

IAASB Auditor Reporting Post-Implementation Review

Background to the New and Revised Auditor Reporting Standards

1. In January 2015, the IAASB issued the new and revised Auditor Reporting Standards that aimed to enhance the communicative value and relevance of the auditor's report.

Key proposals included:

- (a) For audits of financial statements of listed entities or when required by law or regulation (voluntarily application allowed for entities other than listed entities):

- A new section in the auditor's report to communicate key audit matters (KAM). KAM are those matters that, in the auditor's professional judgment, were of most significance in the audit of the current period financial statements.
- Disclosure of the name of the engagement partner.

- (b) For all audits:

- Opinion section required to be presented first, followed by the Basis for Opinion section, unless law or regulation prescribe otherwise.
- Enhanced auditor reporting on going concern including:
 - Description of the respective responsibilities of management and the auditor for going concern;
 - A separate section when a material uncertainty exists and is adequately disclosed, under the heading "Material Uncertainty Related to Going Concern"; and
 - A new requirement to challenge the adequacy of disclosures for "close calls" in view of the applicable financial reporting framework when events or conditions are identified that may cast significant doubt on an entity's ability to continue as a going concern.
- Affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities, with disclosure of the jurisdiction of origin of those requirements or reference to the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (Including International Independence Standards).
- Enhanced description of the auditor's responsibilities and key features of an audit. Certain components of the description of the auditor's responsibilities may be presented in an appendix to the auditor's report or, where law, regulation or national auditing standards expressly permit, by reference in the auditor's report to a website of an appropriate authority.

The new and revised Auditor Reporting Standards issued in January 2015 comprised:

- [ISA 700 \(Revised\)](#), *Forming an Opinion and Reporting on Financial Statements*
- [ISA 701](#), *Communicating Key Audit Matters in the Independent Auditor's Report*
- [ISA 705 \(Revised\)](#), *Modifications to the Opinion in the Independent Auditor's Report*
- [ISA 706 \(Revised\)](#), *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*
- [ISA 570 \(Revised\)](#), *Going Concern*
- [ISA 260 \(Revised\)](#), *Communication with Those Charged with Governance*
- [Conforming amendments to other ISAs](#).
- [ISA 720 \(Revised\)](#), *The Auditor's Responsibilities Relating to Other Information*, was issued in April 2015.

2. In addition, in April 2015, the IAASB issued a revised standard addressing the auditor's responsibilities related to other information (ISA 720 (Revised)), which included responsibilities to communicate certain matters regarding other information in the auditor's report.

- Other information comprises financial and non-financial information in the annual report, other than the financial statements and the auditor's report thereon.
 - When other information is included in the annual report, the auditor's report includes an "Other Information" section which is required to include a statement that management is responsible for the other information, identify the other information, clarify that the auditor's opinion does not cover the other information, provide a description of the auditor's responsibilities, and to either state that the auditor has nothing to report or describe any uncorrected material misstatement of the other information.
3. The above new and revised standards became effective for audits of financial statements for periods ending on or after December 15, 2016 (some jurisdictions may have adopted the standards with a different effective date).
 4. Given the significance of these new and revised standards and the importance of improving communication between auditors and users of auditor's reports, the IAASB formed the Auditor Reporting Implementation Working Group (ARIWG), to provide ongoing support on this topic. To date, the ARIWG has undertaken various activities to raise awareness about the auditor reporting standards and promote and support adoption and implementation of the standards. The next phase of the ARIWG's work is to undertake a post-implementation review.

Post-Implementation Review (PIR)

5. The PIR comprises the following information gathering and research activities:
 - (a) A formal stakeholder survey;
 - (b) Targeted outreach activities with particular stakeholder groups who engage with auditors or use auditor reports; and
 - (c) A review of academic research.
6. Through its information gathering and research activities, the ARIWG aims to achieve the following:
 - (a) Determine whether the Standards are being consistently understood and implemented in a manner that achieves the IAASB's intended purpose in developing them.
 - (b) Identify how practical challenges and concerns are being addressed.
 - (c) Understand the extent of global demand for additional information in the auditor's report to improve transparency about the audit. This relates to, for example, whether there is demand for including the outcome of audit procedures with respect to key audit matters (KAM), additional communications about going concern, disclosures about materiality, and information about the scope of the audit.
 - (d) Understand the extent of global demand for wider application of those requirements that currently apply only to audits of financial statements of listed entities. This relates to, for example, whether requirements dealing with the communication of KAM and disclosure of the name of the engagement partner, should apply to entities other than listed entities (or for all auditor reports).
7. As a result, this survey includes a series of questions to gather input on the above matters.
8. Furthermore, this survey seeks the views of respondents about the reporting aspects of the IAASB's Other Standards for which assurance reports are issued, i.e.:
 - (a) The International Standards on Review Engagements (ISREs); and
 - (b) The International Standards on Assurance Engagements (ISAEs).

In particular, the IAASB would like to gather input on whether reports issued in accordance with these standards should contain similar elements as an auditor's report on an audit of financial statements.

