



AUSTRALASIAN
COUNCIL OF
AUDITORS-GENERAL

21 July 2009

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
VIC 8007

Dear Ms. Kelsall,

ED 18/09, Proposed Auditing Standard ASA 101, *Preamble to Australian Auditing Standards (Revised and Redrafted)*

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

A handwritten signature in black ink, appearing to read 'Simon O'Neill', with a small flourish at the end.

Simon O'Neill
Chairman
ACAG Financial Reporting and Auditing Committee

ED 18/09, Proposed Auditing Standard ASA 101, Preamble to Australian Auditing Standards (Revised and Redrafted)

ACAG has reviewed the Exposure Draft and provides responses to the five questions indicated and additional comments below.

General Comments

The areas and requirements included as mandatory under the proposed standard are limited. The only requirement included in the proposed standard in addition to those included in other auditing standards relates to the non necessity to document the reason(s) as to why certain requirements are not relevant. It would be more appropriate to include this requirement in *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Revised and Redrafted)* or *ASA 230 Audit Documentation (Revised and Redrafted)*.

The proposed standard does not provide an overview of the Structure of the Pronouncements including a distinction between standards that fall within the categories of Auditing Standards and Australian Auditing Standards and how *ASA 101 Preamble to Australian Auditing Standards (Revised and Redrafted)* and *ASA 100 Preamble to AUASB Standards* fit into the overall framework.

Paragraph 4 does not provide a clear understanding of how these two standards are intended to operate.

Paragraphs 5 and 6 refer to paragraph Aus 2.1. This paragraph does not exist.

Paragraph 9 of the proposed standard identifies the headings within each Auditing Standard that contain mandatory components. Similarly, paragraph 10 identifies the headings within each standard that contain explanatory material. No discussion follows defining the components or offering any explanation as to their purpose etc. We note that useful discussion on these areas is included in *ASA 100 Preamble to AUASB Standards*.

Responses to Specific Questions

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

All 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?

We are not aware of any references to relevant laws or regulations that have been 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 significant costs to/benefits for auditors and the business community arising from compliance with the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?**

We have not identified any additional significant costs related to compliance with the changes to the standard for either the business community or auditors.

- 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

We recommend that the following minor changes be made to the proposed ASA 101 *Preamble to Australian Auditing Standards (Revised and Redrafted)*:

1. The Preface to the proposed standard acknowledges the current programme to revise and redraft the Australian Auditing Standards using the equivalent redrafted International Standards on Auditing. A separate section 'Conformity with International Standards on Auditing' exists and states that there is no equivalent International Standard on Auditing, however, this section is placed at the end of the proposed standard. Given how uncommon it is for there not to be an international equivalent, it is suggested that a similar statement be included within the Preface.
2. The Authority Statement states that the standard is 'operative on or after 1 January 2010'. The wording of this paragraph should be consistent with paragraph 3 'Operative Date' which specifies that the standard is 'operative for engagements with financial reporting periods commencing on or after 1 January 2010 and for firms required to establish systems of quality control in compliance with ASQC 1 by January 2010'.
3. A full stop is missing at the end of the sentence in paragraph 4.
4. The section on 'Conformity with International Standards on Auditing' has a closed parenthesis without an open one.