



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8(b)**
Meeting Date: 1 December 2015
Subject: Clarifying the purpose of audit opinions
Date Prepared: 25 November 2015

Action Required

For Information Purposes Only

Agenda Item Objectives

To consider the appropriateness of inserting disclaimers to third parties in statutory audit reports of public companies and other entities in Australia.

Background

At the 15 September 2015 AUASB meeting (Minute 999(d)), the AUASB discussed a recently published article on the inclusion of a disclaimer in an auditor's report. The article referred to a recent UK court ruling relating to Bannerman clarification language. Several AUASB Members advocated for similar inclusions under the AUASB Standards and argued that requirements and/or guidance under the umbrella of the AUASB pronouncements would promote consistency of application.

The AUASB agreed that the next course of action was to establish an appropriate articulation of the matter, informed by further research and the opinions of those firms willing to share their views and the bases for their opinions. In its research the AUASB is to reach out to the UK FRC and look to the disclaimers used in the UK and NZ.

The AUASB would then seek formal legal advice and discuss the matter with ASIC. The matter is to be brought to the AUASB's 30 November 2015 teleconference meeting for further consideration.

Matters to Consider

On 12 November 2015, the AUASB Technical Group was provided with a paper summarising the contemporary legal view of the big 4 audit firms, plus CA ANZ, on the effectiveness of including "Bannerman" type paragraph in Australian Audit Reports for discussion at the forthcoming AUASB meeting. An amended version of the paper was subsequently provided on 16 November. Also provided with this paper was a proposed audit report wording from ICAEW template (as attached)

The AUASB Technical Group has sought formal legal advice on this matter, copy of which, once received, will be tabled at the AUASB meeting. The matter will also be raised with ASIC and feedback will be provided at the AUASB meeting

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AUASB Technical Group Recommendations

To consider the attached papers and forthcoming legal advice with a view to forming a view on the public interest value associated with insertion of “Bannerman” type disclaimers in Australian statutory audit reports.

Material Presented

Agenda Item 8(b)	AUASB Board Meeting Summary Paper
Agenda Item 8(b).1	Intended Users of Audit Reports AUASB Nov 2015
Agenda Item 8(b).2	Intended Users of Audit Reports - wording

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	To consider attached papers and legal advice		AUASB	1 December	