Completing the IAASB Stakeholder Survey

9. All responses to this survey, whether complete or partial, once submitted will be accepted and considered as input for the work of the ARIWG. The responses received will be summarized (in various ways, including, for example per stakeholder group) for purposes of progressing the PIR project, including providing feedback to the IAASB and in developing recommendations for possible further actions. Although the results of the survey may be made public through issues papers and related materials that may be tabled for the IAASB's consideration in plenary session, there will be no attribution of responses to any individual respondent.
10. The ARIWG appreciates the fact that different jurisdictions may be at different stages of adoption and implementation of the Auditor Reporting Standards, including that effective dates of equivalent national standards may differ from that of the respective ISAs (see also [IAASB Auditor Reporting Project Update, January 2020](#), for information about the planned PIR and the results of a survey regarding the global implementation of the auditor reporting standards).
11. Apart from experience with the implementation and application of the auditor reporting standards and with auditor reports on financial statements, stakeholders' perspectives and views may also be informed by, for example, early adoption activities, information gathering or field testing undertaken in preparing for implementation, research and outreach activities, and pilot testing. Certain stakeholders also may have experience across multiple jurisdictions. The survey allows flexibility in terms of the options that are presented in relation to relevant questions so that respondents may appropriately respond to a topic based on their circumstances and experience.
12. Please note that the survey includes a supplemental question at the end regarding the effects of the COVID-19 pandemic in relation to individual aspects of auditor reporting. You are requested to please include any specific comments relating to the COVID-19 pandemic as part of your response to this separate question.
13. The [survey](#) will be open until **October 23, 2020**.

Please contact Armand Kotze (armandkotze@iaasb.org) for any questions.

Section 2 IAASB Stakeholder Survey

Format of Survey Questions

The survey includes conditional questions targeted for various stakeholder groups. Respondents to the survey will be prompted to provide their response only on the questions applicable to the stakeholder group they represent.

Part A – Demographic Information

Question 1

We would like to know to which stakeholder group you belong, i.e., from which perspective are you providing feedback?

- Investor or Investor Representative *[Completes part B]*



- Other Users of Financial Statements (e.g., analyst, creditor/supplier, lender, academics) *[Completes part B]*
- Audit Oversight Body *[Completes part C]*
- Regulator *[Completes part C]*
- Those Charged With Governance *[Completes part D]*
- Preparers and Professional Accountants in Business *[Completes part D]*
- National Standard Setter *[Completes part E]*
- **Professional Accountancy Organization** *[Completes part E]* ✓
- Practitioners, Auditors and Audit Firms *[Completes part F]*

Question 2

Please provide the following information about your organization (if applicable) and other contact information:

- Your organization's name (or leave blank if you are completing the survey in your personal capacity) **CPA Australia**
- Your name and job title/role **Claire Grayston, Policy Adviser for Audit and Assurance**
- Your email address **claire.grayston@cpaaustralia.com.au**

Question 3

Please indicate the geographical profile which best represents your situation, i.e. from which geographical perspective are you providing feedback?

- Global
- Multiregional
- Regional
- Multiple jurisdictions
- **Single jurisdiction** ✓

Question 4

[Conditional on "Multiregional", "Regional" and "Multiple jurisdictions" to Question 3] Please specify the region(s) and/or jurisdictions which apply to your situation:

Question 5

[Conditional on "Single jurisdiction" to Question 3]

Please select your jurisdiction: **Australia**

[Selection from provided menu of countries]

Question 6

Did you undertake outreach activities with other stakeholders to inform your responses to this survey?

[Yes / No] **Yes**

Question 7

[Conditional on "Yes" for response to Question 6]

Please provide further information about your outreach activities, including:

- The manner in which the outreach was undertaken.

Outreach included: Survey to and focus group with key members of CPA Australia's Board and External Reporting Centre of Excellence; participation in the Australian Auditing and Assurance Standards Board outreach roundtable, participation in three different Australian stakeholder group meetings which discussed the survey questions; consideration of academics findings and standard surveys.

- The nature and number (or estimate thereof) of stakeholders with whom you engaged.

We engaged directly with stakeholders representing the six largest international network firms, 12 Australian national network firms, 2 consultants who provide technical advice to small and medium accounting firms; 6 senior CPA Australia members; key regulators being the Australian Securities and Investment Commission (ASIC), the Australian Charities and Not-for profits Commission (ACNC) and the Australian Prudential Regulation Authority (APRA); auditing standard-setter being the Australian Auditing and Assurance Board (AUASB); and academics, in particular but not exclusively from Monash University and University of New South Wales.

Question 8

You are welcome to provide any additional information you believe may be relevant to clarify the context in which you are completing the survey, or the circumstances or experiences that have informed your views or perspectives (or you can choose to leave this question blank).





Part E – National Standard Setters and Professional Accountancy Organizations

General matters regarding key changes to the new auditor’s report and implementation of the new and revised auditor reporting standards

Question 1

In your view, to what extent has the following information provided in the new auditor’s report been useful?

