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Ref: BJB:ab

10 August 2015

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

Dear Ms Kelsall

SUBMISSION – PROPOSED AUDITING STANDARD ASA 720 THE AUDITOR'S RESPONSIBILITIES RELATING TO OTHER INFORMATION

We appreciate the opportunity to provide comment on the exposure draft. While we support some of the proposed changes to ASA 720 in principle, our main concern with the proposed changes relate to the details and application. Our detailed responses to the questions are attached to this letter. Please be advised that we have only responded to questions 5 to 8 of Proposed Auditing Standard ASA 720 *The Auditor's Responsibilities Relating to Other Information* (Document 2 of 3).

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Please contact either myself or our Technical Director, Aletta Boshoff (03 8612 9318 or aletta.boshoff@pitcher.com.au), in relation to any matters arising in this submission.

Yours sincerely

B J BRITTEN
Partner

A BOSHOFF
Technical Director



ED 02/15 Proposed Auditing Standard ASA 720 *The Auditor's Responsibilities Relating to Other Information*

Question 5:

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 support the revised definitions in paragraph 12, which clarified and scoped 'other information' to the extent of the annual report excluding the financial report and the auditor's report. There should be no perceived practical difficulty expected for the audit profession. In practice, we already apply the current ASA 720 *The Auditor's Responsibilities Relating to Other Information in Documents Containing an Audited Financial Report* based on a similar interpretation of the definition of 'other information' in the proposed ASA 720.

Question 6:

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?

While there is a similar present requirement, it is not clear why there is an increased emphasis on the auditor's reporting responsibilities for the 'other information' obtained after the date of the auditor's report as proposed in ED 02/15. Where the auditor concludes that a material misstatement exists in 'other information' obtained after the date of the auditor's report, and those charged with governance do not agree with the proposed revisions or corrections, the proposed ASA 720's paragraph A49 requires the auditor to take appropriate action to seek to have the uncorrected misstatements brought to the attention of the users. The requirement, while qualified with references to the exercise of professional judgement, places onerous responsibilities on the auditor.

Another example of confusing reporting arises when the auditor receives some but not all of the 'other information', the 'Other Information' section of the auditor's report shall provide details of information obtained and any other information expected to be obtained after the date of the auditor's report. It is not clear what the benefits are by explaining to users what other information is expected. This is not practical. It is also contrary to the requirements of an audit which primarily expresses an opinion on historical information.

The proposed ASA 720's paragraph A50 refers to the provision of a new or amended auditor's report to management in relation to other information obtained after the date of the auditor's report. For practical purposes, it is questionable that the costs will justify the benefits. If this is meant to be the extreme outcome, the intention is not clear. If regulators and users of the auditor's report value the auditor's review of the other information, it should be a separate review or limited assurance engagement, especially when the other information is obtained after the auditor's report date. The end date of the audit has to be clear to the users of the auditor's report.

Question 7:

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?

The profession has represented its position on many occasions that an audit is an audit. This is regardless of the nature, type or size of the entity. The same audit methodology, procedures and reporting requirements apply to all entities being audited.

It is not clear why a differential reporting is necessary in this instance. If the auditor views this issue as important for the users, the auditor of a listed entity has the opportunity to raise the matter as a key audit matter. It is fair enough to report on information that is available prior to the date of the auditor’s report, but to be required to identify other information expected to be obtained after the date of the auditor’s report is not providing useful information or value.

If the auditor is required to review the other information, it should be considered as a separate review or limited assurance engagement, especially when the other information is obtained after the auditor’s report date.

Question 8:

Are there any other significant public interest matters that constituents wish to raise?

It is not clear how the proposed requirements will relate to the exposure draft on key audit matters which was recently discussed. There could potentially be significant amounts of information relating to key audit matters. An additional heading of ‘Other Information’ within the auditor’s report may not provide useful information or may be obscured by volumes of information around key audit matters. A heading of ‘Other Information’ after the ‘Key Audit Matters’ may be interpreted as miscellaneous information and ultimately overlooked.