



Subject:	Agenda for the 84th meeting of the AUASB
Venue:	Executive Boardroom Tertiary Education Quality and Standard Agency (TEQSA) offices Tower Level 14, 530 Collins Street Melbourne
Time:	Tuesday, 13 September 2016 from 9.00 a.m. to 5.00 p.m.

Time	Agenda Item No.
9.00 a.m.	1. Preliminary Session* (closed sessions 9.00 – 9.15am)
9.30 a.m.	2. International
10.45 am	Break
11.00am	3. ASA 810 Engagements to Report on Summary Financial Statements
11.30	4. Presentation: Professor Miklos Vasarhelyi – Rutgers University
12.30	Lunch
1.30 pm	5. ASAE Performance Engagements project update
2.00 pm	6. Auditor Reporting Implementation
2.45 p.m.	7. Other Matters
3.15 pm	Break
3.30 p.m.	8. AUASB Strategy
5.00 p.m.	Close

* Closed session

Note: the running order and time allocated to agenda items is subject to change prior to and during the course of the meeting



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **2(b)**

Meeting Date: 13 September 2016

Subject: Credibility and Trust in Emerging Forms of External Reporting

Date Prepared: 1 September 2016

☐ Action Required

☒ For Information Purposes Only

Agenda Item Objective

1. Update the AUASB on IAASB <IR> WG activities since the 26 July 2016 meeting.

Background

1. Refer to attachment at 2(b).1 for detail on IAASB Working Group Paper on Supporting Credibility and Trust in EER.

Matters to Consider

Part A – General

1. Refer attachment at 2(b).1 for detail on IAASB media release - IAASB Releases Working Group Paper on Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements and links to the discussion paper.
2. Jo Cain has agreed to lead a small working group to address the questions in the IAASB discussion paper. This group is likely to be made up of an assurance practitioner, <IR> reporter, Director, Internal Auditor, Investor Group, Professional Body, academic and may be sourced from contacts on the BRLF.
3. The AUASB is liaising with the BRLF and KPMG on co-ordinating two feedback sessions in Melbourne and Sydney in October on the IAASB - Supporting Credibility and Trust in Emerging Forms of External Reporting paper.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

4. An update on progress at BRLF feedback sessions/working group to be provided at 25 October Board meeting. Draft AUASB Submission to come to 29 November 2016 Board meeting for consideration by the Board. IAASB deadline for response is 15 December 2016.

Part B – NZAuASB

1. N/A

Part C – “Compelling Reasons” Assessment

1. N/A

The proposed changes conform with IAASB modification guidelines for NSS?

Y ☐ N ☐

Material Presented

Agenda Item 2(b)	AUASB Board Meeting Summary Paper
Agenda Item 2(b).1	Attachment to AUASB Board Meeting Summary Paper



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 2(b).1
Meeting Date: 13 September 2016
Subject: Credibility and Trust in Emerging Forms of External Reporting
Date Prepared: 30 August 2016

Matters to Consider

Part A – General

Below is the Media Release issued by the IAASB on 18 August 2016:

IAASB Releases Working Group Paper on Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements

The International Auditing and Assurance Standards Board (IAASB)'s Integrated Reporting Working Group, dedicated to exploring emerging forms of external reporting (referred to as EER), has released a [Discussion Paper, Supporting Credibility and Trust in Emerging Forms of External Reporting: Ten Key Challenges for Assurance Engagements](#).

"The IAASB needs to be at the forefront of the debates on external reporting and how professional accountants and other practitioners can contribute to enhancing credibility and trust," said IAASB Chairman Prof. Arnold Schilder. "We hope this paper furthers the debate and helps us gain a deeper understanding of how the IAASB, as the global assurance standard setter, can contribute to the quality of different engagements, in the public interest, and where others can or need to play a role."

The Discussion Paper explores:

- the factors that can enhance credibility and trust, internally and externally, in relation to emerging forms of external reports;
- the types of professional services covered by the IAASB's international standards most relevant to these reports, in particular assurance engagements;
- the key challenges in relation to assurance engagements; and
- the type of guidance that might be helpful to support the quality of these assurance engagements.

The Discussion Paper also sets out the principal findings from research and outreach regarding developments in EER frameworks and professional services most relevant to EER reports, irrespective of whether such reports are part of the annual report or published as separate reports.

"External reporting is evolving and we know various professional services are being performed, including assurance engagements in accordance with the IAASB's international standards," said Merran Kelsall, IAASB member and Integrated Reporting Working Group Chair. "We have identified ten key challenges in relation to assurance engagements that we would like to explore further, recognizing the need for flexibility in these services as the external reporting environment continues to evolve and mature."

The Working Group is seeking input from investors, preparers, those in governance roles, standard setters, practitioners, internal auditors, regulators, academics, and other stakeholders in the external reporting supply chain. The input will assist the IAASB in effectively

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responding to these developments in the public interest, including whether new or revised international standards or guidance may be necessary.

The Working Group has also developed materials to supplement the Discussion Paper, including [FAQs](#). This material, as well as more information and updates on the project, are available on the IAASB's project page at www.iaasb.org/auditing-assurance/projects/integrated-reporting-working-group.

Comments to the Discussion Paper are requested by December 15, 2016.

About the IAASB

The [IAASB](#) develops auditing and assurance standards and guidance for use by all professional accountants under a shared standard-setting process involving the [Public Interest Oversight Board](#), which oversees the activities of the IAASB, and the [IAASB Consultative Advisory Group](#), which provides public interest input into the development of the standards and guidance. The structures and processes that support the operations of the IAASB are facilitated by the International Federation of Accountants (IFAC). For copyright, trademark, and permissions information, please go to [Permissions](#) or contact permissions@ifac.org.

Part B – NZAuASB

1. N/A

Part C – “Compelling Reasons” Assessment

2. N/A

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AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **3**

Meeting Date: 13 September 2016

Subject: ED 03/16 ASA 810

Date Prepared: 29 August 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

1. To present constituents' submissions on ED 03/16 ASA 810 *Engagements to Report on Summary Financial Statements*.

Background

1. Exposure draft ED 03/16 issued in July 2016 for a 30 day period ended 15 August 2016.
2. The AUASB has received 6 submissions to the ED from constituents.
3. Agenda Item 3.2 contains a summary of the submissions received (typographical comments excluded). Essentially the view is that concise reports are not widely used but the guidance of GS 001 is important and should be retained or alternatively additional guidance should be included within ASA 810. Additionally there are a few areas for which ASA 810 (and ISA 810) are deficient and additional guidance could be provided (eg: KAM, other information, ethics). Furthermore there continues to be concern around the wording of the opinion within the auditor's report not being phrased "in all material respects".
4. The key decision that the AUASB needs to make is the way forward on ASA 810 and GS 001, there are 3 possible options:
 - (a) Include additional AUS paragraphs specific to concise reports thereby eliminating the need for a revision to GS 001 – this option will mean that ASA 810 and ISA 810 are not aligned to the extent of concise reports; or
 - (b) Remove all references to concise reports and example concise auditor's reports from ASA 810 and update GS 001 – this will mean that ASA 810 and ISA are completely aligned; or
 - (c) Keep a reference to concise reports within ASA 810 and provide a few example auditor's reports – this is the option that has currently been taken in the form of ED 03/16.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

AUASB Technical Group recommendations:

Follow option 5(c) above with a plan in place for the following:

- After the commencement of the new AUASB Chairman in early 2017, discussions are held with AUASB/ASIC/APRA regarding the wording of the current audit opinions used within the ASA 700 series and ASA 810 (in relation to the usage of the term in all material respects within the opinion paragraph); and
- At the May 2017 consultative meeting enquire as to whether GS 001 is a priority that requires update – such an update would include matters raised in the responses to ED 03/16 for example: ASA 720/KAM. Essentially the guidance statement can align with more detailed requirements and guidance specific to the Australian context of concise reports.

Matters to Consider

Part A – General

1. The AUASB is asked to consider:
 - (a) Disposition of comments; and
 - (b) Agreement on way forward – refer technical group recommendations above.

Part B – NZAuASB

1. AUASB staff has liaised with NZAuASB staff – no issues noted. NZ does not have the concise reports issue that Australia has.

AUASB Technical Group Recommendations

See disposition paper.

Material Presented

Agenda Item 3	AUASB Board Meeting Summary Paper
Agenda Item 3.1	ED 03/16 ASA 810
Agenda Item 3.2	Dispositions paper of submissions received
Agenda Item 3.3-3.8	Respondent's submissions

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider ED submissions	AUASB comments	AUASB	13 September 2016	o/s

EXPOSURE DRAFT

ED 03/16

(~~June~~ July 2016)

Proposed Auditing Standard ASA 810

Engagements to Report on Summary Financial Statements

Issued for Comment by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than ~~25 July~~ 15 August 2016.
Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing ED 03/16

The AUASB issues Exposure Draft ED 03/16 of proposed Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Proposals

This proposed Auditing Standard represents the Australian equivalent of revised ISA 810 *Engagements to Report on Summary Financial Statements* and will replace the current ASA 810 issued by the AUASB in December 2015.

This proposed Auditing Standard contains differences from the revised ISA 810, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for financial reporting periods ending on or after ~~16-15~~ December 2016.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 810 *Engagements to Report on Summary Financial Statements* by no later than ~~25 July 2016~~ 15 August 2016. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
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?
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?
4. Are there any other significant public interest matters that constituents 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?
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*?

Proposed Auditing Standard ASA 810
Engagements to Report on Summary Financial Statements

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 810 *Engagements to Report on Summary Financial Statements* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 810.

