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Our ref AUASB submission Apr 09

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15 April 09

Dear Ms Kelsall

**Exposure Drafts 1/09, 2/09, 3/09, 4/09, 5/09, 6/09, 7/09 & 8/09**

We are pleased to have the opportunity to comment on the above Exposure Drafts and are supportive of the overall content of these proposed standards.

We have a number of specific comments we would like to bring to the Board's attention as noted below.

**ED 02/09 (ASA 501) *Audit Evidence – Specific Considerations for Selected Items***

Unlike its international equivalent, the scope of this proposed standard does not include content in relation to litigation and claims. Whilst we appreciate that this is currently included in extant ASA 508, we recommend that the appropriate paragraphs are incorporated into this proposed standard to achieve international consistency.

**ED 03/09 (ASA 700) *Forming an Opinion and Reporting on a Financial Report***

As ASA 700 and the format and content of the Auditor's report are being revised for 'Clarity', we recommend that consideration also be given to the recent amendments made by the UK's Auditing Practices Board (APB) to ISA 700 (UK and Ireland). The intention of these amendments is to deliver more concise and informative audit reports.

If these amendments are considered appropriate for the Australian environment and if practicable in the timeframe, it would be beneficial to incorporate these changes into this proposed standard to avoid continual revision of the standards.

**ED 05/09 (ASA 706) *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report***

If it remains the intention of the AUASB that Emphasis of Matter paragraphs (EOMs) would not ordinarily be used for accounting estimates, we recommend including a paragraph in this proposed standard similar to paragraph 13 of extant ASA 701.

**ED 06/09 (ASA 800) *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks***

*IFRS for non-publicly accountable entities*

We recommend that prior to the finalisation of this proposed standard, the AUASB liaise with the AASB concerning the AASB's interpretation and planned implementation of the IAASBs proposed standard on *IFRS for non-publicly accountable entities (NPAEs)*. The outcomes of the AASBs implementation of the NPAEs standard may have a significant impact on this proposed standard.

*Auditor's opinion on whether the financial reporting framework meets the needs of the users*

Paragraph 10 of extant ASA 800 states that the auditor ordinarily includes a statement in the auditor's report, that the auditor expresses no opinion as to whether the financial reporting framework is appropriate to address the needs of the addressee of the auditor's report. This statement is also included in the example reports at the back of extant ASA 800 and is commonly used in auditor's reports on special purpose financial reports prepared in accordance with the Corporations Act for non-reporting entities.

This statement is not included in proposed ED 06/09 and represents a fundamental change. In light of the ongoing developments with IFRS for non-publicly accountable entities discussed above and our comments on fair presentation framework below, we recommend that the AUASB reconsider the need for inclusion of a similar paragraph in this proposed standard.

*Illustration 4*

- Fair presentation framework - It appears contradictory to state in the first bullet point in this example that the financial report has been prepared by management of the entity in accordance with the financial reporting provisions set by the entity and to also describe this as a fair presentation framework using the definition in paragraph 7(b) of proposed ASA 700. We recommend removing the reference to fair presentation framework in the example and also including the statement as referred to above in relation to the auditor



expressing no opinion on whether the framework is appropriate to address the needs of the users.

- Reference to basis of accounting – The first time the illustrative report mentions the basis of accounting that has been used for the preparation of the financial report appears in the auditor’s opinion. It is also repeated in the paragraph immediately below this opinion. We recommend that there is reference to the basis of accounting included in Note 1 in the section on Management’s Responsibility for the Financial Report.
- Restriction on distribution – This is referred to in the following places:
  - The Auditor’s report is addressed to [Appropriate Addressee];
  - The restriction on distribution section states that “The financial report has been prepared for distribution to the members”;
  - The restriction on distribution section also states that “Our report is intended solely for ABC Company and should not be distributed or used by parties other than ABC Company.”

We recommend that these three statements be aligned to refer to the members of ABC Company.

We would be pleased to discuss our submission with members of the AUASB or its staff. If you wish to do so, please contact me on (02) 9335 8749.

Yours sincerely

Julian Bishop  
Partner