Whether information provided in the new auditor’s reports is useful	Very useful	Useful	Limited value	Not useful	No particular view
Key audit matters (i.e., matters that were of most significance in the audit of the financial statements of the current period)		✓			
	<p>KAMs have helped to draw users’ attention to the matters of most significance to the audit, which provide insights into areas which are typically areas of greatest risk and requiring the greatest judgement for the auditor, as well as providing an understanding of the work done to address them.. As such the enhanced information provides users with greater comfort that such areas have been a key focus by the auditors. The KAMs also help focus users’ attention on the areas of the financial report related to the KAMs</p>				
Changes to the presentation of the auditor’s report (i.e., opinion section required to be presented first, followed by the basis for opinion section)		✓			
	<p>Unanimous support for the revised order of the sections from those stakeholders we reached out to.</p>				
When applicable, including a separate section under the heading “Material Uncertainty Related to Going Concern”		✓			
	<p>There is a concern amongst stakeholders that because a MURGC section is required to contain less detail than a KAM, it can diminish the importance of a MURGC and may be perceived as less significant than a KAM even though the reverse is true.</p>				




Affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities, as well as identification of the relevant ethical requirements relating to the audit					
	N/A				
Descriptions of the respective responsibilities of the auditor and of management and those charged with governance					
	N/A				
Whether information provided in the new auditor's reports is useful	Very useful	Useful	Limited value	Not useful	No particular view
When applicable, a section on "Other Information" that describes the auditor's responsibilities and work with respect to such information					
	N/A				
Name of the engagement partner					
	This is already required in Australia for audits of entities under the <i>Corporations Act 2001</i>.				

Question 2

In your jurisdiction, have there been any changes or modifications (e.g., new or different or incremental requirements) to the equivalent national standards of the new and revised auditor reporting standards of the IAASB (note, the next question facilitates that you also may wish to attach or provide a link(s) to relevant material in this regard)?

[Please note, ISA 720 (Revised) that deals with “Other Information”, is addressed in a separate section of this survey.]

Changes or modification to national standards related to the new and revised auditor reporting standards	Yes	No	Not applicable
ISA 700 (Revised), <i>Forming an Opinion and Reporting on Financial Statements</i> – in particular in relation to the new items of information in the auditor’s report as referred to in question 1 above		✓	
	There are additional requirements and application material in Australia in ASA 700 (see summary page 7). but they are not substantive and are essentially to align with legislative requirements.		
ISA 701, <i>Communicating Key Audit Matters in the Independent Auditor’s Report</i>		✓	
	In Australia in ASA 701 (see summary page 6) there is an additional requirement to clarify that KAM are not required for condensed financial reports.		
Changes or modification to national standards related to the new and revised auditor reporting standards	Yes	No	Not applicable
ISA 705 (Revised), <i>Modifications to the Opinion in the Independent Auditor’s Report</i>		✓	
	There is additional application material in Australia in ASA 705 (see summary page 6), which is not substantive as it only refers to requirements under the <i>Corporations Act 2001</i> .		
ISA 706 (Revised), <i>Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor’s Report</i>		✓	
	There is additional application material in Australia in ASA 706 (see summary page 6),		

	which is not substantive as it only refers to requirements under the <i>Corporations Act 2001</i> .		
ISA 570 (Revised), <i>Going Concern</i>			
	In Australia ASA 570 (see summary page 6) requires the auditor to assess the appropriateness of management's going concern assumption for the period of approximately twelve months from the date of the auditor's current report to the expected date of the auditor's report for the next reporting period. ASA 570 also provides a useful diagram to assist in arriving at the appropriate audit opinion in relation to going concern.		
ISA 260 (Revised), <i>Communication with Those Charged with Governance</i>			
	In Australia ASA 260 (see summary page 7) contains an additional requirement to align with the requirements under the <i>Corporations Act 2001</i> , and contains additional application material.		
Any other national requirements relating to auditor reporting – please specify			
	Exceptions are specific additional legislative requirements. For example, auditors are required to report on the remuneration report, included in a directors' report for listed companies, in accordance with section 308(3C) of the <i>Corporations Act 2001</i> .		

Question 3

Referring to your responses in relation to the previous question, if, in your jurisdiction, there have been changes or modifications to the equivalent national standards of the new and revised auditor reporting standards of the IAASB, you also may wish to attach or provide a link(s) to relevant material in this regard.

Additional input

All additional requirements, application material and appendices relating to auditor reporting are identified within the Australian standards as follows:

- [ASA 700](#) page 7
- [ASA 705](#) page 6
- [ASA 706](#) page 6
- [ASA 570](#) page 6

- [ASA 260](#) page 7

Question 4

What actions have been taken in your jurisdiction to support the adoption and implementation of the new and revised auditor reporting standards (including, for example, practice guidance, support materials or training)?