AUDITING STANDARD ASA 810

Engagements to Report on Summary Financial Statements

Application

- Aus 0.1 This Auditing Standard applies to an auditor's responsibilities to report on summary financial statements that are derived from a financial report, or a complete set of financial statements, audited in accordance with Australian Auditing Standards, by the same auditor.

Operative Date

- Aus 0.2 This Auditing Standard is operative for financial reporting periods ending on or after 1~~5~~⁶ December 2016.

Introduction

Scope of this Auditing Standard

1. This Australian Standard on Auditing deals with the auditor's responsibilities relating to an engagement to report on summary financial statements derived from a financial report audited in accordance with Australian Auditing Standards by that same auditor.

- Aus 1.1 Where an entity prepares a concise financial report in accordance with paragraph 314(2)(a)-~~(e)~~ in Part 2M.3 of the *Corporations Act 2001*, an auditor's report thereon is required under paragraphs 314(2)(c)-~~(d)~~ in Part 2M.3 of the *Corporations Act 2001*. 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*. ~~The~~ Appendix [Aus] Illustrations 6 ~~and~~ 7 provides ~~an~~ examples of unmodified Auditor's Reports ~~s~~ on ~~a~~ Concise Financial Reports ~~s~~ prepared under section 314 of the *Corporations Act 2001*.

Effective Date

2. [Deleted by the AUASB. Refer Aus 0.2]

Objectives

3. The objectives of the auditor are:
- (a) To determine whether it is appropriate to accept the engagement to report on summary financial statements; and
 - (b) If engaged to report on summary financial statements:
 - (i) To form an opinion on the summary financial statements based on an evaluation of the conclusions drawn from the evidence obtained; and
 - (ii) To express clearly that opinion through a written report that also describes the basis for that opinion.

Definitions

4. For purposes of this Auditing Standard, the following terms have the meanings attributed below:

- (a) Applied criteria – The criteria applied by management in the preparation of the summary financial statements.
- (b) Audited financial report – Financial report¹ audited by the auditor in accordance with Australian Auditing Standards, and from which the summary financial statements are derived.
- (c) Summary financial statements – Historical financial information that is derived from a financial report but that contains less detail than the financial report, while still providing a structured representation consistent with that provided by the financial report of the entity's economic resources or obligations at a point in time or the changes therein for a period of time.² Different jurisdictions may use different terminology to describe such historical financial information.

Requirements

Engagement Acceptance

- 5. The auditor shall accept an engagement to report on summary financial statements in accordance with this Auditing Standard only when the auditor has been engaged to conduct an audit in accordance with Australian Auditing Standards of the financial report from which the summary financial statements are derived. (Ref: Para. A1)
- 6. Before accepting an engagement to report on summary financial statements, the auditor shall: (Ref: Para. A2)
 - (a) Determine whether the applied criteria are acceptable; (Ref: Para. A3–A7)
 - (b) Obtain the agreement of management that it acknowledges and understands its responsibility:
 - (i) For the preparation of the summary financial statements in accordance with the applied criteria;
 - (ii) To make the audited financial report available to the intended users of the summary financial statements without undue difficulty (or, if law or regulation provides that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, to describe that law or regulation in the summary financial statements); and
 - (iii) To include the auditor's report on the summary financial report in any document that contains the summary financial report and that indicates that the auditor has reported on them.
 - (c) Agree with management the form of opinion to be expressed on the summary financial statements (see paragraphs 9–11).
- 7. If the auditor concludes that the applied criteria are unacceptable or is unable to obtain the agreement of management set out in paragraph 6(b), the auditor shall not accept the engagement to report on the summary financial statements, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this Auditing Standard. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this Auditing Standard. The auditor shall include appropriate reference to this fact in the terms

¹ ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph Aus 13.2, defines the term "financial report."

² See ASA 200, paragraph 3(f).

of the engagement. The auditor shall also determine the effect that this may have on the engagement to audit the financial report from which the summary financial statements are derived.

Nature of Procedures

8. The auditor shall perform the following procedures, and any other procedures that the auditor may consider necessary, as the basis for the auditor's opinion on the summary financial statements:
- (a) Evaluate whether the summary financial statements adequately disclose their summarised nature and identify the audited financial report.
 - (b) When summary financial statements are not accompanied by the audited financial report, evaluate whether they describe clearly:
 - (i) From whom or where the audited financial report is available; or
 - (ii) The law or regulation that specifies that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements.
 - (c) Evaluate whether the summary financial statements adequately disclose the applied criteria.
 - (d) Compare the summary financial statements with the related information in the audited financial report to determine whether the summary financial statements agree with or can be recalculated from the related information in the audited financial report.
 - (e) Evaluate whether the summary financial statements are prepared in accordance with the applied criteria.
 - (f) Evaluate, in view of the purpose of the summary financial statements, whether the summary financial statements contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
 - (g) Evaluate whether the audited financial report is available to the intended users of the summary financial statements without undue difficulty, unless law or regulation provides that they need not be made available and establishes the criteria for the preparation of the summary financial statements. (Ref: Para. A8)

Form of Opinion

9. When the auditor has concluded that an unmodified opinion on the summary financial statements is appropriate, the auditor's opinion shall, unless otherwise required by law or regulation, use one of the following phrases: (Ref: Para. A9)
- (a) The accompanying summary financial statements are consistent, in all material respects, with the audited financial report, in accordance with [*the applied criteria*]; or
 - (b) The accompanying summary financial statements are a fair summary of the audited financial report, in accordance with [*the applied criteria*].
10. If law or regulation prescribes the wording of the opinion on summary financial statements in terms that are different from those described in paragraph 9, the auditor shall:
- (a) Apply the procedures described in paragraph 8 and any further procedures necessary to enable the auditor to express the prescribed opinion; and

- (b) Evaluate whether users of the summary financial statements might misunderstand the auditor's opinion on the summary financial statements and, if so, whether additional explanation in the auditor's report on the summary financial statements can mitigate possible misunderstanding.
11. If, in the case of paragraph 10(b), the auditor concludes that additional explanation in the auditor's report on the summary financial statements cannot mitigate possible misunderstanding, the auditor shall not accept the engagement, unless required by law or regulation to do so. An engagement conducted in accordance with such law or regulation does not comply with this Auditing Standard. Accordingly, the auditor's report on the summary financial statements shall not indicate that the engagement was conducted in accordance with this Auditing Standard.

Timing of Work and Events Subsequent to the Date of the Auditor's Report on the Audited Financial Report

12. The auditor's report on the summary financial statements may be dated later than the date of the auditor's report on the audited financial report. In such cases, the auditor's report on the summary financial statements shall state that the summary financial statements and audited financial report do not reflect the effects of events that occurred subsequent to the date of the auditor's report on the audited financial report. (Ref: Para. A10)
13. The auditor may become aware of facts that existed at the date of the auditor's report on the audited financial report, but of which the auditor previously was unaware. In such cases, the auditor shall not issue the auditor's report on the summary financial statements until the auditor's consideration of such facts in relation to the audited financial report in accordance with ASA 560³ has been completed.

Information in Documents Containing Summary Financial Statements

14. The auditor shall read the information included in a document containing the summary financial statements and the auditor's report thereon and consider whether there is a material inconsistency, between that information and the summary financial statements.
15. If the auditor identifies a material inconsistency, the auditor shall discuss the matter with management and determine whether the summary financial statements or the information included in the document containing the summary financial statements and the auditor's report thereon needs to be revised. If the auditor determines that the information needs to be revised and management refuses to revise the information as necessary, the auditor shall take appropriate action in the circumstances, including considering the implications for the auditor's report on the summary financial statements. (Ref: Para. A11–A16)

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

16. The auditor's report on summary financial statements shall include the following elements:⁴ (Ref: Para. A23)
- (a) A title clearly indicating it as the report of an independent auditor. (Ref: Para. A17)
 - (b) An addressee. (Ref: Para. A18)

³ ASA 560 *Subsequent Events*.

⁴ Paragraphs 19-20, which deal with circumstances where the auditor's report on the audited financial report has been modified, require additional elements to those listed in this paragraph.

- (c) Identification of the summary financial statements on which the auditor is reporting, including the title of each statement included in the summary financial statements.
(Ref: Para. A19)
 - (d) Identification of the audited financial report.
 - (e) Subject to paragraph 20, a clear expression of an opinion (see paragraphs 9–11).
 - (f) A statement indicating that the summary financial statements do not contain all the disclosures required by the financial reporting framework applied in the preparation of the audited financial report, and that reading the summary financial statements and the auditor's report thereon is not a substitute for reading the audited financial report and the auditor's report thereon.
 - (g) Where applicable, the statement required by paragraph 12.
 - (h) Reference to the auditor's report on the audited financial report, the date of that report, and, subject to paragraphs 19–20, the fact that an unmodified opinion is expressed on the audited financial report.
 - (i) A description of management's⁵ responsibility for the summary financial statements, explaining that management⁶ is responsible for the preparation of the summary financial statements in accordance with the applied criteria.
 - (j) A statement that the auditor is responsible for expressing an opinion, based on the auditor's procedures conducted in accordance with this Auditing Standard, on whether the summary financial statements are consistent, in all material respects, with [or *are a fair summary of*] the audited financial report.
 - (k) The auditor's signature.
 - (l) The auditor's address.
 - (m) The date of the auditor's report. (Ref: Para. A20)
17. If the addressee of the summary financial statements is not the same as the addressee of the auditor's report on the audited financial report, the auditor shall evaluate the appropriateness of using a different addressee. (Ref: Para. A18)
18. The auditor shall date the auditor's report on the summary financial statements no earlier than:
(Ref: Para. A20)
- (a) The date on which the auditor has obtained sufficient appropriate evidence on which to base the opinion, including evidence that the summary financial statements have been prepared and those with the recognised authority have asserted that they have taken responsibility for them; and
 - (b) The date of the auditor's report on the audited financial report.

