



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4(3)**
Meeting Date: 24 February 2015
Subject: Auditor Reporting - Example auditor's reports
Date Prepared: 4 February 2015

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To consider first-draft versions of revised example auditor's reports for ASA 700 and ASA 570 that comply with:
 - (a) The *Corporations Act 2001*; and
 - (b) The IAASB's auditor reporting revisions to the ISAs.
2. To approve the first-draft example auditor's reports thereby enabling all relevant auditor's reports in several standards to be developed or modified accordingly.

Background

N/A.

Matters to Consider

Part A – General

1. The AUASB is asked to consider the first-draft example auditor's reports and approve the intended changes so that all relevant illustrations can be prepared for the ED.
2. The AUASB is asked to pay particular attention to the proposed wording of the "Basis for Opinion" paragraph in respect of compliance with the requirements and guidance in the revised standard:

[For information only]

- (a) ISA 700, paragraph 28(c):

Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other

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ethical responsibilities in accordance with these requirements. The statement shall identify the jurisdiction of origin of the relevant ethical requirements or refer to the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code);...

- (b) ISA 700, paragraphs A29 to A34:

The identification of the jurisdiction of origin of relevant ethical requirements increases transparency about those requirements relating to the particular audit engagement. ISA 200 explains that relevant ethical requirements ordinarily comprise Parts A and B of the IESBA Code related to an audit of financial statements together with national requirements that are more restrictive. When the relevant ethical requirements include those of the IESBA Code, the statement may also make reference to the IESBA Code. If the IESBA Code constitutes all of the ethical requirements relevant to the audit, the statement need not identify a jurisdiction of origin.

In some jurisdictions, relevant ethical requirements may exist in several different sources, such as the ethical code(s) and additional rules and requirements within law and regulation. When the independence and other relevant ethical requirements are contained in a limited number of sources, the auditor may choose to name the relevant source(s) (e.g., the name of the code, rule or regulation applicable in the jurisdiction), or may refer to a term that is commonly understood and that appropriately summarizes those sources (e.g., independence requirements for audits of private entities in Jurisdiction X).

Law or regulation, national auditing standards or the terms of an audit engagement may require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those pertaining to independence, that applied to the audit of the financial statements.

In determining the appropriate amount of information to include in the auditor's report when there are multiple sources of relevant ethical requirements relating to the audit of the financial statements, an important consideration is balancing transparency against the risk of obscuring other useful information in the auditor's report.

Considerations specific to group audits

In group audits when there are multiple sources of relevant ethical requirements, including those pertaining to independence, the reference in the auditor's report to the jurisdiction ordinarily relates to the relevant ethical requirements that are applicable to the group engagement team. This is because, in a group audit, component auditors are also subject to ethical requirements that are relevant to the group audit.

The ISAs do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the IESBA Code or other ethical requirements to which the group engagement team is subject, nor do the ISAs require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group engagement team. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. ISA 60024 provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations where the component auditor does not meet the independence requirements that are relevant to the group audit.

Part B – NZAuASB

3. N/A – distinct jurisdictions.

Part C – “Compelling Reasons” Assessment

1. See compelling reasons documentation under Agenda Item 4(2)

The proposed changes conform to IAASB modification guidelines for NSS?

Y N

AUASB Technical Group Recommendations

Approve the proposed modifications to the example auditor's reports enabling the changes to be incorporated into the Australian exposure drafts.

Material Presented

Agenda Item 4(3)	AUASB Board Meeting Summary Paper
Agenda Item 4(3)(a)	Example Auditor's Report (Revised ASA 700) [Marked Up Version] [confidential draft]
Agenda Item 4(3)(b)	Example Auditor's Report (Revised ASA 700) [Clean Version] [confidential draft]
Agenda Item 4(3)(c)	Example Auditor's Report (Revised ASA 570) [Marked Up Version] [confidential draft]
Agenda Item 4(3)(d)	Example Auditor's Report (Revised ASA 570) [Clean Version] [confidential draft]

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the proposed modifications to the example auditor's reports	Approval	AUASB	24 February 2015	o/s