Description

CPA Australia supported adoption and implementation of enhanced auditor reporting in Australia and New Zealand through the following:

- Providing a dedicated [webpage](#) summarising the changes for audits of both listed and all entities with links to the relevant standards.
- Sharing IAASB, AUASB and NZ AuASB resources with members through CPA Update, the weekly e-newsletter.
- Providing links to early adopters' 2015 and 2016 financial reports
- Producing CPA podcasts:
 - [How is enhanced auditor reporting being embraced around the globe?](#)
 - [Early adopters' tips on implementing enhanced auditor reporting](#)
 - [Are you prepared for enhanced auditor reporting?](#)
- Running a [live chat](#) panel session and publishing the transcript
- Publishing a series of articles:
 - [What's next in audit reforms?](#)
 - [Cochlear leads the way in new audit process](#)
 - [IAASB aims to make auditor reports more transparent](#)
- Offering on-line short education programs.
- Including presentations in CPA Australia's annual conference: CPA Congress
- Holding a special public event with the then IAASB Chair, Deputy Chair and AUASB Chair on the changes to auditor reporting.

Question 5

If you are aware of additional practice guidance or support materials developed to support the implementation of the new and revised auditor reporting standards, it will be helpful to the IAASB if you can attach or provide a link(s) to such materials.

Description and links
(as applicable)

All resources now available are linked in answer to Q.5.

Question 6

If you are aware of any information gathering or research activities that have been undertaken regarding the implementation and impact of the new auditor's report, it will be helpful to the IAASB if you can attach or provide a link(s) to the related reports or documents.

Description and links
(as applicable)

There have been a number of research projects conducted in Australia and New Zealand on enhanced auditor reporting, particularly Key Audit Matters. A couple of examples of published papers include:

- Kend, M., Nguyen, A. (2020). (In Press) Investigating Recent Audit Reform in the Australian Context: An Analysis of the KAM Disclosures in Audit Reports 2017-2018 In: *International Journal of Auditing*, 1 – 19
- When do investors value key audit matters [Moroney, R., Phang, S-Y. & Xiao, X., 2020](#), (Accepted/In press) In : [European Accounting Review](#). 20 p. *Research output: Contribution to journal › Article › Research › peer-review*
- Li, H., Hay, D., & Lau, D. (2019). Assessing the impact of the new auditor's report. *Pacific Accounting Review*, 31 (1), 110-132. [10.1108/PAR-02-2018-0011](#)

Issues or implementation challenges with the new and revised auditor reporting standards (other than pertaining to KAM or “Other Information”, which are addressed in separate sections of this survey)

Question 7

Based on your experience and interactions with your constituents and stakeholders, are you aware of any issues or implementation challenges regarding the following elements of the new auditor's reports?

[Please note, KAM and “Other Information” are addressed in separate sections of this survey]

Any issues or implementation challenges regarding certain elements of the new auditor's reports	Yes	No	No particular view
Changes to the presentation of the auditor's report (i.e., opinion section required to be presented first, followed by the basis for opinion section)		✓	
When applicable, including a separate section under the heading “Material Uncertainty Related to Going Concern”	✓		
	<p>There are concerns amongst stakeholders that due to the MURGC containing less detail of the auditor's procedures than in Key Audit Matter users' may perceive a MURGC to be less important than a KAM.</p> <p>In addition, there is some confusion caused by not allowing a KAM to be included on</p>		

	<p>going concern when there is a MURGC. If a KAM could be provided even if a MURGC was included then this would enable the disclosure of more details regarding the auditor's procedures.</p>		
<p>Any issues or implementation challenges regarding certain elements of the new auditor's reports</p>	Yes	No	No particular view
<p>Affirmative statement about the auditor's independence and fulfillment of relevant ethical responsibilities, as well as identification of the relevant ethical requirements relating to the audit</p>		✓	
	<p>We note that a Parliamentary Joint Inquiry into the Regulation of Auditing in Australia has recommended that the auditor's independence declaration be expanded to require the auditor to specifically confirm that no prohibited non-audit services have been provided.</p>		
<p>Descriptions of the respective responsibilities of the auditor and of management and those charged with governance</p>		✓	
	N/A		
<p>Name of the engagement partner</p>		✓	
	<p>As previously noted this was already required in Australia.</p>		

Question 8

Based on your experience and interactions with your constituents and stakeholders, do you believe the differences between the following sections in the new auditor's report are clear and understandable: KAM, material uncertainty related to going concern (MU related to GC), Emphasis of Matter (EOM) paragraphs and Other Matter (OM) paragraphs?

Perceptions about differences between KAM, MU related to GC, EOM paragraphs and OM paragraphs	Yes	No	No particular view
The differences between KAM, MU related to GC, EOM paragraphs and OM paragraphs are clear and understandable		✓	
	N/A		

Question 9

Based on and further to your responses to the previous questions, if applicable, are you aware of any other issues or implementation challenges arising from the new and revised auditor reporting standards? [**Please note**, KAM and “Other Information” are addressed in separate sections of this survey]

Any other issues or implementation challenges	Yes	No	No particular view
Other issues or implementation challenges arising from the new and revised auditor reporting standards		✓	
	N/A		

Key audit matters (KAM)

Question 10

In your view, has the communication of KAM enhanced the overall quality of audits performed?

