



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **5(b)**
Meeting Date: 14 June 2016
Subject: AUASB Bulletin: *Auditor Reporting*
Date Prepared: 8 June 2016

Action Required

For Information Purposes Only

Agenda Item Objectives

To discuss a draft AUASB Bulletin that has been drafted based on feedback received from the AUASB meeting held on 22 February 2016.

Subject

1. The draft Audit Bulletin 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 proposed AUASB Bulletin 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.
6. A draft *Explanatory Guide on Auditor Reporting* was presented to the AUASB in the meeting on 22 February. The AUASB discussed the proposed explanatory guide in some detail, including the objectives of the exercise and a consensus was reached that the information would be better conveyed in the form of a bulletin. The following points were raised:
- (a) The AUASB decided that a “plain English” bulletin would be a better format for informational communiqués that build a bank of helpful information on practical issues.
 - (b) The AUASB continued to provide detailed suggestions for improving the content of the material presented at this agenda item. In respect of the Determining KAM diagram, the AUASB agreed that the diagram should include the bullet points on consideration of KAM, but that the diagram needs to be imaginative.
7. The AUASB requested the revised information, including the revised diagram, to be redrafted in the form of a AUASB Bulletin; and to be brought back to a later meeting later in 2016.

Matters to Consider

Part A – General

1. The AUASB is requested to provide feedback in relation to the draft AUASB Bulletin on Auditor Reporting.
2. AUASB technical staff recommends that the definition of “listed entity” remains unchanged and that the proposed bulletin 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.

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 provide feedback in relation to the draft bulletin

Material Presented

Agenda Item 5(b) AUASB Board Meeting Summary Paper
Agenda Item 5(b).1 Proposed Explanatory Guide: *Auditor Reporting*

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Provide feedback	AUASB feedback	AUASB	14 June 2016	o/s
