

15 December 2008

Ms M Kelsall  
Chairman  
Auditing and Assurance Standards Board  
PO Box 204  
Collins Street West  
MELBOURNE VIC 8007

Dear Ms Kelsall,

**EXPOSURE DRAFT 16/08 -PROPOSED AUDITING STANDARD ASA 250,  
CONSIDERATION OF LAWS AND REGULATIONS IN AN AUDIT OF A  
FINANCIAL REPORT (REVISED AND REDRAFTED) (RE-ISSUANCE OF  
ASA 250)**

Attached is the Australasian Council of Auditors-General (ACAG) response to the Exposure Draft referred to above.

The views expressed in this submission represent those of all Australian members of ACAG.

The opportunity to comment is appreciated and I trust you will find the attached comments useful.

Yours sincerely



Frank McGuinness  
Chairman  
ACAG Financial Reporting and Auditing Committee

**Exposure Draft 16/08 -Proposed Auditing Standard ASA 250, Consideration Of Laws And Regulations In An Audit Of A Financial Report (Revised And Redrafted) (Re-Issuance Of ASA 250)**

ACAG has reviewed the Proposed Redrafted Auditing Standard and provides the following responses to the questions asked:

**Question 1**

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

*We believe that the impact of laws and regulations has been appropriately addressed.*

**Question 2**

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

*We believe no references to relevant laws and regulations have been omitted.*

**Question 3**

Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?

*We believe there are no laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard.*

**Question 4**

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 Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?

*We believe there will be no additional significant costs.*

**Question 5**

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

No.

**Other suggestions**

- l) Paragraph 5 contains a grammar error: "The auditor is responsible for obtaining reasonable assurance that the financial report, taken as a whole, are..." should be replaced by "The auditor

is responsible for obtaining reasonable assurance that the financial report, taken as a whole, is...”

- II) The ASA 250 divides laws and regulations into 2 categories (See paragraph 10):
  - a) Laws and regulations having a “direct effect” on the amounts and disclosures presented in the financial statements; and
  - b) “Other” laws and regulations having a material impact on the financial statements.

We understand the main characteristics differentiating these categories is whether the law and regulation has a “direct” or in an “indirect” effect on the Financial Statements. Therefore, we suggest referring to the second category as “Laws and regulations that may have a material *indirect* effect on the financial report” rather than “*other* laws and regulations”.

- III) Paragraph 10, first line, is missing an “o” from the word “of”.

#### **Application and Explanatory section**

- III) Subtitle “Indications of Non-Compliance with Laws and Regulations” (A13) is included under title “Audit Procedures when Non-Compliance is Identified or Suspected”. However, those listed in paragraph A13 are not actually “procedures” to perform after non-compliance is identified, but considerations when identifying non-compliance. Accordingly subtitle “Indications of Non-Compliance with Laws and Regulations” should appear under “The Auditor’s Consideration of Compliance with Laws and Regulations” (A7).
- IV) The Board may wish to consider the inclusion of an additional dot point under A11, with the wording “Review of breach registers and equivalent records (e.g. complaints, whistleblower or suspicious matter reports registers).
- V) Subtitle “Matters Relevant to the Auditor’s Evaluation” (A14) refers to “...auditor’s evaluation of possible effects...” As a consequence, we find it more accurate to include it together with subtitle “Evaluating the Implications of Non-Compliance” (A17).