Views about the impact of the communication of KAM on the quality of audits performed	Yes	No	No particular view
The communication of KAM has enhanced the overall quality of audits performed	✓		

	<p>Feedback from auditors is that they mostly do not consider that KAM have had much impact on audit quality. However, we consider that there has been some actual and perceived impact on audit quality. For example a number of stakeholders observed that the communication of KAMs has helped to:</p> <ul style="list-style-type: none"> - reduce the audit expectation gap by enabling a better understanding of the work which the auditor has undertaken which may enhance the perceptions of audit quality; - improve the dialogue with Those Charged with Governance. - ensure that audit teams have conducted the procedures described in the KAM which are necessary to provide sufficient and appropriate evidence regarding the matters of significance in the audit. - provide an additional check that the work necessary, as identified when preparing the KAM, was actually conducted by the audit team. Auditors have advised that this has resulted in some cases in additional work being conducted. <p>. Based on stakeholders' views, we believe that communication of KAMs has enhanced audit quality.</p>
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Question 11

Based on your experience, information gathering and interactions with your constituents and stakeholders, please indicate your perception about the degree to which the communication of KAM in the auditor's report **has provided benefits** to stakeholders as it relates to the following aspects:

Perceptions about benefits arising from the communication of KAM in the auditor's reports	Significant	High	Moderate	Low	No particular view
Enhanced communication among the auditor and management throughout the audit		✓			
	See comments below.				

Perceptions about benefits arising from the communication of KAM in the auditor's reports	Significant	High	Moderate	Low	No particular view

Enhanced frequency and robustness of communication among the auditor and those charged with governance		✓			
	<p>KAMs are now more prominent in audit plans or strategy documents as well as completion reports. We have heard from stakeholders that when KAMs were adopted, considerable discussions were held with both management and TCWG to understand the auditor’s reasoning as to why an item has become a KAM. Stakeholders have further stated that while KAMs remain a prominent feature in communications on subsequent audits, the level of discussion has dropped off except in cases where the KAMs have changed. This, according to stakeholders, is understandable and expected as KAMs have become embedded in auditors’ work and communications, effectively becoming part of business as usual.</p>				
Enhanced communication internally, among management and those charged with governance	✓				
	<p>Based on stakeholders’ feedback, we believe that the communication of KAMs has added significant discipline and rigor to the consideration of issues at the audit committee level.</p>				
Enhanced involvement (more focused and frequent) in the audit by the engagement partner			✓		
	N/A				
Enhanced understanding of the matters to which KAM relate, including the risks of material misstatement associated with the related items in the financial statements or the audit procedures performed in this regard		✓			
	<p>The auditor’s understanding of the matters to which KAMs relate has been enhanced to the extent that a significant amount of thought has gone into determining what matters are key and should therefore be reported. This was especially the case when KAMs were reported in the first year but the need to reassess KAMs every year provides ongoing benefit. In terms of procedures performed, similarly greater attention has been put into ensuring these</p>				

	are not only appropriate for the level of risk but also that audit teams have performed them fully and properly.				
Robustness of audit procedures (e.g., improved planning, more effective audit procedures to address the risks of material misstatement, improved documentation, etc.)		✓			
	In addition to our points raised in previous comments, we have also heard from stakeholders that the process of distilling the matters communicated to TCWG down to the matters of most significance makes both, auditors and audit committees discuss these issues at the planning stage through to the finalization of the audit so that there are no surprises when significant matters, finally result in KAMs. To that extent, as has been argued by some stakeholders, there may have been an improvement in audit quality. The main value has been in the framing of discussions at management and committee level.				
Perceptions about benefits arising from the communication of KAM in the auditor's reports	Significant	High	Moderate	Low	No particular view
Changes or enhancements to disclosures in the financial statements regarding the matters to which KAM relate		✓			
	Stakeholders have noted there have been frequent cases of new disclosures or increased detail in disclosures as result of auditors indicating that they plan to include the matter as a KAM but the information was not already adequately disclosed in the financial statements.				
In relation to other aspects of the audit (please specify)					✓
	Focuses the attention of users to the related disclosures in the financial statements, which can aid their understanding and may encourage them to read the financial statements in greater detail.				

Question 12

Based on your experience, information gathering (including relating to auditor reports issued in your jurisdiction) and interactions with your constituents and stakeholders about the **descriptions of KAM** in auditor reports, indicate the extent to which you agree that the communication about the matters is:

Description of KAM	Strongly agree	Agree	No particular view	Disagree	Strongly disagree
Concise (i.e., a relatively short description of the matter and how it was addressed by the auditor)		✓			
	N/A				
Understandable (i.e., the description of the matter and how it was addressed is not overly technical)		✓			
	N/A				
Specific to the entity (i.e., boilerplate language was not used)		✓			
	N/A				

Question 13

Based on your experience, information gathering and interactions with your constituents and stakeholders about KAM, indicate the degree to which you agree with the following statements that represent **certain perceptions** about the communication of KAM in the auditor's report:

