

Ms Merran Kelsall
Chairman
Australian Auditing and Assurance Standards Board
PO Box 204
Collins Street
Melbourne
VIC 8009

16 August 2016

Dear Ms Kelsall

Re: Exposure Draft ED 03/16 – Proposed Auditing Standard *ASA 810 Engagements to Report on Summary Financial Statements*

Deloitte Touche Tohmatsu (Deloitte) is pleased to respond to the Australian Auditing and Assurance Standards Board's (AUASB) Exposure Draft ED 03/16 Proposed Auditing Standard *ASA 810 Engagements to Report on Summary Financial Statements* (ED 03/16).

We support having one set of international standards on auditing that are used by practitioners worldwide. Accordingly, we support the issuance of proposed revised and amending standards as part of the harmonisation project and conformity with International Standards on Auditing.

Notwithstanding this, the most common and direct use of ASA 810 is with respect to engagements to report on a Concise Financial Report included within a Concise Report prepared under Section 314 of the *Corporations Act 2001*, in accordance with Australian Accounting Standard AASB 1039 *Concise Financial Reports*. Accordingly, it is our view that ASA 810 should be updated to better reflect and more closely align with the reporting requirements governing Concise Financial Reports and to clearly illustrate the application and impact of ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* and ASA 720 *The Auditor's Responsibilities Relating to Other Information*. We believe that this would better serve the public interest by clearly linking relevant legislative and auditing standard requirements and guidance as well as addressing the practical considerations relating to the most common engagements that are performed under ASA 810. Further detailed comments are included within Appendix 2.

Please refer to Appendix 1 for our responses to the specific questions posed by the AUASB within ED 03/16.

In addition, we have included specific comments relating to the wording of the proposed standard within ED 03/16 in Appendix 2.

If you have any queries in relation to this response please do not hesitate to contact me on 02 9322 3434.

Yours sincerely



Gareth Bird
Partner
Deloitte Touche Tohmatsu

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Appendix 1 – Response to specific questions posed within ED 03/16

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

Refer to our overriding comment on page 1 and detailed comments included within Appendix 2.

2. *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?*

Refer to our overriding comment on page 1 and detailed comments included within Appendix 2.

3. *What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?*

None noted.

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

Nothing further of significance noted.

5. *Are Concise Reports prepared under Section 314 of the Corporations Act 2001, in accordance with Australian Accounting Standard AASB 1039 Concise Financial Reports, widely used in practice; or is another form of summary financial reports more widely used?*

Based on our experience, the most common form of summary financial statements prepared in practice are Concise Reports prepared under Section 314 of the *Corporations Act 2001* whereby the auditor is required to provide an opinion on the Concise Financial Report.

6. *Is it more useful to include example Concise Auditor's Reports as illustrative examples within ASA 810; or would respondents prefer to retain the Guidance Statement GS 001 Concise Financial Reports under the Corporations Act 2001?*

Refer to our overriding comment on page 1 and detailed comments included within Appendix 2.

If ASA 810 remains in its current form and is not updated to better reflect and align with the requirements relating to Concise Financial Reports, then our preference would be that GS001 is retained and illustrative auditor's reports on Concise Financial Reports are incorporated within the Guidance Statement rather than ASA 810.

Appendix 2 – Specific comments relating to proposed changes within ED 03/16

ED 03/16 Paragraph	Comment
Overall	<p>We recommend that ASA 810 be reassessed overall to reconsider the direct linkage and interaction with the requirements of section 314 of the <i>Corporations Act 2001</i>, GS001, ASA 701 and ASA 720. Based on how ASA 810 is currently drafted there still remains ambiguity and no clear linkage between the various legislative authorities and guidance. This is especially important given that ASA 810 is predominantly used for situations whereby a Concise Report is prepared and an auditor's opinion is provided on the Concise Financial Report in accordance with section 314 of the <i>Corporations Act 2001</i>.</p> <p>Further specific comments are included below supporting this recommendation.</p>
Illustration 1 and 7	<p>The current wording included in illustrations 1 and 7 with respect to key audit matters (KAMs) is as follows:</p> <p style="padding-left: 40px;">“The communication of [other] key audit matters. [Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.]”</p> <p>The footnote attaching to the above paragraph states:</p> <p style="padding-left: 40px;">“The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.”</p> <p>Based on the above structure and wording it suggests that the information within the brackets is optional and it doesn't provide any illustrative example wording of what the additional explanation might look like or any guidance as to when it may be appropriate to include. As a result, potentially the only reference to key audit matters included within the ASA 810 auditor's report could be as follows: “That report also includes the communication of key audit matters.”</p> <p>We are of the view that illustrative examples 1 and 7 relating to listed entities should more clearly set out the expectations in relation to the reporting of KAMs, in order to provide greater clarity to practitioners on the interaction between ASA 810 and ASA 701 and how KAMs should be reflected within ASA 810. Without further guidance, practitioners view the wording in the illustrative examples as the required format.</p>
Overall 25 & A26 Illustration 6 & 7	<p>With respect to the concept of Other Information, there are two key elements that we have noted as follows:</p> <ol style="list-style-type: none"> ASA 810 is currently silent with respect to the interaction and linkage to ASA 720 as applicable to the audited financial report and the expectation as to what should be included (if anything) within the auditor's report on the summary financial statements and in what circumstances (for example, reference should be made only if there is a qualified opinion with respect to other information included in the auditor's report on the audited financial report). There is ambiguity as to whether “unaudited supplementary information” presented with the summary financial statements as referred to in paragraphs 25 and A26 constitutes “other information” as defined within ASA 720 and thus it is not clear what the requirements of the auditor are. <p>Paragraph A26 indicates that ASA 700 (specifically paragraphs 53-54) contains requirements and guidance that may be helpful in applying the necessary requirements of paragraph 25. Guidance paragraph A84 of ASA 700 (which is one of the guidance paragraphs supporting the requirements within paragraphs 53-54), states: “The fact that supplementary information is unaudited does not relieve the auditor of the responsibilities</p>

