

26 June 2015

Ms Merran Kelsall
Chair
Auditing and Assurance Standards Board
PO Box 204
Collins St West
Melbourne Victoria 8007

Dear Ms Kelsall

**ACAG submission on Exposure Draft 01/15 -
Enhancements to Auditor Reporting**

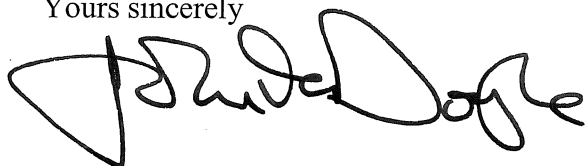
The Australasian Council of Auditors-General (ACAG) would like to express our support for the proposed new and revised Australian Auditing Standards aimed at promoting enhanced auditor reporting contained in Exposure Draft 01/15. The view expressed in this submission represents that of all Australian members of ACAG.

Please find attached our responses to the specific matters for comment outlined in the Exposure Draft. ACAG particularly supports the proposed amendments to the structure of the audit report, the enhanced reporting requirements in relation to going concern and the ability to communicate Key Audit Matters (KAMs).

ACAG does not currently believe the requirements of ASA 701 relating to KAMs should be extended beyond listed entities. Instead we believe the reporting of KAMs is a policy decision for each Audit Office.

The opportunity to comment is appreciated and I trust you will find our feedback useful.

Yours sincerely



John Doyle
Chairman
ACAG Financial Reporting and Auditing Committee

1. **What, if any, are the additional significant costs to/benefits for:**

- i. **Auditors; and**
- ii. **The Business community?**

From a public sector perspective, the additional costs would be similar to those incurred by the private sector. Costs would be both one-off implementation costs (training and audit process and template changes) and recurring audit costs associated with the additional time required to draft the auditor's report. Recurring costs could be passed on to audited agencies as part of the reasonable cost of performing the audit in some jurisdictions, but this will not always be the case. The burden of these additional costs would be more significant for smaller agencies.

From a public sector perspective, the benefits of ASA 701 are similar to those for the private sector and include an increased transparency in the auditing process and the opportunity to demonstrate the value of the audit. However, whilst the type of benefits are similar for both sectors, the impact of the benefits on a public sector audit is somewhat less as Auditors-General already have the ability to report significant audit issues in reports tabled in Parliament.

2. **Whether the removal of (only) "Aus" paragraph references to the *Corporations Act 2001* is supported? If not supported, which approach is preferred?**

- i. **In the body of the standard; or**
- ii. **A cross-referenced listing in an appendix?**

ACAG does not support the removal of the Aus paragraph references to the *Corporations Act 2001* and prefers them to remain in the body of the standard.

3. **Whether removal of other "Aus" paragraphs is supported?**

ACAG does not support the removal of other "Aus" paragraphs as they provide useful references and guidance for the conduct of audits.

4. **Whether, in the future, ASA 701 (re KAM) should be mandated in the audit of entities in addition to listed entities; and if so:**

- i. **Which entities; and**
- ii. **What criteria should be used to identify such entities?**

ACAG does not support mandating ASA 701 beyond the current proposal to limit the requirement to report Key Audit Matters for listed entities.

ACAG considers the existing proposal in ASA 701, which allows jurisdictional discretion to determine whether or not the standard is applied for the public sector audits we undertake, is appropriate for the following reasons:

- Mandating the reporting of KAMs in a public sector auditor's report may impose significant additional costs for little added benefit for some jurisdictions, as it could result in a duplication of reporting. Whilst all Auditors-General already have the legislative power to include significant audit issues in reports tabled in Parliament, the extent and timing of this reporting varies between jurisdictions; and
- The significant differences in the nature, size and complexity of public sector entities means it is difficult to identify and agree consistent criteria for mandating which entities should report Key Audit Matters.

Whilst some jurisdictions note there are benefits in adopting ASA 701 for certain entities (potentially government business enterprises and government departments), ACAG believes the above reasons support the reporting of KAMs remaining a policy decision for each Audit Office.

If the Board were to consider extending the mandate of ASA 701, ACAG suggests this be done after a detailed post implementation review of the standard's application so that the benefits and costs are well established and can be assessed.

5. Is there support for retaining the “relevant period” concept beyond the financial report’s balance date to that of the expected date of the auditor’s report.

ACAG supports the retention of the “relevant period” concept beyond the financial report’s balance date to that of the expected date of the auditor’s report in accordance with the existing version of ASA 570.

6. Questions on ASA 720

ACAG’s response to Exposure Draft 02/15 – the auditor’s responsibilities relating to other information included in an entity’s annual report will be provided in a separate submission.

7. Whether the name of the engagement partner should be disclosed only when required by law or regulations; or for all engagements?

ACAG supports the disclosure of the name of the Auditor General or his delegate for all engagements. ACAG acknowledge that the application of ‘engagement partner’ in the public sector may be different to the private sector. Auditors General do not have the responsibility as engagement partner on all audit engagements.

8. Is there support for the auditor's responsibilities section in an accompanying appendix to the auditor's report?

ACAG does not support placing the auditor's responsibilities section in an accompanying appendix to the auditor's report.

However, ACAG would support hosting the auditor's responsibilities section on an external web page which is maintained by an independent regulator or standard setter with appropriate safeguards in place.

9. 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?

From a public sector perspective, ACAG is not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standards, or may conflict with the proposed standard.

10. Are there any other significant public interest matters?

From a public sector perspective, ACAG is not aware of any other significant public interest matters.

11. Is there overall support for the proposed standard?

ACAG supports the proposed standard.