Reference to the Auditor's Report on the Audited Financial Report (Ref: Para. A23)

19. When the auditor's report on the audited financial report includes:
- (a) A qualified opinion in accordance with ASA 705;⁷

⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁶ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

⁷ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

- (b) An Emphasis of Matter paragraph, or an Other Matter paragraph in accordance with ASA 706;⁸
- (c) A *Material Uncertainty Related to Going Concern* section in accordance with ASA 570;⁹
- (d) Communication of key audit matters in accordance with ASA 701;¹⁰ or
- (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹¹

and the auditor is satisfied that the summary financial statements are consistent, in all material respects, with or are a fair summary of the audited financial report, in accordance with the applied criteria, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:

- (i) State that the auditor's report on the audited financial report includes a qualified opinion, an Emphasis of Matter paragraph, an Other Matter paragraph, a *Material Uncertainty Related to Going Concern* section, communication of key audit matters, or a statement that describes an uncorrected material misstatement of the other information; and (Ref: Para. A21)
 - (ii) Describe: (Ref: Para. A22)
 - a. The basis for the qualified opinion on the audited financial report, and the effect thereof, if any, on the summary financial statements;
 - b. The matter referred to in the Emphasis of Matter paragraph, the Other Matter paragraph, or the *Material Uncertainty Related to Going Concern* section in the auditor's report on the audited financial report; and the effect(s) thereof, if any, on the summary financial statements; or
 - c. The uncorrected material misstatement of the other information and the effect(s) thereof, if any, on the information included in a document containing the summary financial statements and the auditor's report thereon. (Ref: Para. A15)
20. When the auditor's report on the audited financial report contains an adverse opinion or a disclaimer of opinion, the auditor's report on the summary financial statements shall, in addition to the elements in paragraph 16:
- (a) State that the auditor's report on the audited financial report contains an adverse opinion or disclaimer of opinion;
 - (b) Describe the basis for that adverse opinion or disclaimer of opinion; and
 - (c) State that, as a result of the adverse opinion or disclaimer of opinion on the audited financial report, it is inappropriate to express an opinion on the summary financial statements. (Ref: Para. A23)

Modified Opinion on the Summary Financial Statements

21. If the summary financial statements are not consistent, in all material respects, with or are not a fair summary of the audited financial report, in accordance with the applied criteria, and

⁸ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

⁹ ASA 570 *Going Concern*, paragraph 22.

¹⁰ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

¹¹ ASA 720 *The Auditor's Responsibilities Related to Other Information*.

management does not agree to make the necessary changes, the auditor shall express an adverse opinion on the summary financial statements. (Ref: Para. A23)

Restriction on Distribution or Use or Alerting Readers to the Basis of Accounting

22. When distribution or use of the auditor's report on the audited financial report is restricted, or the auditor's report on the audited financial report alerts readers that the audited financial report is prepared in accordance with a special purpose framework, the auditor shall include a similar restriction or alert in the auditor's report on the summary financial statements.

Comparatives

23. If the audited financial report contain comparatives, but the summary financial statements do not, the auditor shall determine whether such omission is reasonable in the circumstances of the engagement. The auditor shall determine the effect of an unreasonable omission on the auditor's report on the summary financial statements. (Ref: Para. A24)
24. If the summary financial statements contain comparatives that were reported on by another auditor, the auditor's report on the summary financial statements shall also contain the matters that ASA 710 requires the auditor to include in the auditor's report on the audited financial report.¹² (Ref: Para. A25)

Unaudited Supplementary Information Presented with Summary Financial Statements

25. The auditor shall evaluate whether any unaudited supplementary information presented with the summary financial statements is clearly differentiated from the summary financial statements. If the auditor concludes that the entity's presentation of the unaudited supplementary information is not clearly differentiated from the summary financial statements, the auditor shall ask management to change the presentation of the unaudited supplementary information. If management refuses to do so, the auditor shall explain in the auditor's report on the summary financial statements that such information is not covered by that report. (Ref: Para. A26)

Auditor Association

26. If the auditor becomes aware that the entity plans to state that the auditor has reported on summary financial statements in a document containing the summary financial statements, but does not plan to include the related auditor's report, the auditor shall request management to include the auditor's report in the document. If management does not do so, the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately associating the auditor with the summary financial statements in that document. (Ref: Para. A27)
27. The auditor may be engaged to report on the financial report of an entity, while not engaged to report on the summary financial statements. If, in this case, the auditor becomes aware that the entity plans to make a statement in a document that refers to the auditor and the fact that summary financial statements are derived from the financial report audited by the auditor, the auditor shall be satisfied that:
- (a) The reference to the auditor is made in the context of the auditor's report on the audited financial report; and
 - (b) The statement does not give the impression that the auditor has reported on the summary financial statements.

¹² ASA 710 *Comparative Information—Corresponding Figures and Comparative Financial Reports*.

If (a) or (b) are not met, the auditor shall request management to change the statement to meet them, or not to refer to the auditor in the document. Alternatively, the entity may engage the auditor to report on the summary financial statements and include the related auditor's report in the document. If management does not change the statement, delete the reference to the auditor, or include an auditor's report on the summary financial statements in the document containing the summary financial statements, the auditor shall advise management that the auditor disagrees with the reference to the auditor, and the auditor shall determine and carry out other appropriate actions designed to prevent management from inappropriately referring to the auditor. (Ref: Para. A27)

* * *

Application and Other Explanatory Material

Engagement Acceptance (Ref: Para. 5–6)

- A1. The audit of the financial report from which the summary financial statements are derived provides the auditor with the necessary knowledge to discharge the auditor's responsibilities in relation to the summary financial statements in accordance with this Auditing Standard. Application of this Auditing Standard will not provide sufficient appropriate evidence on which to base the opinion on the summary financial statements if the auditor has not also audited the financial report from which the summary financial statements are derived.
- A2. Management's agreement with the matters described in paragraph 6 may be evidenced by its written acceptance of the terms of the engagement.

Criteria (Ref: Para. 6(a))

- A3. The preparation of summary financial statements requires management to determine the information that needs to be reflected in the summary financial statements so that they are consistent, in all material respects, with or represent a fair summary of the audited financial report. Because summary financial statements by their nature contain aggregated information and limited disclosure, there is an increased risk that they may not contain the information necessary so as not to be misleading in the circumstances. This risk increases when established criteria for the preparation of summary financial statements do not exist.
- A4. Factors that may affect the auditor's determination of the acceptability of the applied criteria include:
- The nature of the entity;
 - The purpose of the summary financial statements;
 - The information needs of the intended users of the summary financial statements; and
 - Whether the applied criteria will result in summary financial statements that are not misleading in the circumstances.
- A5. The criteria for the preparation of summary financial statements may be established by an authorised or recognised standards setting organisation or by law or regulation. Similar to the case of a financial report, as explained in ASA 210,¹³ in many such cases, the auditor may presume that such criteria are acceptable.
- A6. Where established criteria for the preparation of summary financial statements do not exist, criteria may be developed by management, for example, based on practice in a particular industry. Criteria that are acceptable in the circumstances will result in summary financial statements that:
- (a) Adequately disclose their summarised nature and identify the audited financial report;
 - (b) Clearly describe from whom or where the audited financial report is available or, if law or regulation provides that the audited financial report need not be made available to the intended users of the summary financial statements and establishes the criteria for the preparation of the summary financial statements, that law or regulation;
 - (c) Adequately disclose the applied criteria;

¹³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraphs A3 and A8–A9.

- (d) Agree with or can be recalculated from the related information in the audited financial report; and
 - (e) In view of the purpose of the summary financial statements, contain the information necessary, and are at an appropriate level of aggregation, so as not to be misleading in the circumstances.
- A7. Adequate disclosure of the summarised nature of the summary financial statements and the identity of the audited financial report, as referred to in paragraph A6(a), may, for example, be provided by a title such as “Summary Financial Statements Prepared from the Audited Financial Report for the Year Ended 13 December 20X1.”

Evaluating the Availability of the Audited Financial Report (Ref: Para. 8(g))

- A8. The auditor’s evaluation whether the audited financial report is available to the intended users of the summary financial statements without undue difficulty is affected by factors such as whether:
- The summary financial statements describe clearly from whom or where the audited financial report is available;
 - The audited financial report is on public record; or
 - Management has established a process by which the intended users of the summary financial statements can obtain ready access to the audited financial report.

Form of Opinion (Ref: Para. 9)

- A9. A conclusion, based on an evaluation of the evidence obtained by performing the procedures in paragraph 8, that an unmodified opinion on the summary financial statements is appropriate enables the auditor to express an opinion containing one of the phrases in paragraph 9. The auditor’s decision as to which of the phrases to use may be affected by generally accepted practice in the particular jurisdiction.

Timing of Work and Events Subsequent to the Date of the Auditor’s Report on the Audited Financial Report (Ref: Para. 12)

- A10. The procedures described in paragraph 8 are often performed during or immediately after the audit of the financial report. When the auditor reports on the summary financial statements after the completion of the audit of the financial report, the auditor is not required to obtain additional audit evidence on the audited financial report, or report on the effects of events that occurred subsequent to the date of the auditor’s report on the audited financial report since the summary financial statements are derived from the audited financial report and do not update them.

