

The Chairman
Auditing and Assurance Standards Board
PO Box 204,
Collins Street West
Melbourne
Victoria 8007

26 August, 2016

Exposure Draft ED 03/16

Dear Merran

On behalf of Ernst & Young I am writing to provide our overall support of the proposals contained within the Exposure Draft which is designed to update standards ASA 810 to align that standard with the new requirements of ASA 700. There is one matter, relating to concise reporting, on which we have provided further input for consideration of the AUASB.

We have supported and continue to support the AUASB's initiatives related to enhanced auditor reporting. We agree with the Board's effort to consider the effect on ASA 810 of the enhancements in the recently released new and revised ASAs related to auditor reporting. We also support the harmonisation with the updated ISA 810, which will be achieved by the proposals.

We believe that that the Board should reconsider the requirements in relation to the inclusion of key audit matters (KAMs) in audit reports on concise financial statements prepared under the Corporations Act and AASB 1039. As drafted, the ED requires that the audit report on the concise report notes that KAMs have been included in the audit report on the full financial statements. It does not require the KAMs to be included in audit reports on the concise report.

We recommend that the ED should be amended to require that KAMs are included in the audit report on concise financial statements. We recognise that some redrafting of the KAMs may be necessary to reflect the concise disclosures included in financial statements prepared under AASB 1039.

The reasons for this view are:

- in our view shareholders are unlikely to seek to access the full financial statements when they have been provided with the concise report;
- this means that the KAMs will not be readily accessible to the majority of shareholders and consequently the KAMs will not be easily available to this user group;
- we believe that this will reduce the value of the enhanced auditor reporting regime.


We recommend that the final standard should set a requirement in this respect. If it is left as an option as to whether to include KAMs in concise reports, mixed market practice may emerge. We do note, however, that concise reports are now not widely used; this is because the Corporations Act allows companies not to distribute any form of annual report to shareholders unless the shareholders opt in to receive the report. Because of low demand it appears that companies have now opted only to produce the full report.

We also note the following, as requested:

1. As far as we can see, applicable laws and regulations have been appropriately addressed in the proposals;
2. We know of no laws or regulations that may or do prevent or impede, or conflict with, the proposals;
3. We do not believe that there are any significant costs arising from compliance with the proposed changes;
4. We have no public interest matters that we would like to raise in relation to the proposals.
5. Concise reports prepared under the Corporations Act 2001 are now not widely used. Summary financial reports are also used to meet specific requirements for financial information ; however , in our experience, many of these are reports for private companies and are not widely circulated.
6. We believe that it is useful to include the example reports on concise financial statements as examples in ASA 810 and that GS 001 would therefore no longer be required. We think that it is appropriate by this means to bring the auditor's report on concise financial statements within the framework of auditing standards.

Please contact me if you would like to discuss this submission further.

Denis Thorn
Partner



Attachment
Copy to: Kathy Parsons
Partner