

# The Institute of Public Accountants



**IPA** INSTITUTE OF PUBLIC  
ACCOUNTANTS®

30 November 2015

The Chairperson  
Auditing and Assurance Standards Board  
PO Box 204, Collins St West  
VIC 8007

Dear Merrin

**Proposed Auditing Standard on ASA 2015-3 “Amendments to Australian Auditing Standards” (ED 03/15)**

The Institute of Public Accountants (IPA) welcomes the opportunity to comment on the Proposed Auditing Standard ASA 2015-3 “Amendments to Australian Auditing Standards”. We are of the opinion that the proposed standard will not significantly change what is happening in practice, however, it will require audit firms to update their audit methodologies and procedures to adequately address the amendments.

We have provided comments to specific questions raised in the proposed standard, included in Appendix A.

If you would like to discuss our comments, please contact me or our technical advisers Sonya Sinclair ([sonya@ecorac.com.au](mailto:sonya@ecorac.com.au)) or Colin Parker ([colin@gaap.com.au](mailto:colin@gaap.com.au)), GAAP Consulting.

Yours sincerely



Vicki Stylianou  
Executive General Manager, Advocacy & Technical  
Institute of Public Accountants

**About the IPA**

The IPA is a professional organisation for accountants recognised for their practical, hands-on skills and a broad understanding of the total business environment. Representing more than 35,000 members nationally and overseas, the IPA represents members and students working in industry, commerce, government, academia and private practice. Through representation on special interest groups, the IPA ensures the views of its members are voiced with government and key industry sectors and makes representations to Government including the Australian Tax Office (ATO), Australian Securities and Investments Commission (ASIC) and the Australian Competition and Consumer Commission (ACCC) on issues affecting the profession and industry.

## Appendix A

### Proposed Auditing Standard on ASA 2015-3 “Amendments to Australian Auditing Standards” - Comments on Specific Questions

*Q1. Have applicable laws and regulations been appropriately addressed in the proposed standard?*

The IPA is unaware of any applicable laws and regulations that impact on the proposed changes under the auditing standards affected.

*Q2. Are there any references to relevant laws or regulations that have been omitted?*

The IPA is not aware of any laws or regulations that have been omitted under the auditing standards affected by the proposed changes.

*Q3. 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?*

The IPA is not aware of any laws or regulations that have been omitted that may prevent or impede on the changes under the auditing standards affected by the proposed changes.

*Q4. 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?*

Whilst the proposed changes to the auditing standards reinforce audit procedures that should be occurring in practice, balancing audit quality with the need to de-clutter financial statements can be difficult to achieve.

Timeliness of both qualitative and quantitative material disclosures are in many instances received by the auditor usually towards the end of the audit process. Integrating presentation and disclosure assertions with account balances, classes of transactions and events embeds and reinforces the audit procedures, however, it may not provide any further changes to what is achievable in practice. This may certainly be the case with qualitative disclosures (where information is provided after risk assessments are communicated and audit fieldwork is conducted).

We do not believe the proposed changes will require additional **significant** costs for auditors to implement. Auditors at times rely on disclosure checklists and may lack the required documentation to support material disclosures in the financial statements. With the proposed changes the auditors' attention will be directed towards disclosures throughout the audit process, which will require the auditor to link risk of material misstatement to the related disclosures. Smaller audit firms may require more time to implement the changes

and make the necessary changes to their audit methodologies, audit documentation and processes.

Overall, we believe it is best practice for the auditor to focus their attention towards addressing disclosures in the financial statements throughout the audit process rather than at the end of the audit process. More emphasis and guidance is required in the area of necessary and relevant supporting documentation (which may be within or outside the general ledger) that relates both directly and indirectly to account balances, classes of transactions and events.

And lastly, the ultimate responsibility for quality financial statements is that of the preparer and the timing of receiving transparent, quality and relevant financial statements by the auditor, with the required documentation is not always achievable by smaller entities. Further guidance needs to be directed towards preparer's so that they understand materiality and quality financial statements and the extent of disclosures required.

*Q5. Are there any other significant public interest matters that constituents wish to raise?*

We have no other comments to raise in this area.