Information in Documents Containing Summary Financial Statements (Ref: Para. 14–15)

- A11. ASA 720 deals with the auditor’s responsibilities relating to other information in an audit of a financial report. In the context of ASA 720, other information is financial or non-financial information (other than a financial report and the auditor’s report thereon) included in an entity’s annual report. An annual report contains or accompanies the financial report and the auditor’s report thereon.
- A12. In contrast, paragraphs 14–15 deal with the auditor’s responsibilities relating to information included in a document that also contains the summary financial statements and the auditor’s report thereon. This information may include:

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- Some or all of the same matters as those dealt with in the other information included in the annual report (e.g., when the summary financial statements and the auditor's report thereon are included in a summary annual report); or
- Matters that are not dealt with in the other information included in the annual report.

A13. In reading the information included in a document containing the summary financial statements and the auditor's report thereon, the auditor may become aware that such information is misleading and may need to take appropriate action. Relevant ethical requirements¹⁴ require the auditor to avoid being knowingly associated with information that the auditor believes contains a materially false or misleading statement, statements or information furnished recklessly, or omits or obscures information required to be included where such omission or obscurity would be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Some or All of the Same Matters as the Other Information in the Annual Report

A14. When information is included in a document containing the summary financial statements and the auditor's report thereon and that information deals with some or all of the same matters as the other information included in the annual report, the work performed on that other information in accordance with ASA 720 may be adequate for the purposes of paragraphs 14–15 of this Auditing Standard.

A15. When an uncorrected material misstatement of the other information has been identified in the auditor's report on the audited financial report and that uncorrected material misstatement relates to a matter that is dealt with in the information in a document containing the summary financial statements and the auditor's report thereon, a material inconsistency between the summary financial statements and that information may exist or the information may be misleading.

Information in a Document Containing the Summary Financial Statements that Deals with Matters Not Dealt with in the Other Information in the Annual Report

A16. ASA 720, adapted as necessary in the circumstances, may be helpful to the auditor in determining the appropriate action to respond to management's refusal to make necessary revisions to the information, including considering the implications for the auditor's report on the summary financial statements.

Auditor's Report on Summary Financial Statements

Elements of the Auditor's Report

Title (Ref: Para. 16(a))

A17. A title indicating the report is the report of an independent auditor, for example, "Report of the Independent Auditor," affirms that the auditor has met all of the relevant ethical requirements regarding independence. This distinguishes the report of the independent auditor from reports issued by others.

Addressee (Ref: Para. 16(b), 17)

A18. Factors that may affect the auditor's evaluation of the appropriateness of the addressee of the summary financial statements include the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

¹⁴ Accounting Professional & Ethical Standards Board APES 110 *Code of Ethics for Professional Accountants*, paragraph 110.2.

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Identification of the Summary Financial Statements (Ref: Para. 16(c))

- A19. When the auditor is aware that the summary financial statements will be included in a document that contains information other than the summary financial statements and the auditor's report thereon, the auditor may consider, if the form of presentation allows, identifying the page numbers on which the summary financial statements are presented. This helps readers to identify the summary financial statements to which the auditor's report relates.

Date of the Auditor's Report (Ref: Para. 16(m), 18)

- A20. The person or persons with recognised authority to conclude that the summary financial statements have been prepared and take responsibility for them depend on the terms of the engagement, the nature of the entity, and the purpose of the summary financial statements.

Reference to the Auditor's Report on the Audited Financial Report (Ref: Para. 19)

- A21. Paragraph 19(i) of this Auditing Standard requires the auditor to include a statement in the auditor's report on the summary financial statements when the auditor's report on the audited financial report includes communication of one or more key audit matters described in accordance with ASA 701.¹⁵ However, the auditor is not required to describe the individual key audit matters in the auditor's report on the summary financial statements.
- A22. The statement(s) and description(s) required by paragraph 19 are intended to draw attention to those matters and are not a substitute for reading the auditor's report on the audited financial report. The required descriptions are intended to convey the nature of the matter(s), and need not repeat the corresponding text in the auditor's report on the audited financial report in its entirety.

Illustrations (Ref: Para.16, 19–21)

- A23. The Appendix to this Auditing Standard contains illustrations of auditors' reports on summary financial statements that variously:
- (a) Contain unmodified opinions;
 - (b) Are derived from an audited financial report on which the auditor issued modified opinions;
 - (c) Contain a modified opinion;
 - (d) Are derived from an audited financial report where the auditor's report thereon includes a statement describing an uncorrected material misstatement of the other information in accordance with ASA 720; and
 - (e) Are derived from an audited financial report where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

Aus A23.1 The Appendix to this Auditing Standard contains illustrations of auditor's reports on concise financial reports that:

(a) Are derived from an audited financial report of an unlisted entity where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section; and

¹⁵ ASA 701, paragraph 13.

- (e) (b) Are derived from an audited financial report of a listed entity where the auditor's report thereon includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.

Comparatives (Ref: Para. 23–24)

- A24. If the audited financial report contains comparatives, there is a presumption that the summary financial statements also would contain comparatives. Comparatives in the audited financial report may be regarded as corresponding figures or as comparative financial information. ASA 710 describes how this difference affects the auditor's report on the financial report, including, in particular, reference to other auditors who audited the financial report for the prior period.
- A25. Circumstances that may affect the auditor's determination whether an omission of comparatives is reasonable include the nature and objective of the summary financial statements, the applied criteria, and the information needs of the intended users of the summary financial statements.

Unaudited Supplementary Information Presented with Summary Financial Statements

(Ref: Para. 25)

- A26. ASA 700¹⁶ contains requirements and guidance to be applied when unaudited supplementary information is presented with an audited financial report that, adapted as necessary in the circumstances, may be helpful in applying the requirement in paragraph 25.

Auditor Association (Ref: Para. 26–27)

- A27. Other appropriate actions the auditor may take when management does not take the requested action may include informing the intended users and other known third-party users of the inappropriate reference to the auditor. The auditor's course of action depends on the auditor's legal rights and obligations. Consequently, the auditor may consider it appropriate to seek legal advice.

¹⁶ ASA 700 *Forming an Opinion and Reporting on a Financial Report*, paragraphs 53–54.

Appendix 1

(Ref: Para. A23)

Illustrations of Independent Auditor's Reports on Summary Financial Statements

- Illustration 1: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial report from which summary financial statements are derived. The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section and communication of other key audit matters.
- Illustration 2: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An unmodified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived. The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.
- Illustration 3: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. A qualified opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- Illustration 4: An auditor's report on summary financial statements prepared in accordance with criteria developed by management and adequately disclosed in the summary financial statements. The auditor has determined that the applied criteria are acceptable in the circumstances. An adverse opinion is expressed on the audited financial report. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- Illustration 5: An auditor's report on summary financial statements prepared in accordance with established criteria. An unmodified opinion is expressed on the audited financial report. The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements. The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- [Aus] Illustration 6: An auditor's report on a Concise Financial Report for an unlisted entity prepared under section 314 of the *Corporations Act 2001*. An unmodified opinion is expressed on the audited financial report. The auditor's report on the Concise Financial Report is dated later than the date of the auditor's report on the financial report from which Concise Financial Report is derived. The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section ~~and communication of other key audit matters~~.
- [Aus] Illustration 7: An auditor's report on a Concise Financial Report for a listed entity prepared under section 314 of the Corporations Act 2001. An unmodified opinion is expressed on the audited financial report. The auditor's report on the Concise Financial

Report is dated later than the date of the auditor's report on the financial report from which Concise Financial Report is derived. The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.

Illustration 1:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report of a listed entity.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of summary financial statements exist.
- The auditor's report on the summary financial statements is dated later than the date of the auditor's report on the financial report from which the summary financial statements are derived.
- The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial report includes communication of other key audit matters.¹⁷

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or a *fair summary of*) the audited financial report, in accordance with [describe established criteria].

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The summary financial statements and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. That report also includes:

¹⁷ As explained in paragraph 15 of ASA 701, a material uncertainty related to going concern is, by its nature, a key audit matter but is required to be reported in a separate section of the auditor's report in accordance with paragraph 22 of ASA 570.

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- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial report. Note 6 of the audited financial report indicates that ABC Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial report, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the summary financial statements.
- The communication of other¹⁸ key audit matters. [Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.]¹⁹

Management's²⁰ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 2:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.
- The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of the other information. The other information to which this uncorrected material misstatement relates is also information included in a document containing the summary financial statements and the auditor's report thereon.

¹⁸ In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

¹⁹ The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the summary financial statements.

²⁰ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or *a fair summary of*) the audited financial report, on the basis described in Note X.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. [The audited financial report is included in the 20X1 Annual Report. The auditor's report on the audited financial report includes a statement that describes an uncorrected material misstatement of other information within Management's Discussion and Analysis of the 20X1 Annual Report. Management's Discussion and Analysis, and the uncorrected material misstatement of the other information therein, are also contained in the 20X1 Summary Annual Report.] [*Describe the uncorrected material misstatement of the other information*].

Management's²¹ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 3:

Circumstances include the following:

- A qualified opinion is expressed on the audited financial report.

²¹ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary statement of cash flows for the year then ended, and related notes, are derived from the audited financial report of ABC Company (the Company) for the year ended 31 December 20X1. We expressed a qualified audit opinion on this financial report in our report dated 15 February 20X2.²²

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with (or a *fair summary of*) the audited financial report, on the basis described in Note X. However, the summary financial statements are misstated to the equivalent extent as the audited financial report of ABC Company for the year ended 31 December 20X1.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

We expressed a qualified audit opinion on the audited financial report in our report dated 15 February 20X2. The basis for our qualified audit opinion was [that management has not stated the inventories at the lower of cost and net realisable value but has stated them solely at cost, which constitutes a departure from Australian Accounting Standards]. The Company's records indicate that had management stated the inventories at the lower of cost and net realisable value, an amount of xxx would have been required to write the inventories down to their net realisable value. Accordingly, cost of sales would have been increased by xxx, and income tax, net income and shareholders' equity would have been reduced by xxx, xxx and xxx, respectively.

