



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4(2)**
Meeting Date: 24 February 2015
Subject: Auditor Reporting - Issues and compelling reasons documentation
Date Prepared: 4 February 2015

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To continue consideration of identified issues and their disposition (ongoing WIP); and
2. Consider and approve compelling reasons for modifying the ISAs.

Background

1. 21 October 2014: Agenda Item 8(c).2

The AUASB considered a work-in-progress paper that:

- (a) Identified issues arising from the draft ISAs;
 - (b) Identified issues arising from AUASB additions contained in existing Australian standards; and
 - (c) Comments and suggestions on treatment of the issues, including suggestions to transfer to the issue to the compelling reasons process.
2. 25 November 2014: Agenda Item 9(b).1

The AUASB continued consideration of the updated work-in-progress issues paper addressing potential issues that arise from the IAASB's Auditor Reporting project and its adoption into the Australian Auditing Standards. The AUASB determined which issues need further deliberations, and others which require no further action.

Matters to Consider

Part A – General

1. The AUASB is requested to continue its consideration of the updated issues paper and the disposition of each item, including those that have been transferred to the compelling reasons documentation. [Agenda Item 4(2)(a)]
2. The issues paper relates only to those standards issued by the IAASB so far – ISAs 700, 701, 705, 706, 570, 260 and other conforming changes to ISAs* 210, 220, 230, 510, 540, 580, 600 and 710.

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- * Changes to these standards are alignments with changes in the main reporting standards (ISAs 700 series, 570 and 260). Accordingly, they do not present issues that are not already identified – they comprise mainly of changes to the example auditor’s reports cross references and other editorials.

Part B – NZAuASB

1. The AUASB Technical Group has engaged in a teleconference with the NZAuASB Technical Staff and the NZAuASB Chairman on 29 January 2015. The purpose of the teleconference was to ensure both parties are aware of the initial proposals to modify the ISAs to be brought to each Board’s February 2015 meeting. Both parties spoke to their respective draft compelling reasons documentation.

In summary, both parties agreed that there were no substantial conflicts between the respective proposed modifications and that the different proposed modifications were supported by reasonable compelling reasons in the respective jurisdictions.

2. Broadly, the NZ modifications will include the following:
- (a) Inclusion of an additional independence statement disclosing “relationships”. This is an existing difference between Aus and NZ standards.
 - (b) Inclusion of reference to NZ ethical standards, an existing requirement in NZ legislation.
 - (c) KAM (ISA 701) to be applicable to “listed issuers” as opposed to “listed entities” – a term not used in NZ. Listed issuers are present in both the private and public sectors. Other references (not just KAM) will be expanded to apply to all entities, for example: the name of the engagement partner is to be included in the auditor’s report.

In other instances the amended ISA requirements are to be applied to FMC reporting entities (financial markets).

- (d) Modifications to reflect the legislative and corporate governance practice that those charged with governance are responsible for the preparation of the financial statements. This is an existing difference between the Aus and NZ standards.

Part C – “Compelling Reasons” Assessment

1. The AUASB is requested to consider each item in the compelling reasons documentation and approve each modification to the relevant ISAs. [Agenda Item 4(2)(b)]

The proposed changes conform to IAASB modification guidelines for NSS? Y N

AUASB Technical Group Recommendations

Approve the proposed modifications to the ISAs enabling the changes to be incorporated into the Australian exposure drafts.

Material Presented

Agenda Item 4(2)	AUASB Board Meeting Summary Paper
Agenda Item 4(2)(a)	WIP Issues Paper [confidential]
Agenda Item 4(2)(b)	Compelling Reasons documentation [confidential]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the compelling reasons for modifying the ISAs	Approval	AUASB	24 February 2015	o/s

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