

Deloitte Touche Tohmatsu
ABN 74 490 121 060

Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1219 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0) 2 9322 7001
www.deloitte.com.au

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

27 April 2009

Dear Ms Kelsall,

Re: Exposure Draft ED 15/08 to 22/08

We appreciate the opportunity to comment on the following exposure drafts (the “ED’s”) as developed by the Australian Auditing and Assurance Standards Board (the “AUASB”):

- ED 15/08 Proposed Auditing Standard ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (Revised and Re-drafted)(Re-issuance of ASA 200).
- ED 16/08 Proposed Auditing Standard ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* (Revised and Re-drafted)(Re-issuance of ASA 250).
- ED 17/08 Proposed Auditing Standard ASA 320 *Materiality in Planning and Performing an Audit* (Revised and Re-drafted)(Re-issuance of ASA 320).
- ED 18/08 Proposed Auditing Standard ASA 450 *Evaluation of Misstatements Identified during the Audit* (Revised and Re-drafted)(Re-issuance of ASA 450).
- ED 19/08 Proposed Auditing Standard ASA 510 *Initial Audit Engagements – Opening Balances* (Revised and Re-drafted)(Re-issuance of ASA 510).
- ED 20/08 Proposed Auditing Standard ASA 550 *Related Parties* (Revised and Redrafted)(Re-issuance of ASA 550).
- ED 21/08 Proposed Auditing Standard ASA 580 *Written Representations* (Revised and Redrafted)(Re-issuance of ASA 580).
- ED 22/08 Proposed Auditing Standard ASA 720 *The Auditor’s Responsibility in Relation to Other Information in Documents Containing an Audited Financial Report* (Revised and Redrafted)(Re-issuance of ASA 720).

Overall, we agree with the AUASB’s approach to conform to the revised International Standards on Auditing, issued by the International Auditing and Assurance Standards Board and therefore, are supportive of the main changes to the standards.

Attachment 1 to this letter sets out our comments in respect of individual ED's. We have no further comments with respect to the five questions on which the AUASB is specifically seeking a response.

We would be pleased to discuss our comments with members of the Board or its staff. If you wish to do so, please do not hesitate to contact me on 02 9322 5060 or Bernadette Dillon on 02 9322 7423.

Yours sincerely,

Deloitte Touche Tohmatsu

Kristen Wydell

Partner

ATTACHMENT 1 Specific comments on the ED's

ED 15/08 Proposed Auditing Standard ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (Revised and Redrafted)(Re-issuance of ASA 200)

| Paragraph | Comment |
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| Aus 22.1 | <p>Paragraph Aus 22 states “<i>subject to paragraph Aus 23.1, the auditor shall comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit:</i></p> <p style="padding-left: 40px;">(a) <i>The entire Auditing Standard is not relevant; or</i></p> <p style="padding-left: 40px;">(b) <i>The requirement is not relevant because it is conditional and the condition does not exist; or</i></p> <p><i>Aus 22.1(c) Application of the Requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial.”</i></p> <p>This paragraph is inconsistent with paragraph A19 of ED 09/03 of ASA 230, which excludes the third and Australian specific limb of this paragraph (Aus 22.1(c)).</p> <p>To ensure consistency, we recommend this third and Australian specific limb (Aus 22.1(c)) be added to paragraph A19 of ED 09/03 of ASA 230.</p> |
| Aus 23.1 | <p>Paragraph Aus 23.1 states “<i>Where in rare and exceptional circumstances, factors outside the auditor’s control prevent the auditor from complying with an essential procedure contained within a relevant mandatory requirement, the auditor shall:</i></p> <p style="padding-left: 40px;">(a) <i>If possible, perform appropriate alternative audit procedures; and</i></p> <p style="padding-left: 40px;">(b) <i>In accordance with ASA 230 Audit Documentation (Revised and Redrafted), document in the working papers:</i></p> <p style="padding-left: 80px;">(i) <i>The circumstances surrounding the inability to comply;</i></p> <p style="padding-left: 80px;">(ii) <i>The reasons for the inability to comply; and</i></p> <p style="padding-left: 80px;">(iii) <i>Justification of how alternative audit procedures achieve the objectives of the mandatory requirement.</i></p> <p><i>When the auditor is unable to perform appropriate alternative audit procedures, the auditor shall consider the implications for the auditor’s report.”</i></p> <p>We have the following comments with respect to this paragraph:</p> <ul style="list-style-type: none"> • Reference to “mandatory requirements” is inconsistent with the clarity terminology, which refers to the “requirements” only. Accordingly, we recommend deleting reference to “mandatory.” • We recommend changing the “objectives of the mandatory requirement” to the “purpose of the requirement,” to avoid confusion with the, now defined, “objective” of the Auditing Standard, and to be consistent with the wording in the international equivalent, ISA 200. • There is an intrinsic relationship between paragraphs Aus 23.1 and 24 that |