Management's²³ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

²² The positioning of this reference to the qualified opinion in the auditor's report on the audited financial report in the Opinion paragraph on the summary financial statements assists users in understanding that although the auditor has expressed an unmodified opinion on the summary financial statements, the summary financial statements reflect the audited financial report that is materially misstated.

²³ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA)810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 4:

Circumstances include the following:

- An adverse opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Criteria are developed by management and adequately disclosed in Note X. The auditor has determined that the criteria are acceptable in the circumstances.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Denial of Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

As a result of the adverse opinion on the audited financial report discussed in *The Audited Financial Report and our Report Thereon* section of our report, it is inappropriate to express an opinion on the accompanying summary financial statements.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

In our report dated 15 February 20X2, we expressed an adverse opinion on the audited financial report of ABC Company for the year ended 31 December 31 20X1. The basis for our adverse opinion was [describe basis for adverse audit opinion].

Management's²⁴ Responsibility for the Summary Financial Statements

Management is responsible for the preparation of the summary financial statements on the basis described in Note X.

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

Illustration 5:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report.
- The summary financial statements are *not* prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of summary financial statements exist.
- The auditor concludes that it is not possible to express an unmodified opinion on the summary financial statements.
- The auditor's report on the summary financial statements is dated the same as the date of the auditor's report on the financial report from which the summary financial statements are derived.

Report of the Independent Auditor on the Summary Financial Statements

[Appropriate Addressee]

Adverse Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 20X1, the summary statement of comprehensive income, summary statement of changes in equity and summary cash flow statement for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1.

In our opinion, because of the significance of the matter described in the *Basis for Adverse Opinion* section, the accompanying summary financial statements are not consistent with (or *a fair summary of*) the audited financial report of ABC Company for the year ended 31 December 20X1, in accordance with [describe established criteria].

²⁴ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Basis for Adverse Opinion

[Describe matter that caused the summary financial statements not to be consistent, in all material respects, with (or *a fair summary of*) the audited financial report, in accordance with the applied criteria.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by [describe financial reporting framework applied in the preparation of the audited financial report of ABC Company]. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2.

Management's²⁵ Responsibility for the Summary Audited Financial Statements

Management is responsible for the preparation of the a summary financial statements in accordance with [describe established criteria].

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with (or *are a fair summary of*) the audited financial report based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

[Aus] Illustration 6:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report of an entity other than a listed entity.
- The Concise Financial Report is prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of the concise financial report exist.
- The auditor's report on the concise financial report is dated later than the date of the auditor's report on the financial report from which the concise financial report is derived.
- The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial report was not required to communicate key audit matters in accordance with ASA 701.

²⁵ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Report of the Independent Auditor on the Concise Financial Report*

[Appropriate Addressee]

Opinion

The Concise Financial Report, which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity, statement of cash flows[#] for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1 ~~and the discussion and analysis[†][‡].~~

In our opinion, the concise financial report ~~including the discussion and analysis[†]~~ complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Concise Financial Report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial report. Note 6 of the audited financial report indicates that ABC Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial report, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the concise financial report.

Responsibilities of ~~Management* and Those Charged with Governance~~ the Directors for the Concise Financial Report

~~Management is~~ The Directors are responsible for the preparation of the concise financial report ~~in accordance with~~ in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as management determines is necessary to enable the preparation of the concise financial report.

~~Those charged with governance~~ The Directors are responsible for overseeing the Company's financial reporting process.

* The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports*. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

† A discussion and analysis is not required for listed companies due to their section 299A reporting requirement (AASB 1039 paragraphs 24-25).

§ As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

‡ Include when a discussion and analysis has been included in the concise financial report

* ~~Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.~~

Auditor's Responsibility

Our responsibility is to express an opinion on whether the concise financial report, in all material respects, complies with AASB 1039 *Concise Financial Reports* [†] and whether the discussion and analysis complies with the requirements laid down in AASB 1039 Concise Financial Reports [#] based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

Report on Other Legal and Regulatory Requirements[†]

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's name and signature[§]]

[Auditor's address]

[Date of the auditor's report]

[Aus] Illustration 7:

Circumstances include the following:

- An unmodified opinion is expressed on the audited financial report of a listed entity.
- The Concise Financial Report is prepared under the *Corporations Act 2001*.
- Established criteria for the preparation of the concise financial report exist.
- The auditor's report on the concise financial report is dated later than the date of the auditor's report on the financial report from which the concise financial report is derived.
- The auditor's report on the audited financial report includes a *Material Uncertainty Related to Going Concern* section.
- The auditor's report on the audited financial communicated key audit matters in accordance with ASA 701.

Report of the Independent Auditor on the Concise Financial Report*

[Appropriate Addressee]

Opinion

The Concise Financial Report, which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity, statement

[#] Include when a discussion and analysis is required (i.e. other than listed companies) – AASB 1039, paragraph 24.

[†] Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

[§] The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate. The auditor is required, under the *Corporations Act 2001*, to sign the auditor's report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

^{*} The subheading "Report on the Concise Financial Report" is unnecessary in circumstances when the subheading "Report on Other Legal and Regulatory Requirements" is not applicable.

of cash flows[#] for the year then ended, and related notes, are derived from the audited financial report of ABC Company for the year ended 31 December 20X1[§].

In our opinion, the concise financial report complies with Accounting Standard AASB 1039 *Concise Financial Reports*.

Concise Financial Report

The concise financial report does not contain all the disclosures required by the Australian Accounting Standards. Reading the concise financial report and the auditor's report thereon, therefore, is not a substitute for reading the audited financial report and the auditor's report thereon. The concise financial report and the audited financial report do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial report.

The Audited Financial Report and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial report in our report dated 15 February 20X2. That report also includes:

- A *Material Uncertainty Related to Going Concern* section that draws attention to Note 6 in the audited financial report. Note 6 of the audited financial report indicates that ABC Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, ABC Company's current liabilities exceeded its total assets by YYY. These events or conditions, along with other matters as set forth in Note 6 of the audited financial report, indicate that a material uncertainty exists that may cast significant doubt on ABC Company's ability to continue as a going concern. These matters are addressed in Note 5 of the concise financial report.
- The communication of other* key audit matters. [Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period.][#]

Responsibilities of the Directors for the Concise Financial Report

The Directors are responsible for the preparation of the concise financial report in accordance with Accounting Standard AASB 1039 *Concise Financial Reports*, and the *Corporations Act 2001*, and for such internal control as management determines is necessary to enable the preparation of the concise financial report.

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

Auditor's Responsibility

Our responsibility is to express an opinion on whether the concise financial report, complies in all material respects, with AASB 1039 *Concise Financial Reports* based on our procedures, which were conducted in accordance with Auditing Standard ASA 810 *Engagements to Report on Summary Financial Statements*.

[#] The titles used for financial statements in this example are consistent with those used in AASB 101 *Presentation of Financial Statements* and AASB 1039 *Concise Financial Reports*. AASB 101 permits the use of other appropriate titles, and consequently, auditors should ensure consistency of terms used in the auditor's report with those used in the concise financial report.

[§] As the concise financial report will be included in a document that contains other information (the concise report), the auditor may consider, if the form of presentation allows, identifying the page numbers on which the audited concise financial report is presented.

* In the circumstances where there is no material uncertainty related to going concern, inclusion of the word "other" in the statement for the communication of key audit matters would not be necessary.

[#] The auditor may include additional explanation about key audit matters considered helpful to users of the auditor's report on the concise financial report.

Report on Other Legal and Regulatory Requirements[†]

[Form and content of this section of the auditor's report will vary depending on the nature of the auditor's other reporting responsibilities.]

[Auditor's name and signature[§]]

[Auditor's address]

[Date of the auditor's report]

[†] Include when applicable, such as when a matter has been reported under this heading in the auditor's report on the (full) financial report for the year.

[§] The auditor is required, under the *Corporations Act 2001*, to sign the auditor's report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

Summary of Differences — Proposed Revised ASA 810 and Existing ASA 810
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Summary of Main Differences — ASA 810 and Existing ASA 810

The summary below outlines the main differences (excluding editorial amendments) between this proposed Auditing Standard and existing ASA 810. *This summary should not be used as a complete list of all changes made.*

- New and amended requirements and application material to assist auditors properly apply the new and revised auditor reporting standards in the context of ASA 810 (Proposed Revised) engagements, particularly in relation to a material uncertainty related to going concern, communication of key audit matters and uncorrected material misstatement of other information.
- Align the layout and content of the illustrative reports with the reporting requirements in ASA 700.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 5

Meeting Date: 13 September 2015

Subject: Project Update on ASAE 3500 Performance Engagements

Date Prepared: 29 August 2016

☐ Action Required

☒ For Information Purposes Only

Agenda Item Objectives

To consider a project update on ED XX ASAE 3500 *Performance Engagements*.

Background

1. ASAE 3500 was issued in 2008 and a post-implementation survey was conducted in 2012. The results of that survey identified a number of matters to be addressed in any future revisions to ASAE 3500.
2. The AUASB approved a project plan to revise ASAE 3500 at the AUASB meeting 24 February 2015 and an updated timetable at the 9 June 2015 meeting. Following approval of the project, the AUASB Technical Group met with the Australasian Council of Auditors-General (ACAG) Heads of Performance Audit at their annual meeting in late March, in order to bring the project to the attention of the auditors-general and to obtain initial feedback on the scope of the revised standard and issues to be addressed in the redrafting.
3. A Project Advisory Group was formed in April, with representatives from each of the audit offices which conduct performance engagements and an academic. PAG discussions were held in mid-May, to discuss the proposed approach to addressing issues identified and to recommend the scope of the revised standard; mid-June, to discuss an initial draft standard; late July and late August to discuss further drafts.
4. The revised draft ASAE 3500 was discussed at the September 2015 meeting and since this time no further work has progressed on the project due to resource constraints at the AUASB.

