

24 January 2017

Merran Kelsall  
The Chairman  
Auditing and Assurance Standards Board  
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Melbourne, VIC 8007  
Australia



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Dear Merran

**ED 07/16 Proposed Auditing Standard ASA 2016-2 Amendments to Australian Auditing Standards**

CPA Australia welcomes the opportunity to respond to ED 07/16. CPA Australia represents the diverse interests of more than 155,000 members in 118 countries. Our vision is to make CPA Australia the global accountancy designation for strategic business leaders. We make this submission on behalf of our members and in the broader public interest.

We support the AUASB's proposed amendments to ASA 700 *Forming an Opinion and Reporting on a Financial Report* to clarify the date of the auditor's report and ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* to interpret which entities are required to have key audit matters reported by their auditors. We consider that it is in the public interest to address implementation issues in Australia arising from the new auditor reporting requirements.

In answer to the specific questions raised in the ED, we submit:

1. ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* paragraph 5, states that this Auditing Standard, applies to audits of **general purpose financial reports** of listed entities, while ISA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, applies to audits of **complete set of general purpose financial statements**. The impact of this difference, is that audited condensed Interim Financial Reports, fall within the scope of ASA 701 while they would not fall within the scope of ISA 701 as they do not constitute a complete set of general purpose financial statements.

Based on the impact of this difference, should ASA 701 paragraph 5, and elsewhere as appropriate, be amended to apply to audits of **complete set of general purpose financial statements** to be consistent with ISA 701? The AUASB is looking for feedback on this matter from constituents.

Response: We agree that the scope of ASA 701, being audits of general purpose financial reports of listed entities, will capture audits of condensed interim financial reports. As this is not intended, an amendment to the term used is justified in order to exclude condensed interim financial reports from ASA 701. Furthermore, we consider that summary financial reports, including concise financial reports under the *Corporations Act 2001* (the Act), may also be captured by the term "general purpose financial reports". Although ASA 810 does not require key audit matters to be described for audits of summary financial reports but only requires the auditor to state that key audit matters have been reported, a change of terminology in ASA 701 would provide further clarification by supporting this position.

We recommend that the term used in ASA 701 should be consistent with the Act and the other Australian Auditing Standards (ASAs), however the suggested term, “complete set of general purpose financial statements”, is not used in the Act or in the ASAs for audits under the Act. Section 301 of the Act requires a company, registered scheme or disclosing entity’s “financial report for a financial year” to be audited, and section 302 requires a disclosing entity’s “financial report for the half-year” to be audited. We suggest replacing the term “general purpose financial reports” with a term which links more clearly to the audit requirements in the Act and the ASAs, such as:

- financial report containing a complete set of general purpose financial statements, or
- full general purpose financial report.

As a related issue, we note that although ASA 810 is intended to apply to concise financial reports, being a form of summary financial statements, the wording of the scope paragraph Aus 1.1 is slightly ambiguous in this regard, as is the wording in the application paragraphs of GS 001 *Concise Financial Reports Under the Corporations Act 2001*, which the AUASB is currently amending. We recommend that the AUASB review this wording to ensure that it is clear that concise financial reports are not carved out of ASA 810.

Specifically, Aus 1.1 states: “Auditors that are required to issue an auditor’s report on a concise financial report prepared under the Corporations Act 2001 and Accounting Standard AASB 1039 *Concise Financial Reports* should refer to guidance contained in GS 001 *Concise Financial Reports*.” The applicability of ASA 810 could be clarified by inserting the word “also” so it reads: “should also refer to guidance” or at the start of that paragraph insert “When applying ASA 810”. We further note that the title of GS 001 is incomplete and the following phrase needs to be added: “*Under the Corporations Act 2001*”. Whilst it may be some time before ASA 810 is amended, as GS 001 is currently being revised, we suggest that the application paragraph 1 in GS 001 clarifies that the auditor complies with ASA 810 for audits of concise financial reports prepared under the Act.

2. Are there any other issues on the application of ASA 701 which should be considered by the AUASB?

Response: To aid clarity, we recommend defining the terms “stapled issuer” and “stapled group” used in proposed paragraph Aus 5.2. The definitions could mirror those used in ASIC Class Order CO 13/1050 *Financial reporting by stapled entities* or reference made to that class order. We further suggest replacing the term “stapled security group” with “stapled group” for consistency with terms used in the class order.

3. Is the Operative date appropriate?

Response: We do not usually support a retrospective operative date. However, given that the proposed changes do not create additional obligations and in some instances provide relief from the need to prepare the key audit matters, we consider that the operative date of financial reporting periods ending on or after 15 December 2016 is appropriate.

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

Response: Yes

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

Response: No

6. 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?

Response: No

7. 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?

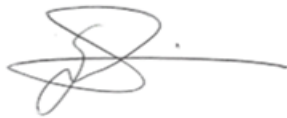
Response: The benefits include increased certainty regarding whether key audit matters are required to be reported, which will improve consistency of application and allay auditor concerns of inadvertent failure to meet the standards.

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

Response: No

If you require further information on our views expressed in this submission please contact Claire Grayston on (03) 9606 5183 or at [claire.grayston@cpaaustralia.com.au](mailto:claire.grayston@cpaaustralia.com.au).

Yours sincerely

A handwritten signature in black ink, appearing to be 'Stuart Dignam', with a horizontal line extending to the right.

Stuart Dignam  
General Manager, Policy & Corporate Affairs