Certain perceptions about the communication of KAM in the auditor's report	Strongly agree	Agree	No particular view	Disagree	Strongly disagree
Fewer KAM in the auditor's report increase the confidence of stakeholders in the audit (and the financial statements)		✓			

	N/A				
More KAM in the auditor's report increase the confidence of stakeholders in the audit (and the financial statements)				✓	
	N/A				
An individual KAM often relates to a specific item(s) presented or disclosed in the financial statements, which increases the confidence of stakeholders about that particular item(s) in the financial statements			✓		
	See our response to Question 1. The KAM tends to direct the attention of the reader to that item in the financial statements or in the disclosures. We have no evidence that it provides additional confidence with respect to that item.				
The communication of KAM provides greater transparency about the audit that was performed – as a whole (i.e., not only in relation to the matters that are the subject of KAM)		✓			
	N/A				
KAM represent business risks or issues that need to be resolved by management				✓	
	See our responses to Question 1 and Question 11. KAMs would usually relate to matters which are resolved, otherwise the matter should be reflected in other paragraphs or in modifications to the auditor's opinion.				

Certain perceptions about the communication of KAM in the auditor's report	Strongly agree	Agree	No particular view	Disagree	Strongly disagree
In terms of the audit performed, KAM represent matters that have been resolved (i.e., they are not unresolved audit issues)		✓			

Question 14

The standard does not prohibit an auditor from communicating additional information about a KAM, and provides guidance to auditors on additional information that the auditor may consider communicating. The IAASB is aware that some trends have evolved globally on additional information that is communicated by auditors.

The IAASB is particularly interested in those instances where, in addition to the required information about why a matter is a KAM and how the matter was addressed in the audit, the auditor also communicated information about the outcome of the audit procedures or key observations with respect to the matter (i.e., what the auditor found or observed).

Based on auditor reports you have read, have you noticed that auditors provide additional information in terms of describing the outcome of the audit procedures or key observations with respect to KAM?

Description of the outcome of audit procedures or key observations with respect to KAM	Yes	No	Uncertain
		✓	

Question 15

In your view, are descriptions of the outcome of the audit procedures or key observations with respect to KAM useful?

Description of the outcome of audit procedures or key observations with respect to KAM	Very useful	Useful	Limited value	Not useful	No particular view
Descriptions of the outcome of the audit procedures or key observations with respect to KAM				✓	

	<p>In Australia typically additional information is not provided by auditors describing the outcome of the audit procedures or key observations with respect to KAM. Auditors are reluctant to provide outcomes in KAMs which may be interpreted as a conclusion on that specific item, which is not appropriate and may open them up to liability.</p> <p>We have heard from stakeholders that they have opted not to include the outcomes of audit procedures in the published KAM. One of the reasons provided was that including the outcomes of audit procedures might undermine or draw attention away from the audit opinion.</p> <p>In cases where the outcome of the procedures has identified an issue, it calls into question whether the opinion should remain unmodified. Presumably either the auditor has been able to address the issue in such cases or the impact wasn't material. Of course, where the issue has not been satisfactorily addressed and is material then you would expect the opinion to be modified. As a result, there nothing to be gained from drawing attention to matters which are not material and so would not have an impact on the audit opinion as it just serves to add clutter.</p>
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Question 16

The IAASB's standards currently only require KAM to be communicated in the auditor's reports for audits of listed entities. Jurisdictional requirements may require that auditors communicate KAM for certain other entities. Auditors may also decide to voluntarily communicate KAM in auditor's reports of other entities.

In your view, should the communication of KAM be mandatory for entities other than listed entities?

Communicating KAM in auditor reports of entities other than listed entities	Yes	No	No particular view
For public interest entities (recognizing that "public interest entity" may be a jurisdictional determination)		✓	
For all entities (i.e., in all instances where an audit of financial statements is performed)		✓	
For certain specific types of entities	✓		

	<p>Our stakeholders have provided mixed views. Some public sector representatives recommend continuing maintaining the mandatory applicability of KAMs for listed entities and optional for all other entities, whereas others proposed that public interest entities and public sector entities should be included. Some stakeholders stated that for specific types of public interest entities such as superannuation (pension) funds, the communication of KAMs should be mandatory. Given the different characteristics of each jurisdiction, it may be best to leave this to the discretion of national regulators.</p>
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Question 17

Based on and further to your responses to the previous questions, please provide any additional views about other issues or implementation challenges relating to KAM or how you believe the communication of KAM can be improved.

Please provide input	<p>Stakeholders argued that the cost-benefit considerations for many smaller public sector entities may not warrant the reporting of KAMs.</p>
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Other information section of the auditor’s report

Question 18

Other information comprises financial and non-financial information in the annual report, other than the financial statements and the auditor’s report thereon. For example, depending on law, regulation or custom in a jurisdiction, other information may include: the directors’ report, audit committee report, corporate governance statement, and management commentary.

