

Friday, 31 March 2023

Mr Bill Edge  
Chair, Australian Auditing and Assurance Standards Board  
Level 20  
500 Collins Street  
Melbourne 3000

By email: [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au)

Dear Bill

**Joint submission on Discussion Paper: Expanding Key Audit Matters beyond listed entities**

As the representatives of over 300,000 professional accountants globally, Chartered Accountants Australia and New Zealand (CA ANZ) and CPA Australia welcome the opportunity to provide a submission on the Discussion Paper: Expanding Key Audit Matters (KAMs) beyond listed entities (“the DP”). We make this submission on behalf of our members and in the public interest.

We commend the Australian Auditing and Assurance Standards Board (AUASB) for issuing the DP to:

- fulfil its commitment to consider the possible extension of KAMs beyond listed entities, and
- inform its consideration of future proposals on this and related matters that may arise from the International Auditing and Assurance Standards Board (IAASB) and the International Ethics Standards Board for Accountants (IESBA) Listed Entity/Public Interest Entities (PIEs) Project Task Force (“the PIE Project”).

We appreciated the opportunity to attend the outreach sessions facilitated by the AUASB and hear the views of stakeholders on this topic. The feedback we have heard through our own outreach has not identified any compelling reasons, nor any pressing need, to extend the reporting of KAMs beyond listed entities in Australia at this time.

We understand that the PIE Project may result in the extension of the application of KAMs by the IAASB, although the scope and nature of this potential extension is unclear at this time. If a decision is made at the international level to extend the reporting of KAMs beyond listed entities we believe it would be important to reconsider in the Australian context at that time. Moreover, due to the additional effort and time involved in reporting KAMs, it is important that there be careful consideration of costs versus benefits for any given group of users.

Therefore, in our view, a blanket extension to all PIEs (or other groups of entities) would be inappropriate at this time in Australia. Research should be undertaken to identify the existence of user needs for KAMs to be reported by other entities, along with a cost/benefit analysis, before moving to mandatory application of KAMs to audits of a broader group of entities.

Our detailed responses to the questions raised in the discussion paper are provided in the **Attachment** to this letter. Should you have any questions about the matters raised in this submission or wish to discuss them further, please contact either Melanie Scott (CA ANZ) at [melanie.scott@charteredaccountantsanz.com](mailto:melanie.scott@charteredaccountantsanz.com) or Tiffany Tan (CPA Australia) at [tiffany.tan@cpaaustralia.com.au](mailto:tiffany.tan@cpaaustralia.com.au).

Yours sincerely

Simon Grant FCA  
Group Executive – Advocacy and International  
**Chartered Accountants Australia and  
New Zealand**

Dr Gary Pflugrath FCPA  
Executive General Manager, Policy and  
Advocacy  
**CPA Australia**

# Attachment

## Responses to specific questions

### Question 1. Do you support requiring the communication of KAMs in the auditor's report for the following:

- **Option 1: Listed entities only (i.e., No amendment to ASA 701); or**
- **Option 2: Listed entities plus certain other types of entities; or**
- **Option 3: All audited financial reports.**

Feedback we have received suggests that currently, there is not a need to extend the reporting of KAMs beyond listed entities in Australia. Many regulators of entities other than listed entities (e.g., registrable superannuation entities) already have the option to mandate the reporting of KAMs and to date none have done so. This indicates that they do not see a need for such additional reporting. We understand that there has been limited reporting of voluntary KAMs outside the listed entities sector, which is another potential indication that users are not asking for the information.

Within the public sector, we understand that some Auditors General have adopted reporting of KAMs for certain entities, but this varies between jurisdictions. In the charities sector, our understanding is that the Australian Charities and Not-for-profits Commission (ACNC) would not consider a blanket application to all charities that are considered large to be appropriate. In the superannuation sector, the Australian Prudential Regulation Authority (APRA) does not require reporting of KAMs as it has the mandate to directly obtain relevant information from superannuation entities and their auditors.

Given that audit firms are resource constrained and that there will be additional demand for services arising from emerging areas of reporting and assurance, such as sustainability reporting and associated assurance, we believe that it is important to consider whether the perceived benefits will outweigh the costs to audit firms/audited entities to devote further resources in reporting KAMs for entities beyond listed entities.

We note that in the IAASB's Feedback Statement from their Auditor Reporting Post Implementation Review the finding was that there was strong support for the view that any extension of KAM to entities beyond listed entities should remain a jurisdictional issue, rather than being something established by the IAASB.

## **Question 2. If in response to Question 1 you support Option 2, for which types of entities do you think auditors should be required to communicate KAMs?**

### **Do you support one of the suggested ways to segment the population of entities described in this discussion paper; or is there another way you would segment the population of entities that KAMs should apply to?**

We agree with the suggested ways to segment the population of entities described in the DP. However, extension of mandatory reporting of KAMs to any other types of entities would need to be supported by research and careful consideration of costs versus benefits. Our members have expressed concerns that a blanket extension of reporting of KAMs to all PIEs would be inappropriate in Australia. The nature of a number of classes of entities considered to be PIEs in Australia may mean that the cost could outweigh any benefit, would ultimately create greater pressure and challenges for audit firms in maintaining high levels of audit quality. We encourage the AUASB to continue to undertake research and outreach with regulators and users of the classes of entities that meet the current definition of a PIE in Australia. The research and outreach will inform the AUASB in making the decision on whether these entities would pass the compelling reason test, based on evidence, should it be required.

## **Question 3. If you do not support any of the Options currently under consideration by the AUASB in this discussion paper, do you have any suggestions for alternative options the AUASB should consider when evaluating the population of entities that KAMs should apply to going forward?**

Please refer to our response to Question 2.