Matters to Consider

Part A – General

1. At the 28 July 2015 AUASB meeting, the AUASB agreed to restrict the standard to direct engagements only, which has been addressed in the latest draft ASAE 3500.
2. The PAG met on 24 August 2015 and discussed terminology used and the approach to performance engagements which have been addressed largely in the current draft ASAE 3500. Where there were

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a range of views within the PAG or the PAG suggestions may be inconsistent with the approach in the AUASB Standards, these matters need further consideration by the PAG and a resolution reached on certain matters to be reflected in the next update to ED XX ASAE 3500.

3. The current ED XX ASAE 3500 PAG consists of the following members:

Project Advisory Group Chair

Colin Murphy	Auditing and Assurance Standards Board	AUASB member
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Project Advisory Group Membership

Danielle Bird	Queensland Audit Office	Assistant Auditor-General, Performance Audit Services
Prof. Elizabeth Carson	University of NSW	Professor, School of Accounting
Julie Crisp	NT Auditor General's Office	NT Auditor-General
Kathrina Lo	Audit Office of New South Wales	Assistant Auditor-General, Performance Audit
Dr Andrew Pope	Australian National Audit Office	Group Executive Director, Performance Audit Services Group
Greg Dare	ACT Audit Office	Director, Performance Audit
Jeff Tongs	Tasmanian Audit Office	Director Technical and Quality
Matthew Zappulla	Victorian Auditor General's Office	Assistant Auditor-General, Standards & Quality

These members have been contacted by the AUASB to confirm their continued involvement in the ASAE 3500 PAG. The next PAG meeting will be scheduled for September 2016 to continue to work through any outstanding issues so drafting can continue on the ED. A further draft of ED XX ASAE 3500 will come to the 25 October 2016 meeting for consideration.

Part B – NZAuASB

1. This is not a joint project with NZAuASB, as currently NZAuASB does not plan to issue an equivalent of ASAE 3500, as this topic is not within its mandate.
2. The AUASB Technical Group is participating in the NZAuASB Working Group to support the NZ project to develop a standard on assurance of *Service Performance Information* and monitoring the joint AASB and NZ XRB project to develop an accounting standard on *Reporting Service Performance Information*. Engagements under ASAE 3500 are distinct from engagements on Service Performance Information, consequently ASAE 3500 will not include those engagements.

Material Presented

Agenda Item 5

AUASB Board Meeting Summary Paper



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **6. Auditor Reporting Implementation**

Meeting Date: 13 September 2016
Subject: Auditor Reporting Implementation
Date Prepared: 5 September 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

To provide an update on the Auditor Reporting Implementation project, specifically:

- (a) To consider and approve for issue the Auditor Reporting Frequently Asked Questions (FAQs).
- (b) To discuss feedback observations on recent reporting season
- (c) Status of update to GS 10 *Responding to Questions at an Annual General Meeting*
- (d) Provide an update on the Auditor Reporting Panel Discussions with Jim Sylph

Agenda Item 6a: Auditor Reporting FAQs

Background

The new and revised Auditor Reporting standards were released in December 2015 and are applicable for engagements ending on or after 15 December 2016. There has been significant changes to the audit report as a result of the revisions of ASA 700, 705, 706 and 720, and the introduction of a new standard ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

At previous AUASB meetings, it was agreed to issue guidance to assist engagement teams with implementation and the practical application of the new standards. The overriding objective is to provide practical insights and guidance in the form of FAQs, and if considered necessary can be supplemented and updated as further questions are raised through the application period.

PAG meetings have been held on 12 July 2016, 17 August 2016 and 5 September 2016, where the draft FAQs have been discussed and reviewed.

The FAQs will be available on the AUASB website. They will be presented as a list of questions to enable users to "click" into the question to read the answer. The questions will also be available as one PDF document for users to print in their entirety.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

Status

FAQs are ready for the AUASB consideration and approval for issue. Refer to Agenda Item 6a for FAQs.

AUASB Technical Group Recommendations

The draft FAQs are approved for issue.

Agenda Item 6b: Observations on recent reporting season

Approximately 20 auditor's reports have been issued early adopting the new standards. Refer to Agenda Item 6(b) for a summary of the reports for discussion. AUASB to provide insight into their observations and feedback on the recent reporting season.

Agenda Item 6c: Status of update to GS 10 Responding to questions at an Annual General Meeting

At the AUASB meeting on 22 February 2016 it was agreed that GS 10 be updated and re-issued as follows:

- To differentiate written questions received prior to the AGM from those asked during the AGM;
- To provide guidance on responding to questions on Key Audit Matters;
- To include an appendix comprising examples of questions that may arise at AGMs.

It was agreed that the next iteration of the GS would be presented to the AUASB after the next AGM season so that it could include examples of questions actually asked.

Action required

The AUASB provide examples and input to the AUASB Technical Group to assist with developing the example questions.

Agenda Item 6d: Update on the Auditor Reporting Panel Discussions with Jim Sylph

The panel members have been confirmed:

Melbourne, 21 November

Neville Mitchell – CFO Cochlear Ltd

Andrew Cronin – Audit and Assurance Partner, PwC, Service Stream Ltd

Tanya Branwhite – Future Fund

John Stanhope – Audit Committee Chair, QBE Ltd

Sydney, 22 November

Neville Mitchell – CFO Cochlear Ltd

Matthew Lunn – Audit and Assurance Partner, PwC, ASX Ltd

Raaz Bhuyan – Wavestone

Jann Skinner – Audit Committee Chair, QBE Ltd

Material Presented

Agenda Item 6	AUASB Board Meeting Summary Paper
Agenda Item 6.a	Draft FAQs [Confidential]
Agenda Item 6.b	Listing of audit reports issued with KAMs

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve the draft FAQs	Approval	AUASB	13 September 2016	o/s
2.	Provide example input to the AUASB Technical Group to assist with developing the example questions.	Examples	AUASB	29 November 2016	



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7(a)**
Meeting Date: 13 September 2016
Subject: Project Plan – Audit Committee Guide Revision
Date Prepared: 30 August 2016

☐ **Action Required**

☒ **For Information Purposes Only**

Objective:

To present to the AUASB the amended joint project plan for the Audit Committee Guide Revision.

Background:

At the 26 July 2016 AUASB meeting, the AUASB approved a project plan for all three authors, the Australian Institute of Company Directors (AICD), the Institute of Internal Auditors Australia (IIA) and the Australian Auditing and Assurance Standards Board (AUASB), to work jointly, to take into account changes in the regulation and operation of audit committees since the guide was last issued in February 2012.

There have been minor revisions made to the approved project plan largely in relation to timing of the project. The project timelines have been brought forward to enable an early July 2017 publication.

This project is a high level update/revision only – the project is not intended to be a re-write.

Extract of timetable – AUASB input/timing:

August – October 16: Working group members complete each section as noted above.

AUASB: 25 October AUASB meeting – AUASB allocated sections only presented to AUASB

Nov – Dec 2016: Draft sent out for review and review comments received by mid-December

AUASB: 29 November AUASB meeting – First Draft of full revision

February 2017 Review comments incorporated and Draft 2 sent out for review (including ASIC review)

AUASB: 21 February AUASB meeting – Second Draft of full revision

AUASB Technical Group Recommendations

N/A – for noting only.

Material Presented

Agenda Item 7(a)	AUASB Board Meeting Summary Paper
Agenda Item 7(a).1	Revised project plan
Agenda Item 7(a).2	Contents page – highlighted by author

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	None	None	AUASB	13 September 2016	



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8**

Meeting Date: 13 September 2016

Subject: Strategic Planning

Date Prepared: 6 September 2016

☐ Action Required	☒ For Information Purposes Only
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Agenda Item Objectives

The AUASB Corporate Plan for 2016-2017 incorporating the Strategic Plan, was provided to the responsible Ministers on 31 August 2016.

As with the prior year, the document has been presented in a format similar to that of the AASB. The document is similar to the prior year submission, with a few minor changes in relation to the sharpening of the key performance indicators. Due to the tight timeframe it was not feasible to seek input from the board.

It is expected that the Corporate Plan and Strategy will be subject to a detailed review at a forthcoming joint strategy session to be held in conjunction with the AASB on 29 May 2017.

Material Presented

Agenda Item 8	AUASB Board Meeting Summary Paper
Agenda Item 8.a.i	AUASB Draft Performance Report (to be included in the Annual Report)
Agenda Item 8.a.ii	AUASB Corporate Plan 2016-2017 incorporating the Strategic Plan 2016-2020



Auditing and Assurance Standards Board

Corporate Plan 2016-17





AUASB Corporate Plan 2016–17

I, Merran Kelsall, as the accountable authority of the Auditing and Assurance Standards Board (AUASB), present the 2016-17 AUASB Corporate Plan, which is prepared for the 2016-17 period and covers the periods 2015-16 to 2018-19, as required under section 35(1)(b) of the *Public Governance, Performance and Accountability Act 2013*.

The Purpose of the AUASB

The AUASB is responsible for setting auditing and assurance standards for the private and public sectors in Australia, (see section 227 of the *Australian Securities and Investments Commission Act 2001*). The AUASB:

- develops principles-based independent auditing and assurance standards and guidance for Australia that meet user needs; and
- contributes to the development of international auditing and assurance standards.

