

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

15 December 2008

Dear Ms Kelsall

**EXPOSURE DRAFT 18/08 PROPOSED AUDITING STANDARD ASA 450 EVALUATION
OF MISSTATEMENTS IDENTIFIED DURING THE AUDIT (REVISED AND
REDRAFTED)(RE-ISSUANCE OF ASA 320)**

Members of the Australasian Council of Auditors-General (ACAG) have been canvassed and submit the attachment in response to the Exposure Draft referred to above.

The views expressed in this submission represent those of all Australian members of ACAG with the exception of the Auditor-General for South Australia, who reserves his right to respond separately to auditing and accounting Exposure Drafts, where he deems it appropriate, rather than as a member 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 18/08 Proposed Auditing Standard ASA 450 Evaluation of Misstatements Identified during the Audit (Revised and Redrafted) (Re-issuance of ASA 320)

ACAG has reviewed the Revised Exposure Draft and provides comments on the main changes from the relevant sections of the extant ASA 320. No commentary has been provided in relation to the split of the extant ASA 320 into two separate standards. ACAG has also provided responses to the five questions indicated and an additional comment.

Response to main changes from the existing ASA 320 *Materiality and Audit Adjustments*

The main changes to the requirements of this proposed Auditing Standard are supported.

Questions for Comment

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

All relevant applicable laws and regulations have been appropriately addressed in the proposed standard.

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

There have been no references to relevant laws or regulations omitted.

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 are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard

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 the audit services?

ACAG does not believe there are any additional significant costs to auditors and the business community arising from compliance with the proposed ASA 450.

ASA 450 provides improved guidance on the nature of any identified misstatements and the resulting actions to be taken by the auditor.

There are expanded requirements relating to documentation of misstatements, and communication with management or those charged with governance in the proposed ASA 450. However, these requirements are unlikely to cause any significant increase in costs, as the majority of these requirements were implicit in the relevant sections of extant ASA 320.

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

There are no other significant public interest matters that we wish to raise.

Additional Comments:

1. Para 14 provides no guidance on when written representations should be requested from those charged with governance. Making reference to ASA 260 in A24 would provide guidance.