When other information is included in the annual report, the auditor’s report includes an “Other Information” section which is required to include a statement that management is responsible for the other information, identify the other information, clarify that the auditor’s opinion does not cover the other information, provide a description of the auditor’s responsibilities, and to either state that the auditor has nothing to report or describe any uncorrected material misstatement of the other information.



Based on your observations, has the “Other Information” section provided users of financial statements with greater clarity or transparency about the other information included in the annual report?

Greater clarity or transparency about the other information	Yes	No	No particular view
In my/our view, the “Other Information” section in the auditor’s report has provided users with greater clarity or transparency about the other information included in the annual report			
	<p>Yes, however this can be confusing and cumbersome for auditors to manage when not all of the other information is received prior to the finalization of the auditor’s report. It would be clearer for users if only</p>		

	<p>the information which had been audited was published together with the auditor’s report. This could however risk the unintended consequence of diminishing the prominence of the financial report including the auditor’s report, in favour of the glossy corporate reporting alone, if these reports were separated.</p>
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Question 19

In your jurisdiction, have there been any changes or modifications (e.g., new or different or incremental requirements) to the equivalent national standard of ISA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*, or any additional practice guidance or support materials related to other information (note, the next question facilitates that you also may wish to attach or provide a link(s) to relevant material in this regard)?

National standards, practice guidance or support materials related to other information	Yes	No	Not applicable
Changes or modifications (e.g., new or different or incremental requirements) to the equivalent national standard of ISA 720 (Revised)			
	<p>The Australian standard ASA 720 (see page 7) includes an additional appendix containing a useful decision tree regarding when an “Other Information” section is required; minor additional application material and illustrative auditor’s reports to reflect <i>Corporations Act</i> requirements.</p>		
Additional practice guidance or support materials related to other information as it applies in your jurisdiction			
	<p>Only the additional appendices within the standard.</p>		

Question 20

Referring to your responses in relation to the previous question, if, in your jurisdiction, there have been changes or modifications to the equivalent national standard of ISA 720 (Revised), you also may wish to attach or provide a link(s) to relevant material in this regard.

Additional input	<p>https://www.auasb.gov.au/admin/file/content102/c3/ASA_720_Compiled%202020.pdf</p>
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Question 21


Based on your experience with external reporting within your jurisdiction, what types of information is generally considered to be other information?

Please provide input

Other information is usually that contained in the annual report which is explained in the following [Guide to Understanding Annual Reports - Australian Listed Companies](#).


Question 22

Based on your experience and interactions with your constituents and stakeholders, is it clear that the auditor's opinion on the financial statements does not extend to the other information included in the annual report (i.e., that no form of assurance conclusion is being expressed on the other information)?

No assurance on the other information	Yes	No	No particular view
It is clear that the auditor's opinion on the financial statements does not extend to the other information included in the annual report			
	It is not necessarily always clear to an unsophisticated reader which parts of the annual report is covered by the auditor's report as the audited financial report and remuneration report are included alongside the unaudited information including the directors' report and corporate governance statement.		

Question 23

Has it come to your attention or are you aware that there are issues being experienced relating to which other information the auditor has read and considered, or should have read and considered, or relating to the description of the auditor's responsibilities regarding the other information?

Issues or implementation challenges regarding the "Other Information" section	Yes	No	No particular view
Identifying which other information the auditor read and considered?			
	Auditors in Australia have expressed concern that identifying which information was received and considered before the auditor's report was issued can become confusing and complicated to report.		

Instances where certain information should have been part of the other information that was read and considered by the auditor, but wasn't?		✓	
	Stakeholders have not shared these experiences with us.		
Issues or implementation challenges regarding the "Other Information" section	Yes	No	No particular view
The required description of the auditor's responsibilities regarding the other information?		✓	
	N/A		
Any other issues or implementation challenges regarding other information (please specify)?		✓	
	For listed entities, for which other information received after the auditor's report was issued still needs to be considered can become challenging and complex.		

Additional information communicated in the auditor's report (i.e., in addition to what is required by the new and revised Auditor Reporting Standards)

Question 24

In your jurisdiction, if not otherwise required, has there been demand for additional information to be included in the auditor's report to enhance users' understanding of the audit that was performed:

Additional information that could be included in the auditor's report	High demand	Some demand	No demand	No particular view
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Information about materiality applied by the auditor in conducting the audit			✓	
	N/A			
Information about the scope of the audit (i.e., the auditor's approach to the audit)			✓	
	N/A			
Additional information that could be included in the auditor's report	High demand	Some demand	No demand	No particular view
Information about the auditor's procedures relating to management's going concern assessment		✓		
	N/A			
Information about other aspects of the audit (please specify)			✓	
	N/A			

Other types of engagements

Question 25

In addition to audits of financial statements, professional accountants perform other types of engagements for which assurance reports are issued. These include review engagements (e.g., a review of interim financial information) and other assurance engagements (e.g., assurance on greenhouse gas statements).

In your view, should the assurance reports for other types of engagements contain elements similar to those in the auditor's reports on an audit of financial statements, such as the structure of the report i.e., opinion/conclusion first, and the communication of key matters that would, in the context of those engagements, be similar to KAM?

