



# AUASB Comments Received and Proposed Disposition Paper

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**AGENDA ITEM NO.**      **5(a).4**

**Meeting Date:**            26 April 2017

**Subject:**                    ED 06/16 *Amendments to Australian Auditing Standards*

**Date Prepared:**            7 April 2017

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**Document Type:**           Exposure Draft

**Document Number:**      ED 06/16

**Proposed Type & No:**    *ASA 2016-1 Amendments to Australian Auditing Standards*

**Proposed Title:**           *Amendments to Australian Auditing Standards*

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*This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.*

**LISTING OF RESPONDENTS**

| Short Form Name | Name  | Date Received |
|-----------------|---|---------------|
| Deloitte        | Deloitte                                    | 28/02/2017    |
| EY              | EY  | 8/03/2017     |
| CPA             | CPA Australia Ltd                           | 27/03/2017    |
| CAANZ           | Chartered Accountants Australia New Zealand | 10/03/2017    |

ATG = AUASB Technical Group

**EXHIBIT 1: ED 06/16**

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

| Respondent Comment |      | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|------|--------------------------|-------------------------------|----------|
| Deloitte           | Yes. | Comment noted by the ATG | N                             |          |
| EY                 | N/A  | N/A                      | N                             |          |
| CPA                | N/A  | N/A                      | N                             |          |
| CAANZ              | N/A  | N/A                      | N                             |          |

**EXHIBIT 1: ED 06/16 (cont'd)**

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

| Respondent Comment |                | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|----------------|--------------------------|-------------------------------|----------|
| Deloitte           | Nothing noted. | Comment noted by the ATG | N                             |          |
| EY                 | N/A            | N/A                      | N                             |          |
| CPA                | N/A            | N/A                      | N                             |          |
| CAANZ              | N/A            | N/A                      | N                             |          |

**EXHIBIT 1: ED 06/16 (cont'd)**

**3. 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 standard? If there are significant costs, do these outweigh the benefits to the users of audit services?**

| Respondent Comment |                | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|----------------|--------------------------|-------------------------------|----------|
| Deloitte           | Nothing noted. | Comment noted by the ATG | N                             |          |
| EY                 | N/A            | N/A                      | N                             |          |
| CPA                | N/A            | N/A                      | N                             |          |
| CAANZ              | N/A            | N/A                      | N                             |          |
|                    |                |                          |                               |          |

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**EXHIBIT 1: ED 06/16 (cont'd)**

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

| Respondent Comment |             | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|-------------|--------------------------|-------------------------------|----------|
| Deloitte           | None noted. | Comment noted by the ATG | N                             |          |
| EY                 | N/A         | N/A                      | N                             |          |
| CPA                | N/A         | N/A                      | N                             |          |
| CAANZ              | N/A         | N/A                      | N                             |          |
|                    |             |                          |                               |          |

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

| Respondent Comment |  | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|--|--------------------------|-------------------------------|----------|
| Deloitte           | Nothing further of significance noted.   | Comment noted by the ATG | N                             |          |
| EY                 | We believe that all applicable laws and regulations have been appropriately addressed in the proposed standard. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard. In our view, there are no additional significant costs to/benefits arising from compliance with the requirements of the proposed standard and there are no other significant public interest matters to raise. | Comment noted by the ATG | N                             |          |
| CPA                | N/A  | N/A                      | N                             |          |
| CAANZ              | N/A  | N/A                      | N                             |          |

**5. GENERAL COMMENTS**

| Respondent Comment |   | Commentary   | Change to be made to Doc? Y/N                | Para No. |
|--------------------|---|--|--|----------|
| Deloitte           | <p>Deloitte Touche Tohmatsu (Deloitte) is pleased to respond to the Australian Auditing and Assurance Standards Board’s (AUASB) Exposure Draft ED 06/2016 – <i>Amendments to Australian Auditing Standards</i> (“ED 06/2016”).</p> <p>We support having one set of international standards on auditing that are used by practitioners worldwide in the audit of a financial report (although we also acknowledge that there may be certain circumstances where compelling reasons exist for the inclusion of Australian specific requirements and guidance). Accordingly, we support the issuance of the proposed amending standards.</p> <p>Please refer to Appendix 1 for our responses to the specific questions posed by the AUASB within ED 06/2016.</p> <p>In addition, we have included specific comments relating to the wording of the proposed standards within ED 06/2016 in Appendix 2.</p> | Comment noted by the ATG   | N  |          |
| Deloitte           | <p>Paragraphs 22, 25 and 27</p> <p>We note that holistically there seems to have been a conscious decision made to specifically differentiate between the terminology used when applying to the auditor and the entity.</p> <p>Based on our review of the exposure draft, the distinction is as follows:</p> <ul style="list-style-type: none"> <li>• Applicable to the auditor - the terminology utilised is “law or regulation” or “law, regulation or relevant ethical requirements”.</li> <li>• Applicable to the entity - the terminology utilised is “laws and</li> </ul>   | <p>The ATG agree, the ISA equivalent of paragraphs 25 and 27 do refer to “law or regulation” – the document has been updated to reflect this omission from the exposure draft.</p> <p>Paragraph 22 (in relation to changes to ASA 240):</p> <p><u>ASA 250 (Revised)<sup>1</sup> provides further guidance with respect to the auditor’s determination of whether reporting</u></p> | <p>Y</p> <p>(25,27)</p> <p>N</p> <p>(22)</p> | 25,27    |

