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The Chairman
Auditing and Assurance Standards Board
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Our ref ED Submission 03/16 ASA 810
Contact Juliet Low (02) 9295 3881

Cc: edcomments@auasb.gov.au

15 August 2016

Dear Sirs

AUASB Exposure Draft (ED), 03/16 on ASA 810 Engagements to Report on Summary Financial Statements

We are pleased to have the opportunity to respond to the ED 03/16, ASA 810 *Engagements to Report on Summary Financial Statements* issued by the Australian Auditing and Assurance Standards Board (AUASB).

This letter represents the views of KPMG Australia.

Overarching comments

Overall, KPMG Australia supports the revised requirements and additional application and other explanatory material related to ASA 810.

We provide our detailed observations as follows:

- Appendix 1: matters for AUASB's further consideration
- Appendix 2: comments on [Aus] Illustrations 6 and 7
- Appendix 3: responses to the specific questions listed in the AUASB Exposure Draft.

Please contact me on (02) 9295 3881 if you wish to discuss any of the issues raised in this letter.

Yours faithfully

Juliet Low

Juliet Low
Partner

Appendix 1 – Matters for AUASB’s further consideration

Consistency with Corporations Act and Auditing Standards

We noted the omission of relevant Corporations Act 2001 (the Act) **requirements** relating to concise financial reports in the ED on ASA 810. Specifically:

- Aus 1.1 currently reads: “The minimum content of the concise financial report is determined by the Australian Accounting Standards Board and is set out in AASB 1039 *Concise Financial Reports*.” We recommend inserting the clause “and the Corporations Act 2001”, as the Act also governs the content.
- A statement by the auditor on whether the concise financial report complies with the Accounting Standard AASB 1039 *Concise Financial Reports*. We suggest to include this **requirement** in the section on Form of Opinion.
- There is a Directors’ Report in the Concise Report under section 314 (2) (b) of the Act. Since the Remuneration Report forms a section of the Directors’ Report under section 300A of the Act, we suggest to include a reference to ‘other reporting responsibilities’ in the section on *Elements of the Auditor’s Report*, consistent with ASA 700.43-45 **requirements**.

We also noted opportunities to enhance the ED on ASA810 to **encourage better practices**:

- ASA 810 does not currently address compliance with relevant ethical requirements regarding independence, consistent with ASA 700.Aus28.1(c). We suggest the AUASB considers inclusion of guidance and wording in the section on *Elements of the Auditor’s Report* and in the Illustrations.
- The inclusion of a statement on the auditor’s independence declaration for listed entities under section 307C of the Act could also be considered, consistent with ASA 700.40(b).
- ASA 810 is currently silent in relation to the Remuneration Report. Inclusion of wording similar to that in existing GS 001 could be considered.

Definitions

We noted the following minor matters in the definition paragraph 4(c):

- Inconsistency in this definition compared to the AUASB glossary (Glossary) definition of ‘Summary financial statements’. The fuller definition in the Glossary states that its source is ASA 810. We suggest retaining the fuller definition from the Glossary in ASA 810, or updating the Glossary section for consistency purposes. Alternatively if the fuller description is not included in ASA 810, we would suggest to delete the reference to ASA 810 as the source of the definition in the Glossary.
- The footnote 2 states ‘See ASA 200, paragraph 3(f)’. We noted this reference does not exist in ASA 200.



Appendix 2 – Comments on [Aus] Illustrations 6 and 7

We noted a number of inconsistencies when compared to:

- The illustrations reports in ASA 700 *Forming an opinion and reporting on a financial report*.
- The requirement in paragraph 9 of this ED.

Our recommended wording is included below in underline or ~~strikeout~~ to align the illustrations.

Report of the Independent Auditor on the Concise Financial Report

Opinion

...

In our opinion, the concise financial report [including the discussion and analysis]:

- is consistent, in all material respects, with the audited financial report of the Company, in accordance with [the applied criteria]; and
- complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Responsibilities of the Directors for the Concise Financial Report¹

...

~~The Directors are responsible for overseeing the Company's financial reporting process.~~

¹ This statement is removed on the basis that the Directors are already responsible for the financial reporting process under the Corporations Act 2001. As such this statement as required under ASA 700.35 is not relevant for these illustrations.

Appendix 3 – KPMG responses to the specific questions listed in the AUASB Exposure Draft

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

We believe the applicable laws and regulations have been appropriately addressed.

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?*

We are not aware of any laws or regulations that may prevent or impede application of the proposed standard or may conflict with the proposed standard.

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

We do not anticipate any significant incremental costs to auditors and the business community arising from compliance with the revised requirements of this proposed standard.

Marginal additional costs are expected in:

- updating revised report templates;
- educating management and those charged with governance as to the changes; and
- training and coaching auditors to apply the changes in requirements.

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

No, there are no other significant public interest matters we wish to raise.

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?*

Concise Reports are less in use in recent years. As most shareholders have access to the published full financial reports on a listed entity's website, in our experience the call for concise financial reports is less in demand. We do not see any demand for Concise Reports for non-listed entities.

We are not seeing another form of summary financial reports which is more widely used.

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?*

Subject to the inclusion of the requirements and suggestions noted above, we are supportive of including the example Concise Auditor's Reports as illustrative examples within ASA 810. In our view this is consistent with ASA 700, 800 and 805.



However, we would prefer to retain GS 001, as it currently provides useful guidance to support the application of ASA 810 to Concise Financial Reports. In our view, before removing this Guidance Statement, a mapping exercise should be conducted to identify relevant guidance material to bring into ASA 810, such as guidance relating to audit procedures over Discussion and Analysis.