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| | <p>needs to be clarified. That is, when the auditor is unable to perform appropriate alternative audit procedures to achieve the purpose of a requirement, the objective in a relevant Auditing Standard and the overall objective of the auditor may not be met.</p> <p>In order to clarify this relationship, we recommend the final sentence of paragraph Aus 23.1 be amended to state “when the auditor is unable to perform appropriate alternative procedures, the auditor shall consider the requirement in paragraph 24.”</p> |
| Aus A63.1 | <p>Paragraph A63.1 states <i>“In conducting an audit in accordance with the Australian Auditing Standards, the auditor should consider Guidance Statements applicable to the audit engagement.”</i></p> <p>We recommend the deletion of this paragraph on the following basis:</p> <ul style="list-style-type: none"> • The use of the term “should” is inconsistent with the clarity terminology and goes beyond the extant ASA 200 which states “the auditor ordinarily considers Guidance Statements applicable to the audit engagement.” Importantly, the use of the term “should” may interpreted by some as giving the Guidance Statements “force of law” status, which is clearly not the intention. • The relationship between the Australian Auditing Standards and Guidance Statements would be more appropriately dealt with in the “Foreword to AUASB Pronouncements” or ASA 100 <i>Preamble to AUASB Standards</i>. |
| Aus A66.1 | <p>Paragraph A66.1 states <i>“When the auditor conducts the audit in accordance with Australian Auditing Standards and International Standards on Auditing (“ISAs”), in accordance with ASA 700 (Revised and Redrafted), the auditor’s report is required to refer to the audit having been conducted in accordance with the Australian Auditing Standards and ISAs only when the auditor has complied fully with all of the Australian Auditing Standards and ISAs relevant to the audit.”</i></p> <p>This paragraph appears to duplicate a requirement in ASA 700 (Revised and Redrafted) and therefore its inclusion is contrary to the clarity drafting principles. Accordingly, we recommend this paragraph be deleted.</p> |

ED 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)

| Paragraph | Comment |
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| Aus A19.1 | <p>Paragraph Aus A19.1 states <i>“in certain circumstances, the auditor has a statutory responsibility to report non-compliances. For example, where the auditor has reasonable grounds to suspect a contravention of the Corporations Act 2001, the auditor is required to report to ASIC. Establishing the appropriate authority to which a report would be made in a particular instance will depend on the nature and circumstances of the non-compliance. When in doubt, the auditor would ordinarily seek legal advice.”</i></p> <p>This paragraph does not accurately reflect the requirements of the <i>Corporations Act 2001</i>, as that Act requires the reporting to ASIC only of significant contraventions</p> |

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| | <p>or contraventions that are not significant, but which the auditor believes have not or will not be adequately dealt with by commenting on it in the auditor’s report or bringing it to the attention of the director’s.</p> <p>We recommend the AUASB reconsider the attempt to duplicate or paraphrase requirements which already exist in law and thereby avoid confusion. Accordingly, we recommend the deletion of this paragraph.</p> |
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ED 20/08 Proposed Auditing Standard ASA 550 *Related Parties* (Revised and Re-drafted)(Re-issuance of ASA 550)

| Paragraph | Comment |
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| Aus 27.1 Aus 27.2 | We recommend the deletion of both paragraphs Aus 27.1 and Aus 27.2, as these requirements are adequately dealt with by the principles in ASA 705 (Revised and Re-drafted) and, we do not believe their inclusion meets the “three-reason” test in the AUASB’s drafting policies and rules. |
| Aus A34.1 | <p>Paragraph A34.1 states <i>“In determining whether underlying circumstances confirm the existence of related party relationships or transactions, the auditor may consider the Australian Accounting Standards including consideration of the substance of the relationship and/or transaction and not merely the legal form.”</i></p> <p>The requirement to consider the substance of the relationship and/or transaction and not merely the legal form is adequately dealt with in AASB 124 and represents an unnecessary divergence from the ISA. Accordingly, we recommend the deletion of this paragraph.</p> |

ED 21/08 Proposed Auditing Standard ASA 580 *Written Representations* (Revised and Redrafted)(Re-issuance of ASA 580)

| Paragraph | Comment |
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| 14 | <p><u>Date of written representation</u></p> <p>Paragraph 14 states <i>“the date of the written representations shall be as near as practicable to, but not after, the date of the auditor’s report on the financial report.”</i> What constitutes “as near as practicable” is not defined. Under paragraph 15, the auditor is allowed to rely on written public statements about its responsibilities made by management in respect of the requirements in paragraph 10 and 11.</p> <p>Under section 295 of the <i>Corporations Act 2001</i>, the directors are required to provide a declaration on the financial statements, and the auditor is permitted to sign the auditor’s report up to 7 days after the date the director’s sign that declaration. There are no other such public declarations made by management or those charged with governance about their responsibilities in Australia. Accordingly, the Australian specific paragraph Aus A22.1 appears to suggest that the auditor may rely on the director’s declaration for the purposes of paragraph 15.</p> <p>If the AUASB is indeed suggesting that the auditor may rely on the directors</p> |

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| | <p>declaration, then “as near as practicable” may in effect become a 7 day period. This timeframe may be at odds with the IAASB’s view of “as near as practicable” and, accordingly, we recommend the AUASB re-consider this paragraph further.</p> |
| 20 | <p><u>Disclaimer of Opinion</u></p> <p>Under extant ASA 580 the auditor “shall endeavour to obtain appropriate representations from management.” If management refuses to provide a representation that the auditor considers necessary, this would constitute a scope limitation and the auditor is required to express a qualified opinion or a disclaimer of opinion.</p> <p>Under ED 21/08, if management does not provide the written representations required by paragraphs 10 and 11, the auditor is required to issue a disclaimer of opinion (paragraph 20).</p> <p>The requirement to issue a disclaimer of opinion in all circumstances when a representation letter is not obtained represents a significant shift from current practise. Accordingly, the AUASB needs to ensure that this change is explicitly highlighted in future AUASB communications concerning the extent of changes to ASA 580.</p> |
| Aus A22.1 | <p><u>Reliance on written public statement by management or where appropriate, those charged with governance</u></p> <p>Paragraph Aus A22.1 states “<i>if the auditor intends to rely on some, or all, of the written representations in a public statement made by management, or where appropriate, those charged with governance, the auditor should communicate the intention to place such reliance on some or all of the written public statement.</i>”</p> <p>It is unclear why the AUASB elected to include this requirement, as it represents a divergence from the international standard and neither appears to be a public interest consideration nor is it a requirement from the extant ASA 580. Accordingly, we recommend the deletion of this paragraph.</p> |