The main purpose of accounting and auditing standards is to assist in maintaining confidence in the Australian economy, including its capital markets. The AUASB achieves this by developing, issuing and maintaining Australian Standards on Auditing (ASAs) and related pronouncements. These standards enable auditors and other assurance practitioners to enhance the credibility of an entity's performance and reporting, thereby providing entities, users and investors with confidence and trust.

The transparency, comparability and accountability required by auditing and assurance standards underpin public and investor confidence in the Australian economy. They reduce information gaps and enable more efficient resource/capital allocations.

The AUASB has a substantial body of standards and an assurance framework that address the vast majority of auditing and assurance issues facing entities in all sectors (private, public, for-profit and not-for-profit). Entities required by the *Corporations Act 2001* to lodge financial statements must have their financial reports audited in accordance with the AUASB's auditing standards, and many other types of entities are also generally required to be audited in accordance with those standards.

The AUASB will consider it is successful if it:

- both adopts and is able to influence the development of international standards (see strategy 1 and 5 below)
- is seen by its stakeholders as a progressive, forward-looking standard-setter, sought after for its views both within Australia and internationally (see strategy 2 and 3 below)
- promotes consistent adoption of pronouncements and audit quality by successful stakeholder engagement (see strategy 4)



Environment

The Australian Reporting Framework

The AUASB's vision is to be recognised as a leading national auditing and assurance standards setting body that develops high quality auditing and assurance standards and guidance in the public interest. To this end, it is taking a lead role in shaping the Australian Reporting Framework, which seeks to set out the assurance applicable to different types of Australian entities. This framework will act as a guide for governments and regulators to balance the costs and benefits of obtaining independent assurance, and result in 'fit for purpose' public information from different types of entities.

The AUASB is also implementing changes to ensure that Australia remains at the forefront of international auditing and assurance practice and that standards are 'fit for purpose' in the Australian environment. Technological advances, the rise in importance of non-financial reporting, stakeholder demands for clearer and more frequent information, and the need for international alliances with other standard setters and better empirical evidence to effectively influence international developments, all pose potentially significant challenges. The AUASB recognises that it will need to be more agile and responsive to meet these challenges and the steps it is taking to do so are set out under 'Performance: Achieving our strategy' below.

Setting standards in a global economy

The AUASB is required to consider the interests of Australian corporations looking to raise capital in major international financial centres when setting standards. The International Auditing and Assurance Standards Board (IAASB) is well-recognised as the world's major international auditing and assurance standards setter, with International Standards on Auditing (ISAs) being applied in more than 100 countries. For this reason, and in accordance with the Financial Reporting Council (FRC) Strategic Direction given in 2005, the AUASB has adopted ISAs and International Standards on Assurance Engagements (ISAEs) issued by the IAASB as the basis of the AUASB's auditing and assurance standards.

The use of ISAs and ISAEs enables Australian entities to raise capital efficiently internationally. This has beneficial flow-on effects in the domestic capital market for all entities and individuals.

However, where ISAs do not cover a topic of importance to the Australian community, the AUASB sets local standards to fill that gap. Projects to make these additions and amendments may relate to government and private sector entities, and are embarked upon with stakeholders engaged through AUASB project advisory groups (PAGs) and other forms of consultation.

The AUASB consults extensively with Australian entities and other stakeholders, so that it can properly reflect the interests of the Australian community at both the domestic and international levels. The AUASB is also increasingly seeking empirical research from Australian academics as a means of influencing internationally, to support the identification of issues, analysis of possible solutions and evidence of impact once a standard is finalised.

The quality of standards developed by the IAASB is dependent on three factors: quality of IAASB board membership, quality of staff resources and effective feedback from constituents. The AUASB seeks to mitigate potential risks to standards quality by engaging directly with the IAASB board members and staff, participating in working groups/task



forces, periodically obtaining membership of the IAASB and by providing input into all IAASB exposure drafts and other consultation documents.

The AUASB also seeks to influence the IAASB by developing close working relationships and alliances with other national standard setters. These include the New Zealand Auditing and Assurance Standards Board (NZAuASB), the Canadian Assurance Standards Board, the UK Financial Reporting Council (Auditing Standards Committee), the South African Independent Regulatory Board for Auditors and the IDW Auditing Standards Board in Germany.

The international standard setting environment has complex dynamics. It is both collaborative and competitive; all see the sense of having commonly applied standards but each jurisdiction is keen to promote their own stakeholders' views, and it tends to be dominated by the larger geographical blocs. In this global environment, a national standard setter's reputation is crucial and the AUASB's work is well regarded among other national standard setters.

Regulatory

The AUASB is an auditing and assurance standard setter but (unlike some overseas bodies) not a regulator of its own standards, which is largely the function of the ASIC, APRA and other Australian regulatory agencies such as the ACNC, ATO and CER. The perception of the AUASB's performance is impacted not only by the AUASB's own actions, but also how well its standards and guidance are enforced.

The process by which the AUASB formulates its standards and guidance is expansive and interrelated with the international standard setting process, as well as being subject to Commonwealth due process requirements. Thorough and wide-ranging consultation with stakeholders is at the core of the AUASB's work.

The AUASB strategies

The strategic directions that enable the AUASB to meet its purpose are as follows.

Strategy 1: Standard setting	Strategy 2: Australian assurance issues	Strategy 3: Thought leadership	Strategy 4: Stakeholder engagement	Strategy 5: Harmonisation of AU/NZ standards
Increase confidence in assurance on external reporting by contributing to the development of and converging with one set of robust international auditing and assurance standards	Be recognised by key stakeholders as the standard setting body in Australia that formulates and maintains auditing and assurance standards and guidance pronouncements that address local issues	Provide thought leadership, identify and respond to emerging issues	Communicate and engage with stakeholders to promote audit quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements	Harmonise Australian and New Zealand auditing and assurance standards

2016-17 Key Priorities

The AUASB's key priorities for 2016-17 are as follows.

Strategy 1: Standard setting	Issue new and revised auditing standards and exposure drafts based on ISAs issued by the IAASB on: non-compliance with laws and regulations, auditing accounting estimates, group audits, quality control at the firm and engagement levels, and identification and assessment of risk.
Strategy 2: Australian assurance issues	Revise and issue assurance standards on the areas of compliance engagements and performance engagements; revise auditing guidance statements on the responsibilities of auditors at annual general meetings, and issue new guidance in the area of auditor reporting implementation.
Strategy 3: Thought leadership	Revise the joint publication, <i>Audit Committees A Guide to Good Practice</i> , in conjunction with the Australian Institute of Company Directors and the Institute of Internal Auditors-Australia.
Strategy 4: Stakeholder engagement	Engage with stakeholders through the use of forums, roundtables and annual consultative meeting on implementation of the auditor reporting project and the IAASB's new projects such as auditing accounting estimates and financial institutions, identification and assessment of risk and survey on the IAASB strategy and work plan. Provide formal submissions to IAASB exposure drafts and other consultation documents relating to the above projects, including consultation paper on emerging areas of external reporting (EER) Work with other Australian Government agencies such as APRA, ASIC, ACNC, CER and the ATO to issue guidance for practitioners and to encourage their audit and assurance requirements to be aligned to AUASB pronouncements. Similarly, a dialogue will be continued with legislative drafters in conjunction with the Australian Accounting Standards Board (AASB) to encourage alignment of legislation with AUASB pronouncements.
Strategy 5: Harmonisation of AU/NZ standards	Monitor developments in Service Performance Reporting. Work with NZAuASB to consider other EER and co-operate on projects including compliance and performance engagements plus the IAASB projects.

Performance: Achieving our strategy

Appendix A maps the AUASB's strategic priorities to its statutory functions and Appendix B relates the strategies to KPIs for each of the next four years. The AUASB's annual performance statements will be based on these KPIs.

Many of the AUASB's activities are impacted by events not wholly within its control. For example, much of the AUASB's work is based on the work of the IAASB, so delays can affect achievement of our key priorities.

Unlike projects influenced by international standard setters and their project timetables, domestic projects are generally within the AUASB's control. However, a key factor that can influence the success of projects are the actions or published policy documents of other regulatory agencies (for example, ASIC, APRA and the ATO) and feedback from constituents.

Capability: Strategic enablers

To achieve its strategies over the period of the Corporate Plan, the AUASB will make use of the following enablers.



Technology

The AUASB and AASB are increasingly using the internet and social media (Twitter and LinkedIn) and webinars to engage and educate. This will continue to evolve as technology and user preferences change.

Technology is also critical to improving knowledge management and reducing compliance risk. The AUASB and AASB are currently implementing SharePoint to manage much of their core operations, which will enhance program and project control, and address compliance risks such as document control and record retention.

People

In order to focus more effectively and efficiently on their core standard setting activities the AUASB and AASB have implemented a major restructure. The boards have moved to a shared support model where both boards are supported by a single National Director and combined administrative staff. The Boards are also adopting a more flexible, 'program management' approach to standard setting, focusing efforts on turning around critical projects and bringing in critical resources on a project basis as needed.

The changes to the Boards' operating model are being supported by changes in systems and processes, particularly those regarding accountability, training and employee development. Taken together, these changes will enable the Boards to collaborate and influence more effectively, and more cost-effectively set standards.

Our board

The AUASB board members are experienced and diverse in background, including accounting and auditing practice, industry, the public sector and academia, which they bring to standard setting, together with a paramount understanding of standard setting in the public interest. The FRC appoints all board members as individuals, except for the Chairman, who is appointed by the Minister. Board members serve on Project Advisory Groups and participate in public forums. The Chairman is a member of the IAASB and a member of its Steering Committee. It is anticipated that the new Chair to be appointed in 2017 will attend IAASB meetings as an observer.

