatory Guide: *Auditor Reporting*.
2. AUASB technical staff recommends that the definition of “listed entity” remains unchanged and that the Explanatory Guide describes the principles in determining whether or not ASA 701 is to be applied.

This approach avoids differences with the ISA definitions. Further, the approach avoids an arbitrary ruling on whether or not an entity falls within the application of the standard, which would only be meaningful if all relevant circumstances were considered and where necessary, consultation within, and external to, the firm, is deemed appropriate.

The AUASB is asked to consider the approach taken on the proposed EG.

Part B – NZAuASB

NZAuASB staff has been given a draft of the proposed Explanatory Guide.

Part C – “Compelling Reasons” Assessment

N/A. No equivalent IAASB material.

The proposed changes conform to IAASB modification guidelines for NSS? N/A Y N

AUASB Technical Group Recommendations

The AUASB is requested to approve issuance of the EG subject to any AUASB requests and final QA procedures.

Material Presented

Agenda Item 4(b) AUASB Board Meeting Summary Paper
Agenda Item 4(b).1 Proposed Explanatory Guide: *Auditor Reporting*

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and approve EG	AUASB approval	AUASB	22 February 2016	o/s
