

Strategic Project Outline

Project Title: Auditor Reporting Implementation Review Project
Project ID: 2017
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AUASB Sponsor: Carolyn Ralph

I. Background

1. The new auditor reporting standards are now in effect, and the changes to the auditor's report are significant, especially for auditors of listed entities who now communicate key audit matters (KAMs).
2. The objectives and intended benefits of the new auditor reporting standards are:
 - a) Increased user confidence in audit reports and financial statements;
 - b) Increased communication and transparency between auditors and investors, as well as those charged with governance, about the audit that was conducted;
 - c) Increased attention by management and financial statement preparers to disclosures referencing the auditor's report; and
 - d) Increased auditor's focus on going concern matters, including disclosures in the financial statements and to add more transparency in the auditor's report about the auditor's work.
3. It is now appropriate to commence assessing the Australian implementation experience in order to support consistency of application, and with a longer term objective to assess whether the intended benefits of the new auditor reporting standards have been achieved.

II. Purpose of Session

4. To gather input from the AUASB on the project's objectives, goals and outcomes.

III. Scope

5. The Australian experience in implementing the new auditor reporting standards (including ASA 700, 701, 705, 706, 720 and 570).

IV. Project objectives, public interest benefits, link to corporate strategy and short, medium and long-term goals:

Project Objectives

6. The objective of this project is to:

Shorter term (2017)
7. To support and understand the experience of key stakeholders in the first year of implementation, in order to:
 - a. issue guidance as required.

- b. demonstrate thought leadership by issuing a report summarising key data, observations / insights, and feedback from Australian stakeholders.

Longer term (2018-2021)

- 8. Understand the experience in years 2 – 3 in order to:
 - a. continue to issue guidance as considered necessary to support consistency of application.
 - b. demonstrate thought leadership by issuing a report summarising key data, observations / insights, and feedback from stakeholders.
 - c. understand the cost vs fees implications to practitioners, versus the perceived value to users.
- 9. Based on the information and evidence gathered:
 - a. assess whether the intended benefits of the new auditor's report have been achieved.
 - b. understand our stakeholders views on any proposed future amendments to auditor reporting standards in order to;
 - achieve greater consistency in application
 - further enhance the value of the auditor's report
 - increase the information included in the audit report ie. materiality, findings for KAMs etc.
 - expand their application ie. KAMs to public interest entities, to other assurance engagements, review engagements
 - c. actively influence the IAASB in the future direction of international auditor reporting standards.

Public interest benefits

- 10. The changes to the auditor's report were made in the public interest. This project is to assess whether the intended benefits of these changes have been achieved and to provide evidence to form a view on any future proposed amendments to the auditor reporting standards.

Link to Corporate Strategy

- 11. This project contributes to the following strategic objectives:
 - 1. Develop, issue and maintain high quality Australian auditing and assurance standards that meet the needs of report users. Use IAASB Standards – where they exist, modified as necessary – or develop Australian specific standards and guidance.
 - 3. Actively influence international auditing and assurance standards and guidance by demonstrating thought leadership and enhancing key international relationships.
 - 4. Attain significant levels of key stakeholder engagement, through collaboration, partnership and outreach.

Short, medium and long term goals

<i>Short Term (current period)</i>	<ul style="list-style-type: none"> • Gather feedback from key stakeholders (auditors, CFOs/TCWG, Investors, regulators) (refer point 12 below) • Gather data on, and analyse audit reports issued, in order to identify observations and insights (refer point 13 below) • Issue FAQs or other guidance as needed • Issue a report summarising the key observations and experience from the first year of implementation • Provide feedback to other standard setters
<i>Medium term (2-3 years)</i>	<ul style="list-style-type: none"> • Gather feedback from key stakeholders (auditors, CFOs/TCWG, Investors, regulators) (refer point 12 below) • Gather data on, and analyse audit reports issued, in order to identify observations and insights (refer point 13 below) • Issue FAQs or other guidance as needed • Issue a report summarising the key observations and experience from the second year of implementation • Form a view on whether the intended benefit of the new auditor's report have been achieved
<i>Long term (4-5 years)</i>	<ul style="list-style-type: none"> • Form a view on any proposed further amendments to the standards • Provide input into and influence the IAASB's post implementation review based on the evidence gathered on the Australian experience

V. How / Outreach:

12. The AUASB will conduct outreach activities in 2017, 2018 and 2019 as follows:

- a. Gather feedback from key stakeholders (refer below) about the benefits, issues / challenges in the first year of implementation and where further guidance is required.
 - i. Auditors – feedback session with representatives from big, medium and small practitioners
 - ii. Preparers –targeted interviews
 - iii. Investors –targeted interviews
 - iv. Regulators – ASIC's observations on auditor's reports reviewed as part of their auditor surveillance
- b. We will also consider the use of surveys.

13. Working with Professor Elizabeth Carson from the University of New South Wales on the review and analysis of auditor's reports, and gathering of key data, in order to gain insights and observations.

14. AUASB Senior Project Manager to assist the NZAuASB with their joint project with the FMA on the New Zealand first year experience, with the objective to leverage off this project and understand key observations.
15. Liaise with other standard setters in understanding the international experience.

VI. Outputs from project

16. Issuing of guidance as considered necessary.
17. The AUASB to have input to and / or author a report on the Australian first year and second year experience, to be issued in December 2017 and 2018.
18. Evidence on whether the objectives of the auditor reporting changes have been achieved.
19. Evidence to support any proposed/potential future expansion of the current audit reporting requirements.
20. Provide feedback to, and influence the results of the IAASB's post implementation review.

VII. Next Steps

21. The next steps are to:
 - a. Work with academics from University of New South Wales in gathering and analysing key data from 2016/2017 reporting seasons.
 - b. Reach out and seek feedback from key stakeholders:
 - i. AUASB / UNNSW Research Forum
 - ii. Auditors / preparers / TCWG – roundtables in major cities, and targeted interviews
 - iii. Investors / analysts – targeted interviews, reach out to ACSI and Shareholders Association
 - iv. ASIC – discuss observations from their surveillance program

VIII. Liaison with other Standard Setters including Collaboration with AASB

22. AUASB Senior Project Manager will work with NZAuASB staff with their joint project with the FMA, and share key observations on the Australian experience.
23. We will continue to liaise with other standard setters, including Canada, in order to gain insights and share experiences.
24. We will continue to consult with the AASB on technical matters as considered necessary.

IX. Research

25. This project involves working with Professor Elizabeth Carson and leveraging off her review and analysis of auditor's reports, in order to gain insights and observations.

X. Education

26. This project includes issuing of guidance to educate key stakeholders. We will also liaise with the professional bodies to identify educative opportunities.