Assurance reports for other types of engagements	Yes	No	No particular view
Review engagements, including reviews of interim financial information	✓		
	<p>Stakeholders saw a benefit in enhancing the consistency of Review reports with the format of the auditor's report. However auditors generally did not support inclusion of KAM in interim review reports, due to the extensive additional work this would require and the more limited procedures which would be expressed in relation to those KAM would not have as much information value.</p>		
Assurance reports for other types of engagements	Yes	No	No particular view
Other assurance engagements (e.g., assurance reports on greenhouse gas statements or ISAE 3000 (Revised) assurance engagements)	✓		
	<p>We believe there to be a benefit in enhancing the consistency of Assurance reports with the format of the auditor's report.</p>		

Any other input or feedback (including in relation to the effects of the COVID-19 pandemic) Question

26

The COVID-19 pandemic has had wide ranging impacts for society and business. The unpredictable circumstances in this environment have created pressures and challenges for entities when preparing their financial statements, as well as for auditors in obtaining sufficient appropriate audit evidence and considering the impact on the auditor's report.

Have you noted or experienced any specific effects or challenges in relation to the following elements of the auditor's report (when applicable to a specific audit engagement)?

Comments relating to the effects of the COVID-19 pandemic	Yes	No	Uncertain
Modifications to the auditor's opinion, i.e., a qualified opinion, adverse opinion or disclaimer of opinion (and the related basis for opinion)			✓
	<p>In Australian annual reports need to be individually sourced from the company or purchased from the regulator, so they are not readily available to analyse in high volume to determine number of and nature of modifications to auditor's reports. However the AUASB conducted such an analysis of the 1,421 full year financial reports for 30 June 2020 which were lodged for listed companies by 30 September 2020. We note that deadlines were extended to 31 October due to the pandemic so some listed company reports will not have been analysed. Of the 1,421 auditor's reports 15 opinions were qualified, of which 6 were COVID-19 related, and one had an unrelated disclaimer of opinion. This compared to 18 qualified auditors reports for 30 June 2019 year end financial reports for the same companies.</p>		
Inclusion of a separate section in the auditor's report under the heading "Material Uncertainty Related to Going Concern"			✓
	<p>Analysis conducted by the AUASB identified 342 MURGC paragraphs in 1,421 financial reports of listed companies for the year ended 30 June 2020 (24% of auditor's reports), of which 96 referenced COVID-19. However, the MURGC were lower than the 400 observed for the same companies for 30 June 2019 reports (28% of auditor's reports). We note that Government support was being provided to businesses over the year end. There were also 94 KAMs (6%) relating to going concern observed for 30 June 2020 financial reports, an increase from 80 KAMs on going concern the year before.</p>		
Communication of key audit matters (KAM) in the auditor's report			✓

	<p>Analysis provided by the AUASB showed an average of 1.91 KAMs in the 1,421 auditor's reports for listed entities' 30 June 2020 financial reports, which were lodged by 30 September. Key audit matters contained reference to COVID-19 in 320 auditor's reports (23% of auditor's reports), with a total of 465 KAMs referencing COVID-19 (17% of KAMs).</p>		
Inclusion of an Emphasis of Matter Paragraph (i.e. used by the auditor to draw attention to a matter presented or disclosed in the financial statements)			✓
Comments relating to the effects of the COVID-19 pandemic	Yes	No	Uncertain
	<p>The analysis provided by the AUASB showed 29 EOMs (2%) were issued for 30 June 2020 financial reports, of which 10 referenced COVID-19.</p>		
Inclusion of an Other Matter Paragraph (i.e. used by the auditor to refer to a matter that is relevant to users' understanding of the audit, the auditor's responsibilities or the auditor's report)			✓
	<p>The analysis provided by the AUASB showed no other matter paragraphs which reflects our understanding that they are rarely used.</p>		
The "Other Information" section of the auditor's report (i.e. relating to information in the annual report, other than the financial statements and the auditor's report thereon)			✓
	<p>Auditor's reports for listed entities will always include an other information section. We would not expect any differences in this section due to COVID-19, as lodgement deadlines were extended by the regulators.</p>		
Any other challenges or matters to be highlighted		✓	
	<p>Overall we consider that the changes to auditor reporting have been very well received and assimilated into the audit process. When Key Audit Matters are required to be reported, there has been evidence of benefits through better communications between the auditor and</p>		

	<p>Those Charged with Governance and signposting for users of those matters in the financial report, as well as some increased confidence in the audits observed. We have suggested some areas to be reconsidered, such as either allowing inclusion of a KAM on a matter covered in a MURGC or extending the detail provided in the MURGC to match a KAM. Nevertheless, we suggest that further changes are minimized as constant changes are challenging for auditors to keep up with and increases the likelihood of inconsistencies in implementation.</p>
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Question 27

Please provide any further views, observations or suggestions you may have in relation to the auditor's report (and why).

Additional input	N/A
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