



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4(b)**
Meeting Date: 26 April 2017
Subject: Amendments to ASA 700, ASA 800 and ASA 805
Date Prepared: 12 April 2017

Action Required

For Information Purposes Only

Agenda Item Objectives

To review and approve for issue, amendments to ASA 700 *Forming an Opinion and Reporting on a Financial Report*, ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts*. These amendments will:

- Reinstatement of the Aus paragraph from the previous version of ASA 700 in relation to the date the auditor's report is signed;
- Achieve consistency in relation to naming of the engagement partner, between application material contained within ASA 800 and ASA 805 and a requirement within ASA 700 *Forming an Opinion and Reporting on a Financial Report*; and
- Provide internal consistency in relation to numbering and internal referencing within ASA 800 and ASA 805.

Background

ASA 700

- The previous version of ASA 700 included paragraph Aus 40.1 which read "The auditor's report shall be dated as of the date the auditor signs that report".
 - During approval of the current version of ASA 700 the above paragraph was not included in the standard approved by the AUASB on 1 December 2015.
 - At the AUASB meeting on 12 September 2016 the AUASB requested the insertion of an Aus paragraph into the requirements of ASA 700 that reads as follows: "The auditor's report shall be dated as of the date the auditor signs that report". The change was requested as the international standard does not reflect principles and practices that are considered appropriate in Australia.
 - The amendment was included in exposure draft 07/16 Proposed Auditing Standard ASA 2016-2 *Amendments to Australian Auditing Standards* which was on exposure between 22 December 2016 and 23 January 2017. The submissions received were supportive of this amendment.
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ASA 800 and 805

Consistency in relation to naming of the engagement partner

- ASA 700 was issued in December 2015, with several amendments from the ISA equivalent, to take into account Australian considerations largely *Corporations Act 2001* related.
- ASA 800 and ASA 805 were issued in December 2015, and again in July 2016, to align with the new ASA 700 series.
- One of the Australian amendments made to ISA 700, relates to the naming of the Engagement Partner, where the ISA paragraph was deleted and replaced with an Aus paragraph – refer below:

Name of the Engagement Partner
46. [Deleted by the AUASB. Refer Aus 46.1]

Aus 46.1 The name of the engagement partner shall be included in the auditor's report where required by law or regulation. (Ref: Para. Aus A61.1–A62)

- The background to this amendment is as follows:
 - ISA 700 requires the name of the engagement partner to be included in the auditor's report on the financial report of a listed entity. The ISA is silent on other circumstances. It is long-standing practice in Australia for the engagement partner's name to be included in the auditor's reports. However there are a number of audit engagements where there is no requirement to include the engagement partner's name. The AUASB changed the ISA so that the name of the engagement partner is included when required to by law or regulation. This amendment covers the requirements of the Act (s324AB does not refer to the engagement partner, but rather to a registered company auditor); and permits auditor discretion in cases where there are no legislative or regulatory requirements. The amendment does not lessen the requirements of the ISA. The old ASA 700 was silent on this matter.
- When ASA 800 and ASA 805 were reissued, the application paragraphs related to naming of the Engagement Partner were not updated to reflect the Australian amendment to ASA 700 (as above). This has resulted in there now being an inconsistency between the application material of ASA 800 and ASA 805 and the requirement of ASA 700.

Application paragraph of ASA 800:

Name of the Engagement Partner

A18. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of a special purpose financial report of listed entities. The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a special purpose financial report of entities other than listed entities.

Application paragraph of ASA 805:

Name of the Engagement Partner

A22. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial statements of listed entities or specific elements of financial statements of listed entities. The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than listed entities.

Consistency in relation to numbering and internal referencing

- During the current review of ASA 800 and ASA 805 the AUASB Technical Group became aware of an error in relation to the numbering of Aus paragraphs 1.1, 1.2 and 1.3, which are inconsistent with the numbering used in other auditing standards that use the numbering of Aus 0.1, 0.2 and 0.3. The current numbering also creates an inconsistency in both standards, whereby paragraph 4 refers to a non-existent paragraph Aus 0.3.
- To correct the above error the AUASB Technical Group is proposing a change to the numbering of the paragraphs for ASA 800 and ASA 805 be included in ASA 2017-1.

Part B – NZAuASB

The NZAuASB at the time, made the necessary amendments in relation to the name of the engagement partner to their standards to achieve the consistency required across the ISA (NZ) 700 and ISA (NZ) 800 series.

The inclusion of the Aus paragraph and footnote in relation to the date of the audit report is an Australian jurisdictional addition that does not impact on New Zealand auditor reports.

Part C – “Compelling Reasons” Assessment

- The compelling reason test in relation to ASA 700 paragraph Aus 48.1 was approved by the AUASB on 12 December 2017.
- Refer paper attached to agenda item 5(a).12 for the compelling reason test for paragraph A20.1.

Matters to consider:

1. Issue an Amending Standard as follows:

Impact to ASA 700:

- New paragraph Aus 48.1 inserted after paragraph 48 and the heading “Date of the Auditor’s Report” as follows:
The auditor’s report shall be dated as of the date the auditor signs that report.
- A footnote is added to the “Auditor’s Signature” line in illustrations 1A, 2A, 3 and 4 after the heading as follows:
The date of the auditor’s report is the date the auditor signs the report.

Impact to ASA 800:

- Amend current paragraph Aus 1.1 to Aus 0.1
- Amend current paragraph Aus 1.2 to Aus 0.2
- Amend current paragraph Aus 1.3 to Aus 0.3
- Delete A18/ASA 800 (deletion to include deletion of footnote)
- Include Aus A18.1 in ASA 800 to read:

The requirement in ASA 700 for the name of the engagement partner to be included in the auditor’s report where required by law or regulation also applies to audits of special purpose financial reports. (footnote See ASA 700 paragraph Aus 46.1, A61-A63).

Impact to ASA 805:

- Amend current paragraph Aus 1.1 to Aus 0.1
- Amend current paragraph Aus 1.2 to Aus 0.2
- Amend current paragraph Aus 1.3 to Aus 0.3
- Delete A22/ASA 805 (deletion to include deletion of footnote)
- Include Aus A22.1 in ASA 805 to read:

The requirement in ASA 700 for the name of the engagement partner to be included in the auditor's report where required by law or regulation also applies to audits of single financial statements and specific elements, accounts or items of a financial statement. (footnote See ASA 700 paragraph Aus 46.1, A61-A63)

2. The technical group have considered whether the AUASB is required to expose this amending standard, and our view is that an amending standard will not be required to be exposed owing to the following:
- the proposed change is to application material only;
 - the proposed change is to make application material consistent with a requirements paragraph;
 - the proposed change will not amend current practice in Australia; and
 - the proposed change is the correction of a typographical error in the standard in relation to paragraph numbering. The change is required to maintain internal consistency in relation to paragraph referencing within the standard.

AUASB Technical Group Recommendations

Approval to issue an amending standard, without exposure, and corresponding revised compiled standards ASA 700, ASA 800 and ASA 805

Material Presented

Agenda Item 4(b)	AUASB Board Meeting Summary Paper
Agenda Item 4(b).1	ASA 2017-1 Amendments to Australia Auditing Standards
Agenda Item 4(b).2	Compelling reason test for ASA 800 Aus A18.1
Agenda Item 4(b).3	Compelling reason test for ASA 805 Aus A22.1

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approval	Approval	AUASB	26 April 2017	o/s