	<p>described in ASA 720.”</p> <p>Adding further to this, reference to “other information” is included in the footnote attached to the Opinion paragraph of Illustrations 6 & 7 as follows: “as the concise financial report will be included in a document that contains other information (the concise report), ...”</p> <p>We are of the view that ASA 810 (including the illustrative examples) should more clearly articulate and set out the expectations with respect to other information associated directly with the summary financial statements (e.g. included within the Concise Report) and as part of the audited financial report, in order to provide greater clarity to practitioners on the interaction between ASA 810 and ASA 720 and the requirements relating to “unaudited supplementary information” and “other information”.</p>
1 & 4(c)	<p>To align with the application paragraph Aus 0.1 and to better reflect practical circumstances, we believe that the wording should be expanded to also include reference to “a complete set of financial statements”.</p> <p>Thus we recommend the following: Current wording of: “...derived from a financial report...” be updated to “...derived from a financial report, or complete set of financial statements...”.</p>
6 (b) (iii)	<p>We note that the two references to “summary financial report” should instead be “summary financial statements”.</p>
List of Illustrative Examples	<p>Within the list of Illustrative examples (on pages 21-22), the summary of Illustration 7 should be updated to be consistent with Illustrative 1 and to highlight the reference to key audit matters. Thus we suggest that the last sentence should be updated to state: “The auditor’s report on the audited financial report includes a Material Uncertainty Related to Going Concern section and communication of other key audit matters.”</p>
Illustration 2	<p>Within the section entitled “The Audited Financial Report and Our Report Thereon” (on page 24), there is currently two separate blocks of text included in brackets as follows: “[The audited financial report is included in the 20X1 Annual Report. The auditor’s report on the audited financial report includes a statement that describes an uncorrected material misstatement of other information within Management’s Discussion and Analysis of the 20X1 Annual Report. Management’s Discussion and Analysis, and the uncorrected material misstatement of the other information therein, are also contained in the 20X1 Summary Annual Report.] [Describe the uncorrected material misstatement of the other information].”</p> <p>Given that this illustration is providing an example of a situation whereby the audited financial report includes a statement of an uncorrected material misstatement of other information, then we believe that the first set of brackets should be removed.</p> <p>In addition, it is currently unclear what information could be included in the second set of brackets to further describe the uncorrected material misstatement of the other information.</p>
Illustration 6 & 7	<p>There seems to be inconsistency in the wording used within the “Opinion” section and the “Auditor’s Responsibility” section.</p> <p>The Opinion section currently states the following: “In our opinion, the concise financial report [including the discussion and analysis] complies with Accounting Standard AASB 1039 <i>Concise Financial Reports.</i>”</p> <p>The Auditor’s Responsibility section currently states the following: “Our responsibility is to express an opinion on whether the concise financial report, in all material respects, complies with AASB 1039 Concise Financial Reports and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports.”</p> <p>We acknowledge that this is consistent with the current wording within GS001, however we recommend that the wording is updated to be consistent and to align with the specific</p>

	requirements within section 314 of the <i>Corporations Act 2001</i> .
Illustration 6 & 7	We note that footnote * makes reference to the subheading “Report on the Concise Financial Report” which is not the actual name of the heading that it is linked to and there doesn’t seem to be a subheading of this name included within the illustration. It further indicates that this is a subheading that can be deleted, however this seems to be the heading of the whole report not a subheading and thus there should not be any option to delete it.
Illustration 7	Paragraph 39 of GS001 indicates that it is in the public interest to include a copy of the auditor’s report on the Remuneration Report (for listed companies) within the auditor’s report on the Concise Financial Report (and this is illustrated within the example auditor’s report included in GS001). This is currently not referred to within ASA 810 at all or included within the example auditor’s report in Illustration 7 and we believe that ASA 810 should be updated accordingly.
Typographical and grammatical points noted	
12	Footnotes 5 and 6 denote the same comment - for streamlining purposes we suggest utilising the same footnote (attached to two different places).
23	We note that the reference to “financial report contain” should be “financial report contains”
Illustration 3	Within the section entitled “The Audited Financial Report and Our Report Thereon” (on page 25), the information relating to the qualified audit opinion on the audited financial report includes the following: <p>“The basis for our qualified audit opinion was [that management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from Australian Accounting Standards]. The Company’s records indicate that had management stated the inventories at the lower of cost and net realisable value, an amount of xxx would have been required to write the inventories down to their net realisable value.”</p> <p>Given that this is an illustrative example and that the brackets are only included around part of the information, we believe that the brackets should be removed.</p>
Illustration 5	The sub-heading “Management’s Responsibility for the Summary Audited Financial Statements” should be updated to remove the word “Audited”.
Illustration 6 & 7	Within the Opinion paragraph – reference to “are derived from” should be changed to “ is derived from”.
Illustration 6 & 7	In the footnote attached to the “Report on Other Legal and Regulatory Requirements” subheading, it makes reference to “(full) financial report” – for consistency purposes this should be updated to “audited financial report”.