

30 June 2015

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

By email: [edcomments@auasb.gov.au](mailto:edcomments@auasb.gov.au)

Dear Merran

**Submission on Exposure Draft 01/15: Reporting on Audited Financial Reports – New and Revised Auditor Reporting Standards and Related Conforming Amendments**

Thank you for the opportunity to comment on the Exposure Draft of the proposed new and revised auditor reporting standards. 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.

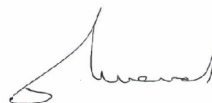
We support the adopted approach of convergence with the International Standards on Auditing (ISAs) unless there is a compelling reason to modify them for application in Australia. In the finalising of the standards we encourage the AUASB to liaise with the NZAuASB to ensure trans-Tasman harmonisation to the extent possible.

The appendix (attached) provides responses to the specific questions raised in the ED. Please note that we have only included those questions to which we have provided a response, and we have not followed the numbering adopted for the questions dispersed throughout 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](mailto:Liz.Stamford@charteredaccountantsanz.com) or Ram Subramanian (CPA Australia) [Ram.Subramanian@cpaaustralia.com.au](mailto:Ram.Subramanian@cpaaustralia.com.au).

Yours sincerely



**Stuart Dignam**  
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## **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?**

The proposed changes do involve additional effort from both the auditor and the audited entity. The majority of this is likely to arise from the auditor and those charged with governance agreeing the content of the key audit matters (KAM) to be presented in the published audit report. We believe there are clear benefits from the proposed changes, which seek to address the needs expressed by users of financial statements for additional information about matters of significance identified by the auditor during the audit of the financial statements. 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. **Whether, in the future, *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* 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?**

We agree that KAM should initially only apply to listed entities. In our view, mandating KAM for other entities should only be considered after a post implementation review of the enhanced auditor reporting standards. We suggest that this review should be undertaken after a minimum of two full reporting cycles for listed entities with 30 June year-ends have been completed, as the majority of Australian listed entities have a June year-end date for their financial statements.

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

We note this is an Australian modification to the international requirement that applies to listed entities only. A number of laws and regulations in Australia require the disclosure of the name of the engagement partner in the auditor's report. On this basis we support requiring disclosure of the name of the engagement partner in the audit report where required by law or regulation.

4. **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?**

We understand the AUASB auditing standards have force of law for Corporations Act audits. However, auditing standards also apply to our members conducting non-Corporations Act audits and so inclusion of Corporations Act references only meets particular users' needs. Therefore, we support the removal of the references currently included within the requirements, application and other explanatory material. However, feedback we have received indicates that references to the

Corporations Act can serve as useful pointers for auditors, therefore inclusion by way of a cross-referenced listing in an appendix to the standard would be well received.

**5. Do respondents support the retention of the “relevant period” concept set out in paragraph Aus 13.2, which extends the auditor’s going concern assessment period beyond the financial report’s balance date to that of the expected date of the auditor’s report?**

We believe this is a good opportunity to revisit the relevant period for the auditor’s going concern assessment. We are of the view that it is appropriate and practical for the auditor to cover the same period as that used by management. This is the approach taken in the international standard, which requires that management’s assessment is at least twelve months from the end of the reporting period. We note that if an auditor has any doubts about going concern, the auditor is likely to ask management to extend its going concern assessment period. Therefore, we support retaining the requirement as set out in the ISA.

**6. Is there support for permitting the auditor to choose whether to locate the auditor’s responsibilities section in either the body of the auditor’s report or in an accompanying appendix to the auditor’s report?**

Both options presented contribute to increasing the length of the auditor’s report with generic content. Upon consultation, our members’ preference is to reference elements of the auditor’s responsibilities to a location on a website of an appropriate authority. In our view, the AUASB is the most appropriate authority and we encourage the AUASB not to disregard this option. However, we agree with the approach taken to not modify the ISA and allow the auditor to choose from all three options.

**7. Have applicable laws and regulations been appropriately addressed in the proposed standard?**

We have not been made aware of any deficiencies apart from those mentioned above.

**8. 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?**

We have not been made aware of any such circumstance.

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

No.