<sup>1</sup> See ASA 250, *Consideration of Laws and Regulations in an Audit of a Financial Report*, paragraphs A28–A34



|          | Respondent Comment  | Commentary  | Change to be made to Doc? Y/N | Para No.     |
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|          | <p>regulations”.</p> <p>If our understanding is correct, we note that there are at least three instances where the terminology utilised is inconsistent with the distinction summarised above.</p> <p>For example in paragraph 27 of ED 06/2016 (in relation to updates to ASA 450), both “law or regulation” as well as “laws or regulations” are used interchangeably when referring to the applicability to the auditor. We also noted similar instances in paragraph 22 (in relation to updates to ASA 240) and paragraph 25 (in relation to updates to ASA 260).</p> <p>If the intention is to make a clear distinction between terminologies used when applicable to the auditor versus the entity, then we recommend that the wording within the exposure draft is revisited to consider potential instances of inconsistency, in addition to those noted above.</p> | <p><u>identified or suspected non-compliance with laws or regulations to an appropriate authority outside the entity is required or appropriate in the circumstances, including consideration of the auditor’s duty of confidentiality.</u></p> <p>It is the view of the ATG that reference to “laws or regulations” is related to the compliance of the entity and is therefore appropriate.</p> |                               |              |
| Deloitte | <p>Paragraphs 9, 18 and 40</p> <p>We note that references have been made to the <i>“Proposed Amendments to APES 110 Code of Ethics for Professional Accountants exposure draft issued by the Accounting Professional and Ethical Standards Board on December 16 2016”</i>.</p> <p>Given that this wording will quickly become outdated, we are assuming that the intention of the AUASB is to update these references as appropriate, prior to the issuance of the amended auditing standards</p>   | <p>Agreed by the ATG, changed to <i>“APES 110 Code of Ethics for Professional Accountants”</i></p> <p>This wording will be confirmed post the release of proposed amendments by the APESB, and prior to the issuance of the amended auditing standards.</p>   | Y                             | 9, 18 and 40 |
| EY       | <p>Ernst &amp; Young Australia welcomes the opportunity to offer its views on the exposure draft Proposed Auditing Standard ASA 2016-1 <i>Amendments to Australian Auditing Standards</i>, issued by the Auditing and Assurance Standards Board (AUASB).</p> <p>We fully support the proposed amendments outlined in ED 06/16 which arise</p>   | <p>Comment noted by the ATG</p>   | N                             |              |

|     | <b>Respondent Comment</b>  | <b>Commentary</b>   | <b>Change to be made to Doc? Y/N</b> | <b>Para No.</b> |
|-----|--|---|--------------------------------------|-----------------|
|     | <p>from consequential changes following revisions to ASA 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> and changes made by the International Auditing and Assurance Board to ISA 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> resulting from enhancements aimed at addressing laws and regulations. We believe that the auditing and assurance standards in Australia should be closely aligned to and consistent as possible with its international equivalents.</p>   |   |                                      |                 |
| CPA | <p>CPA Australia welcomes the opportunity to respond to ED 05/16 and ED 06/16. CPA Australia represents the diverse interests of more than 160,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.</p> <p>We support the AUASB’s proposed amendments to ASA 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> and conforming amendments to a number of other AUASB Standards to maintain conformity with International Auditing and Assurance Standards and to reflect the proposed amendments to APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code), under certain conditions. The conditions for our support of the proposed amendments are that:</p> <ol style="list-style-type: none"> <li>1. The revisions to ASA 250 and conforming amendments to other AUASB Standards are consistent with the final approved amendments to the Code; and</li> <li>2. The operative date of revised ASA 250 and conforming amendments to other AUASB Standards is no earlier and preferably the same as the operative date of the revised</li> </ol> | <p>Agreed by the ATG, ASA 250 and the conforming amendments to other AUASB standards will be consistent with the final approved amendments to the APESB Code and with an operative date no earlier than the operative date of the revised APESB Code.</p> | Y                                    |                 |

| Respondent Comment |   | Commentary  | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|---|-------------------------------|----------|
|                    | <p>Code.</p> <p>We have no further comments or concerns to raise on ED 05/16 or ED 06/16.</p>   |   |                               |          |
| CAANZ              | <p>Re: Exposure Draft 05/16 Proposed Auditing Standard ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report (“ED 05/16”) and ED 06-2016 Proposed Auditing Standard ASA 2016-1 Amendments to Australian Auditing Standards (“ED 06/16”).</p> <p>We are supportive of amending ASA 250 to conform with the revised ISA 250 of the same name, including the removal of paragraph Aus A11.1 as set out in ED 05/16. We are also supportive of the conforming amendments to additional standards set out in ED 06/16.</p> <p>We encourage the board to consider the timing of issuing the revised ASAs in relation to the timing of the release by the APESB of final changes to APES 110 Code of Ethics for Professional Accountants, so that references in the ASAs (for example ASA 250 paragraph A8) can be made to a final ethical pronouncement where possible.</p> | <p>Agreed by the ATG – refer comment above in relation to consistency and timing.</p> | Y                             |          |

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