



# AUASB Comments Received and Proposed Disposition Paper

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**AGENDA ITEM NO.**      **4(a).3**

**Meeting Date:**            30 May 2017

**Subject:**                    ED 05/16 *Amendments to Australian Auditing Standards*

**Date Prepared:**            22 May 2017

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**Document Type:**            Exposure Draft

**Document Number:**        ED 04/16

**Proposed Type & No:**      *Amendments to Australian Auditing Standards*

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

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**LISTING OF RESPONDENTS**

<b>Short Form Name</b>	<b>Name</b>	<b>Date Received</b>
Deloitte	Deloitte	28/02/2017
KPMG	KPMG	10/03/17
EY	EY	08/03/17
CPA	CPA Australia Ltd	27/03/2017
CAANZ	Chartered Accountants Australia New Zealand (via email)	10/03/2017

ATG = AUASB Technical Group

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

Respondent Comment		Commentary	Change made to Doc? Y/N	Para No.
Deloitte	Yes	Comment noted by the ATG	N	
KPMG	Given the significant number and variety of laws and regulations that may be relevant in an audit of a financial report, we are satisfied that the proposed standard uses wording that is appropriate to encompass those laws and regulations that may be relevant depending on specific facts and circumstances.	Comment noted by the ATG	N	
EY	<p>The proposed standard requires the auditor to discuss any identified or suspected non-compliance with laws and regulations with management (paragraph 20) and communicate such matters to those charged with governance (paragraph 23) unless prohibited by law or regulation. We note that, under Section 1317 of the Corporations Act, there are prohibitions on auditor’s discussing matters that have been brought to their attention by a whistle blower. These provisions are designed to avoid disclosure of the identity of a whistle blower.</p> <p>We recommend an Australian specific requirement or guidance be added to the proposed standard to draw direct attention to these provisions to ensure that an auditor gives due consideration to it prior to discussing or communicating any identified or suspected non-compliance with laws and regulations which came to the auditor’s attention by a whistle blower.</p>	<p>The ATG agree with the recommendation and believe that the change meets the compelling reason test required when adding additional application material to ISA 250. We have added the following Aus paragraph A20.1:</p> <p style="padding-left: 40px;">In the case of an audit conducted under the <i>Corporations Act 2001</i>, the auditor may consider the provisions relating to the protection for whistleblowers contained in Part 9.4AAA of the <i>Corporations Act 2001</i> when communicating identified or suspected non-compliance with management and those charged with governance.</p>	Y	Aus A20.1
CPA	N/A	N/A	N/A	
CAANZ	N/A	N/A	N/A	

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**EXHIBIT 1: ED 05/16 (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	
KPMG	Other than the matters outlined in paragraphs 20, 23 and A21, we are not aware of any laws and regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard.	Comment noted by the ATG	N	
EY	ATG - Refer response to question 1 above.	ATG - Refer response to question 1 above.	N	
CPA	N/A	N/A	N	
CAANZ	N/A	N/A	N	

**EXHIBIT 1: ED 05/16 (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	None noted.	Comment noted by the ATG	N	
KPMG	Paragraph 30(a) to the proposed standard requires documentation of the audit procedures performed, the significant professional judgements made and the conclusions reached thereon. We are of the view that auditors would ordinarily document the procedures performed, the significant professional judgements made and the conclusions reached thereon in accordance with ASA 230 Audit documentation, and therefore additional cost to / benefits for auditors are minimal.	Comment noted by the ATG	N	
EY	In our view, there are no additional significant costs to/ benefits arising from compliance with the main changes to the requirements of the proposed standard and there are no other significant public interest matters to raise. We welcome the opportunity to contribute to the improvement of Auditing and Assurance Standards that will continue to drive the quality and consistency of such services in Australia.	Comment noted by the ATG	N	
CPA	N/A	N/A	N	
CAANZ	N/A	N/A	N	

**4. 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	
KPMG	KPMG do not wish to raise any other significant public interest matters.	Comment noted by the ATG	N	
EY	In our view, there are no additional significant costs to/ benefits arising from compliance with the main changes to the requirements of the proposed standard and there are no other significant public interest matters to raise.  We welcome the opportunity to contribute to the improvement of Auditing and Assurance Standards that will continue to drive the quality and consistency of such services in Australia.	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 05/16 – Proposed Auditing Standard ASA 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> (“ED 05/16”).</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 revised and amending standards.</p> <p>Please refer to Appendix 1 for our responses to the specific questions posed by the AUASB within ED 05/16.</p> <p>In addition, we have included specific comments relating to the wording of the proposed standards within ED 05/16 in Appendix 2.</p>	Comment noted by the ATG	N	
Deloitte	<p>Paragraph 5 (page 8)</p> <p>We note that within the second sentence of this paragraph, the word “the” should be included before the reference to “financial report”. Thus, the sentence would read as follows: <i>“In conducting an audit of the financial report, the auditor takes into account the applicable legal and regulatory framework.”</i></p>	Agree, changed made by the ATG	Y	5
Deloitte	<p>Paragraph Aus 29.1</p> <p>The Australian paragraph should be referenced as “Aus A29.1” as it is supplementing International guidance paragraph A29.</p>	Agree, changed made by the ATG	Y	Aus A29.1

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Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
Deloitte	<p>We note that reference has 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 this reference as appropriate, prior to the issuance of the amended auditing standard.</p>	<p>Paragraph A30</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 amendments by the APESB, and prior to the issuance of the amended auditing standards.</p>	Y	A30
KPMG	<p>We are pleased to have the opportunity to comment on Exposure Draft 05-16, Proposed Auditing Standard ASAS 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> (the proposed standard) issued by the Auditing and Assurance Standards Board (AUASB). This letter represents the views of KPMG Australia.</p> <p><b>Overarching comments</b></p> <p>KPMG Australia is supportive of the content of the proposed standard, including the Australian amendments to International Standard on Auditing ISA 250 <i>Consideration of Laws and Regulations in an Audit of Financial Statements</i> issued by the International Auditing and Assurance Standards Board (IAASB).</p> <p>We are supportive of the removal of Aus 11.1 on the basis that there is no compelling reason for the amendment.</p> <p>We encourage the AUASB to continue to ensure the consistency of the proposed standard with the <i>Proposed Amendments to APES 110 Code of Ethics for Professional Accountants</i> as issued by the APESB as the</p>	<p>Comment noted by the ATG</p>	N	



Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>APESB progress with their project.</p> <p>Our comments in relation to the specific matters raised by the AUASB in the proposed standard are set out below.</p>			
EY	<p>Ernst &amp; Young Australia welcomes the opportunity to offer its views on the exposure draft Proposed Auditing Standard ASA 250 <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i>, issued by the Auditing and Assurance Standards Board (AUASB).</p> <p>We fully support the proposed amendments outlined in ED 05/16 which arise from 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>. These changes are aimed at addressing auditor responsibilities in considering the impact of non-compliance of relevant laws and regulations by an entity. We believe that the auditing and assurance standards in Australia should be closely aligned to and consistent as possible with its international equivalents.</p>	Comment noted by the ATG	N	
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</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.	Y	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>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 Code.</li> </ol> <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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