

The Chairman

Auditing and Assurance Standards Board  
PO Box 204  
Collins St West  
VIC 8007  
Australia

28 August 2019

ASRE 2410 *EXPOSURE DRAFT AND ADDENDUM TO THE EXPLANATORY MEMORANDUM*

Dear Sir,

BDO in Australia (BDO) are pleased to have the opportunity to comment on ASRE 2410 Review of a financial report performed by the auditor of the entity (ASRE 2410) Exposure Draft 01/19 (ED) and the Addendum to the Explanatory Memorandum (Addendum).

Questions

1. **Do you agree with the scope and key proposals to incorporate the auditor's reporting requirements made to the auditor's report consistently into the auditor's review report?**

Yes, on balance, we agree with the scope and key proposals **to incorporate the auditor's reporting requirements made to the auditor's report. This ensures consistency in reporting and adopts the guidance from the previous AUASB Bulletin.**

2. Do you agree with the proposed amendments to incorporate conforming amendments as a **result of the IAASB's project regarding non-compliance with laws and regulation (NOCLAR)?**

Yes, we support inclusion of the conforming amendments with respect to NOCLAR.

3. Do you agree with including reviews of financial reports prepared in accordance with a compliance framework explicitly in the scope of ASRE 2410?

Yes, we agree with broadening the scope of ASRE 2410 to include reviews of financial reports prepared in accordance with a compliance framework. This ensures consistency with ISRE 2410 and is consistent with ASRE 2405, which already considers compliance frameworks.

4. Do you agree with how the responsibilities of management for the financial report, and the **auditor's responsibilities for the review of the financial report, are described in the auditor's review report? Refer to paragraph 18 and 19 for detail on the AUASB's deliberations.**

Please refer to the 'Addendum questions'.

5. Do you consider that there are any further amendments required to be made to ASRE 2410?  
No, not currently. Consideration has been given to 'Other Information' in a review context, but we agree that it is not appropriate to include a section on Other Information in a review report. Similarly, we support the exclusion of Key Audit (Review) Matters for review engagements.
6. Do you agree with the proposed effective date? If not, please explain why not.  
Yes, we agree with the proposed effective date.
7. Have applicable laws and regulations been appropriately addressed in the proposed standard? Are there any references to relevant laws or regulations that have been omitted?  
We are not aware of any applicable laws and regulations that have been omitted from the proposed standard. We do not have any further specific comments at this point in time.
8. 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 the application of ASRE 2410 or conflict with the proposed standard.
9. Are there any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?  
In our view, there are no evident principles or practices that prevent, or impede, the application of the proposed standard, nor do we see any conflicts in that regard.
10. 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 significant costs are expected, the AUASB would like to understand:
- Where these costs are likely to occur
  - The estimate extent of costs, in percentage terms (relative to audit fees)
  - Whether expected costs outweigh the benefits to the users of audit services?
- Overall, we do not expect the costs to be significant as this is an enhancement rather than a significant change. Areas where firms will incur time include the updating of template suites, education of engagement teams and communications with clients on the key changes.
11. Are there any other significant public interest matters that stakeholders wish to raise?  
None noted.

#### Addendum questions

1. Do you agree that the review report should include a description of the responsibility for the auditor in respect of going concern?  
Yes, we agree that the review report should include a description of the auditor in respect of going concern. This is consistent with the enhanced disclosure updates made to ASA 700 thus

achieving further transparency and preventing any misunderstanding from users of financial reports.

2. Do you agree with **how the auditor's responsibility has been described in ED 01/19**? If so, why. If not, why not, with if appropriate, specific reference to NZAuASB suggested wording.

Yes, on balance, we agree with the wording in ED 01/19 but consider the last sentence of NZAuASB suggested wording as also appropriate to consider for inclusion.

The suggested wording put forward by the AUASB taken directly from paragraph 19 of extant ASRE 2410 achieves consistency with the requirements of ASRE 2410 and we support the AUASBs desire not to move ahead of the IAASB on this matter. We do see some limitations of this wording, however. Simply listing the procedures may not be the most effective way of communicating the **auditor's responsibility for going concern**. In addition, this list of procedures may be considered incomplete.

The alternative wording suggested by NZAuASB seems to go further to include elements of ISA (NZ) 700 and explains why the auditor is undertaking these procedures in order to meet investor **expectations of the auditor's responsibilities**. Whilst we recognise the objective of what is trying to be achieved, we do not think this suggested wording is appropriate for a review report and may **actually cloud users' expectations as to what auditors are required to do for a review engagement** as opposed to an audit.

As noted above, however, we agree with the final sentence of the suggested wording, which reemphasises the fact that, **outside of auditor's responsibilities**, future events or conditions, may still cause the entity to cease to continue as a going concern.

For the purposes of this ED, we agree with the wording suggested by AUASB and inclusion of the final sentence suggested by NZAuASB being '*However, future events or conditions may cause the entity to cease to continue as a going concern.*' We also support any future projects to revisit the wording of the underlying procedures and responsibilities with respect to going concern in a review engagement.

We hope that our comments and suggestions will be helpful in your deliberations and finalisation of the standard. Please contact me should you wish to discuss any of these comments.

Yours faithfully



Jane Bowen  
National Leader, Audit Quality