Our staff

The AUASB is well-placed to implement its five strategies with the skills and expertise currently available to it.

AUASB staff have a range of professional backgrounds, including accounting and auditing practice, industry, and the public sector. Collectively, they possess many years of technical and practical auditing and assurance experience.

There is an active staff professional development program, a graduate intern program with the AASB, as well as opportunities for staff secondments to and from other standard setters, professional accounting firms and corporates.

Research capability will be enhanced by the addition of the new role of Research Director in 2016/17 in conjunction with the AASB, which will be a part-time appointment from academia.



Our peers

The AUASB has a wide network of contacts among Australian stakeholders who have proven willing to volunteer their time and expertise to help us fulfil our strategies, including by providing technical input, thoughts and ideas on our work. The AUASB also has a strong network of contacts throughout the international standard setting community, which is a valuable source of collaboration and alliances.

Risk oversight and management

There are two arms of the AUASB:

- the Board itself; and
- the Office of the AUASB that employs the staff who support the Board and the administrative staff that support the AASB and the AUASB.

The Board makes technical decisions and approves the standards for issuance with the benefit of information from the staff, preparers, academics, international counterparts, the audit profession, and other sources.

All technical deliberations are conducted in public. Accordingly, the standard setting process is conducted in a transparent manner. The basis for the Board's major decisions are made public in board meeting minutes and published in Basis for Conclusions documents.

The AUASB complies with the Commonwealth Risk Management Policy. The policy is reviewed at least annually in consultation with the AUASB's Audit Committee. The Audit Committee has a majority of external members and oversees risk management at the administrative level. The AUASB also maintains a risk register, which is regularly updated.



Map of AUASB Strategies to its Statutory Functions and Relationship to KPI's for 2017-2020

Function Strategy	Make auditing standards under section 336 of the <i>Corporations Act</i> for the purposes of the corporations legislation	Formulate auditing and assurance standards for other purposes	Formulate guidance on auditing and assurance matters	Participate in and contribute to the development of a single set of auditing standards for world-wide use	Advance and promote the main objects of this Part (Part 12)
1. Increase confidence in assurance on external reporting by contributing to the development of and converging with one set of robust international auditing and assurance standards	✓	✓		✓	✓
2. Be recognised by key stakeholders as the standards-setting body in Australia that formulates and maintains Auditing and Assurance Standards and guidance pronouncements that address local issues	✓	✓	✓		✓
3. Provide thought leadership, identify and respond to emerging issues	✓	✓	✓	✓	✓
4. Communicate and engage with stakeholders to promote Audit Quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements	✓	✓	✓	✓	✓
5. Harmonise Australian and New Zealand auditing and assurance standards	✓	✓		✓	✓

AUASB Initiatives and Functions Mapped to Strategy and KPI's for 2017-2020

Strategic Objectives	Strategic Initiative and KPIs	2016-17	2017-18	2018-19	2019-2020
1. Increase confidence in assurance on external reporting by contributing to the development of, and convergence with, one set of robust international auditing standards	Participate in IAASB activities:				
	• Attend and actively contribute to <u>quarterly</u> IAASB meetings;	✓	✓	✓	✓
	• Participate and present at the <u>annual</u> IAASB-NSS meeting;	✓	✓	✓	✓
	• Contribute to relevant IAASB projects and as appropriate, participate in IAASB Working Groups; and	✓ (at least one)	✓	✓	✓
	• Provide AUASB submissions to the IAASB on <u>all</u> exposure drafts and discussion and consultation papers by the due date.	✓	✓	✓	✓
	AUASB international-related initiatives:				
	• Issue IAASB related Australian equivalent Exposure Drafts in a timely manner (by the later of, within 3 months of PIOB clearance or within 1 month of AUASB approval);	✓	✓	✓	✓
	• IAASB equivalent, or ISA plus, standards adopted by the AUASB with the same application dates; and	✓	✓	✓	✓
	• Conduct post-implementation reviews of IAASB equivalent issued AUASB Standards.	✓ (informal)	✓(informal)	✓(formal)	✓

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-2020
2. Be recognised by key stakeholders as the standards-setting body in Australia that formulates and maintains Auditing and Assurance Standards and guidance pronouncements to address local issues	Increase awareness and acceptance of AUASB Pronouncements, in particular, their application to government agencies and other bodies. - Actively liaise and engage with regulatory agencies, including ASIC, APRA, ACNC, CER, and ATO, to encourage their audit and other assurance requirements to be aligned with AUASB pronouncements. - Periodic presentations to Commonwealth and State Based Legislative drafters.	✓ (ASIC and APRA at least Quarterly)	✓	✓	✓
	Formulate and maintain high quality Australian Auditing and Assurance Standards that conform with their IAASB equivalents, address local regulatory issues and promote consistency in application. Consider Australian legislative and other regulatory requirements when considering adoption of IAASB standards and identify any changes that may be consequentially required to the Auditing and Assurance Standards via the <i>compelling reasons</i> test.	✓ (At least 2)	✓	✓	✓
	Formulate and maintain high quality Standards and Guidance Statements and other pronouncements that address gaps in the suite of international standards as well as local regulatory and other issues and promote consistency in application. Develop and revise, as appropriate, AUASB Guidance Statements which will provide practical guidance to auditors and assurance practitioners on industry related areas, such as those regulated by ASIC, APRA, ATO, CER and other regulators.	✓ (every standard)	✓	✓	✓
		✓ (at least one)	✓	✓	✓

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-2020
3 <i>Provide thought leadership and identify emerging issues</i>	Proactively monitor international developments on auditing and assurance including: - Monitor the activities of other auditing standard setting bodies (including Canada, France, Germany, Netherlands, United Kingdom, United States and South Africa) and the work of other international regulatory bodies (including IOSCO, PCAOB and IFIAR), and consider any matters they have considered that may potentially impact on AUASB pronouncements; - Monitor and promote the work of other international bodies, such as FEE and the IIRC; and - Prepare International Auditing and Assurance Update e-publication covering IAASB and other national auditing standard setters' activities for AUASB meetings and for publishing on the AUASB website. - Communication with stakeholders (refer to strategic objective 4).	✓ ✓ ✓(at least quarterly)	✓ ✓ ✓	✓ ✓ ✓	✓ ✓ ✓

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-20
4. Communicate and engage with stakeholders to promote Audit Quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements	Actively engage with stakeholders:				
	Engage with Australian stakeholders, regulatory bodies, professional accounting bodies, practitioners, preparers, users and other stakeholders (including Australian Treasury, ASIC, APRA, ACNC, CER and ATO) to promote Audit Quality and consistency in the application of AUASB pronouncements:	✓	✓	✓	✓
	- engage directly with key stakeholders on a timely basis on topical issues;	✓ (ASIC and APRA at least Quarterly)	✓	✓	✓
	- conduct topic-specific Roundtable meetings to gather feedback (IAASB survey/Auditing Accounting Estimates/Risk Assessment);	✓	✓	✓	✓
	- consult with stakeholder either by conducting surveys or consultative meeting to identify the needs of stakeholders and other users of auditing and assurance services;	✓	✓	✓	✓
	- conduct a strategy session to review the strategic plan and discuss priorities and significant projects and to obtain input on the AUASB's work plan priorities;	✓ May 2017	✓ April 2018	✓ April 2019	✓ April 2019
	Engage with regulators on the application of the auditing standards to identify issues arising on application.	✓ (ASIC and APRA at least Quarterly)	✓	✓	✓
	Conduct informal post-implementation reviews of all issued AUASB standards as and when standards are revised by the IAASB;	✓	✓	✓	✓
	Engage with practitioners, professional bodies and regulators to assist with consistent understanding and implementation, of the principles underlying standards and the resultant work effort and evidence requirements; and	✓ May 2017	✓	✓	✓
	Engage with the FRC through the AUASB Chairman's active involvement, including through membership of the Audit Quality Committee;	✓	✓	✓	✓

Strategic Objectives	Strategic Initiative and KPI's	2015-16	2016-17	2017-18	2019-20
4. Communicate and engage with stakeholders to promote Audit Quality and increase engagement in developing standards and promote consistency in the application of AUASB pronouncements (cont'd)	Participate in public debate, conferences and seminars on topics relevant to global auditing and assurance standards and strategic audit and assurance issues; and	√ (at least one)	√	√	√
	Contribute articles for relevant professional publications that highlight key principles of, or major changes to, the AUASB pronouncements.	√ (at least one)	√	√	√
	Identify AUASB stakeholders and understand their needs and expectations:				
	Conduct stakeholder satisfaction survey and use feedback results to obtain benchmark for performance improvement;	√ develop	√ monitor & improve	√	√
	Create and maintain a key stakeholders contacts database; and	√ create	√ maintain & improve	√	√
	Increase media mentions, social media activity and level of participation at AUASB events.	√ create	√ monitor & grow	√	√

Strategic Objectives	Strategic Initiative and KPI's	2016-17	2017-18	2018-19	2019-20
5. <i>Harmonise Australian and New Zealand auditing and assurance standards</i>	Harmonise, wherever possible given the different regulatory environments, Australian and New Zealand Auditing and Assurance Standards through working actively with the NZAuASB: - Engage with the NZAuASB Chair, NZAuASB staff and relevant board members when drafting auditing and assurance standards that will be adopted jointly to understand if there are likely to be any harmonisation differences; and - Collate and reconcile any differences between Australian and New Zealand standards, and the reasons therefor: - prepare compelling reasons test documentation to explain all differences, including with any underlying IAASB standard(s).	✓ review board papers and provide feedback ✓ Service Performance Reporting project	✓ ✓	✓ ✓	✓ ✓