

The Chairman
Auditing and Assurance Standards Board
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10 August 2015

Dear Ms Kelsall

Exposure Drafts ED 02/15 *The Auditor's Responsibilities Relating to Other Information and Related Conforming Amendments*

Ernst & Young Australia welcomes the opportunity to offer its views on the exposure draft *The Auditor's Responsibility Relating to Other Information and Related Conforming Amendments*, issued by the Auditing and Assurance Standards Board (AUASB).

We strongly support the approach the AUASB has taken in adopting the revised ISA 720 and provide our responses to the below specific questions that the AUASB has raised.

Our views on the AUASB's Specific Questions in relation to ED 02/15

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 standard? 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?*

In our view, there are no additional significant costs to/ benefits arising from compliance with the requirements of the Proposed Standard and amendments.

2. *Whether the removal of (only) "Aus" paragraph references to the Corporations Act 2001—currently included within the requirements and application and other explanatory material—supported?*

If removal of existing references is not supported, respondents are asked to indicate their preference for locating the re-instated material within the standard:

- *In the requirements and application and other explanatory material (as applicable) of the proposed standard; or*
- *By inclusion of a cross-referenced listing in an appendix to the standard?*

Our preference is that "Aus" paragraph references to the *Corporations Act 2001* remain in the standard. The location of this information is preferred in a cross-referenced listing as an Appendix.

3. *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)?*

We believe the scope of other information should be limited to the annual report. We do however recognise that it may be more challenging for the auditor to determine what constitutes an annual report for certain entities in the absence of securities or other regulation that typically governs the form and content of an annual report. In such cases, it will be critical for the auditor to have the discussions with management as required by Paragraph 13 to determine the documents subject to Proposed ASA 720.

Further we suggest the guidance paragraphs in ASA 720 and/or ASA 210 *Agreeing the Terms of Audit Engagements* be enhanced to indicate the engagement agreement may be used to confirm the documents that constitute the annual report.

4. *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.*

We believe the existing guidance is sufficient and do not believe additional guidance is required.

5. *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 the differential reporting requirement established by paragraph 21 is subtle and will cause confusion. This confusion will be compounded by the fact that the extent of work required by the auditor in relation to other information is the same for "listed" and "other than listed" entities.

Upon reading the IAASB's Basis for Conclusion on ISA 720 (Revised), the differential reporting requirement reflects the practical difficulties that may be encountered regarding the expected nature, content and timing of such other information for "other than listed entities" (i.e. there may be no legal or regulatory obligation to prepare such other information or such law or regulation may not be as explicit). We therefore believe the differential reporting requirement is appropriate and do not support a deviation from ISA 720 (Revised) in this regard.

We do however suggest that guidance paragraph A52 be expanded to explain the rationale for the differential reporting requirement by making reference to the aforementioned practical difficulties that may exist for certain "other than listed" entities.

We would also like to point out that the decision tree for other information reporting in the auditor's report in [Aus] Appendix 2 appears incorrect. One of the outcome boxes relating to any entity states the following:

'Other Information section to include both identification of other information obtained and identification of any other information expected to be obtained after the date of the auditor's report.'

This contradicts the differential reporting requirement established in paragraph 21 and reinforced in paragraph 22 which requires the Other Information section to identify any other information expected to be obtained after the date of the auditor's report only in respect of listed entities.

We welcome the opportunity to contribute to the improvement of Auditing and Assurance Standards that will continue to drive the quality and consistency on such services in Australia. We would be pleased to discuss our comments with members of the Auditing and Assurance Standards Board and its staff. Should you wish to do so, please contact myself on 02 8295 6882.

Yours sincerely



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Ernst & Young