

10 August 2015

Merran Kelsall
The Chairman
Auditing and Assurance Standards Board
Level 7, 600 Bourke Street
Melbourne VIC 3000

By email: edcomments@auasb.gov.au

Dear Merran

Submission on Exposure Draft: ED 02/15 – Proposed Auditing Standard ASA 720 *The Auditor’s Responsibilities Relating to Other Information and Related Conforming Amendments*

Thank you for the opportunity to comment on the Exposure Draft of the proposed new standard. CPA Australia and Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) have considered the Exposure Draft (“the ED”) and our comments are set out below.

CPA Australia and Chartered Accountants ANZ represent over 250,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia in Australia and internationally.

We support the adopted approach of convergence with the International Standards on Auditing (ISAs) unless there is a compelling reason to modify them for application in Australia. The attached appendix provides responses to the specific questions raised in the ED. Please note that we have only responded to selected questions, and we have not followed the numbering of the questions adopted in the ED.

If you have any questions regarding this submission, please do not hesitate to contact either Liz Stamford (Chartered Accountants ANZ) Liz.Stamford@charteredaccountantsanz.com or Ram Subramanian (CPA Australia) Ram.Subramanian@cpaaustralia.com.au.

Yours sincerely



Stuart Dignam
General Manager External Positioning
CPA Australia



Rob Ward
Head of Leadership and Advocacy
Chartered Accountants Australia and New Zealand

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



CHARTERED ACCOUNTANTS
AUSTRALIA • NEW ZEALAND

charteredaccountantsanz.com

Appendix: Responses to specific questions

- 1. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of the proposed standards? If significant costs are expected, the AUASB would like to understand:**
 - (i) Where those costs are likely to occur;**
 - (ii) The estimated extent of costs, in percentage terms; and**
 - (iii) Whether expected costs outweigh the benefits to the users of audit services?**

As indicated in the ED, there is enhanced effort expected from the auditor in complying with these proposed requirements. Whilst we believe there are benefits from the proposed requirements through expected improvements in audit quality, the costs are likely to vary from entity to entity and will depend on an entity's risk profile and the audit effort involved. Any estimate of costs is likely to be unreliable at this early stage and could detract from the objective of improving audit quality.

- 2. Is there any perceived practical difficulty in identifying the entity's other information (as defined in paragraph 12, with guidance provided in paragraphs A1-A5 of the Auditing Standard)?**

The IAASB has made clear that the requirement for the auditor's report to include an other information section when at the date of the auditor's report the auditor has or expects to obtain the other information is applicable to listed entities. We support the decision not to extend this requirement to other entities on the basis that in many jurisdictions, there may be no legal or regulatory obligation to prepare such other information, or such law or regulation may not be as explicit. The concept of an annual report is generally understood in Australia, therefore we believe the definition of 'other information' is capable of being applied appropriately.

- 3. Where the auditor has concluded a material misstatement exists in the other information obtained after the auditor's report date, would additional guidance, to paragraphs A49-A50, be helpful related to requirement paragraph 19(b) in respect of any legal or regulatory obligations the auditor should consider in circumstances? If guidance is considered helpful, what content and form do respondents consider it should take?**

The requirements and restrictions around reissuing an audit report and withdrawing from an audit can be complex, therefore we believe further guidance for Australian specific legal or regulatory obligations in the form of an appendix would be well received.

- 4. Do respondents see any issues with the proposed differential reporting requirement contained in paragraph 21 for "listed" versus "other than listed" entities, in terms of its potential to cause confusion and/or create an expectation gap in terms of what, and when, the other information section is to be included in the auditor's report?**

We believe this proposal could cause confusion amongst users of audit reports. It is unlikely that users would understand the significance of the omission of the other information section from the auditor's report of entities other than listed entities if no other information has been obtained. However, we do not support expanding this requirement beyond listed entities because there may be no legal or regulatory obligation, and no expectation, to prepare an annual report for other entities.

The decision tree in Appendix 2 could be a useful tool to assist auditors in determining when the other information section is required to be included in the auditor's report. However, it does not appear to work correctly in the ED. We believe this could be rectified by referring to the date of the

auditor's report in the first question. If the answer is 'no' then the next question would be in relation to the type of entity.

5. Other matters

We are concerned that the use of the words "conclude" and "concluded" in the other information section of the example auditor's report in [Aus] Illustration 5A could imply an assurance opinion. Given that the auditor's responsibilities in relation to other information is to "read and consider", we suggest using the word "consider" instead.