

EXPOSURE DRAFT

ED 07-16
(December 2016)

Proposed Auditing Standard ASA 2016-2 *Amendments to Australian Auditing Standards*

Issued for Comment by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 23 January 2017. Comments should be addressed to:

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Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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Proposed Auditing Standard ASA-2
Amendments to Australian Auditing Standards

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PREFACE

Reasons for Issuing ED 07-16

The AUASB issues exposure draft ED 07-16 of proposed Auditing Standard ASA 2016-2 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an Australian Government Entity established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard makes amendments to the following Auditing Standards:

- | | |
|---------|---|
| ASA 700 | <i>Forming an Opinion and Reporting on a Financial Report</i> (issued December 2015) |
| ASA 701 | <i>Communicating Key Audit Matters in the Independent Auditor's Report</i> (issued December 2015) |

The amendments arise from changes made by the AUASB to address Australian legislative scenarios. These changes have passed the compelling reasons test and are considered appropriate and in the public interest. Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ending on or after 15 December, 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed issuance of ASA 2016-2 *Amendments to Australian Auditing Standards* by no later than 23 January 2017. The AUASB is seeking comments from respondents on the following questions:

1. ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* paragraph 5, states that this Auditing Standard, applies to audits of **general purpose financial reports** of listed entities, while ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, applies to audits of **complete set of general purpose financial statements**. The impact of this difference, is that audited condensed Interim Financial Reports, fall within the scope of ASA 701 while they would not fall within the scope of ISA 701 as they do not constitute a complete set of general purpose financial statements.

Based on the impact of this difference, should ASA 701 paragraph 5, and elsewhere as appropriate, be amended to apply to audits of **complete set of general purpose financial statements** to be consistent with ISA 701? The AUASB is looking for feedback on this matter from constituents.

Proposed Auditing Standard ASA-2
Amendments to Australian Auditing Standards

2. Are there any other issues on the application of ASA 701 which should be considered by the AUASB?
3. Is the Operative date appropriate?
4. Have applicable laws and regulations been appropriately addressed in the proposed standard?
5. Are there any references to relevant laws or regulations that have been omitted?
6. 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?
7. 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?
8. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA-2 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard setting board of the International Federation of Accountants (IFAC). It contains amendments to the Australian Auditing Standards (as shown below).

AUDITING STANDARD ASA 2016-2

Amendments to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
 - an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Auditing Standard is operative for financial reporting periods ending on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to the Australian Auditing Standards:
 - (a) *ASA 700 Forming an Opinion and Reporting on a Financial Report* (issued December 2015)
 - (b) *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* (issued December 2015)

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
 - (a) *ASA 700 Forming an Opinion and Reporting on a Financial Report* (issued December 2015)
 - (b) *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* (issued December 2015)

Definition

6. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

Amendments to Auditing Standards

Amendments to ASA 700

7. New paragraph Aus 49.1 inserted after paragraph 49 as follows:

The auditor's report shall be dated as of the date the auditor signs that report.

8. A footnote is added to the “Auditor’s Signature” line in illustrations 1A, 2A, 3 and 4 after the heading as follows:

The date of the auditor’s report is the date the auditor signs the report.

Amendments to ASA 701

9. New paragraph Aus 5.1 inserted after paragraph 5 as follows:

For a financial report containing consolidated and complete parent entity financial statements including notes, key audit matters are communicated in respect of the consolidated financial report. (Ref: Para A2.1).

10. New paragraph Aus 5.2 inserted after paragraph Aus 5.1 as follows:

For a stapled security group paragraph 5 applies by the auditor determining and communicating key audit matters for the stapled group financial report only. The auditor may elect to report key audit matters separately for each stapled issuer or other general purpose financial reports of listed entities within the stapled group, however if the auditor does not elect to do so, the auditor’s report need not contain a key audit matter section. Paragraph 5 applies irrespective of whether the stapled issuer, or other listed entities within the stapled group, prepare separate financial reports or are presented in adjacent columns with the group financial report.

11. New paragraph Aus A2.1 inserted after paragraph A2 as follows:

For a financial report containing consolidated and parent entity financial statements in a four column format, the auditor communicates key audit matters in respect of the consolidated financial report, which may include a key audit matter in respect of the parent entity financial statements. However the auditor is not required to communicate key audit matters specifically for the parent entity financial statements. The auditor uses professional judgement based on the criteria in paragraphs 9 and 10, to determine whether to communicate key audit matters specifically for the parent entity financial statements.