

The Chairman  
Auditing and Assurance Standards Board  
PO Box 204  
Collins Street West  
Melbourne Victoria 8007  
18 May 2009

Dear Ms Kelsall,

**Re: Exposure Draft ED 09/09 to ED 17/09**

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”):

- Exposure Draft 09/09 Proposed Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements*.
- Exposure Draft 10/09 Proposed Auditing Standard ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (Revised and Redrafted)(Re-issuance of ASA 220).
- Exposure Draft 11/09 Proposed Auditing Standard ASA 210 *Agreeing the Terms of Audit Engagement* (Revised and Redrafted)(Re-issuance of ASA 210).
- Exposure Draft 12/09 Proposed Auditing Standard ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*.
- Exposure Draft 13/09 Proposed Auditing Standard ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation* (Revised and Redrafted)(Re-issuance of ASA 402).
- Exposure Draft 14/09 Proposed Auditing Standard ASA 505 *External Confirmations* (Revised and Redrafted)(Re-issuance of ASA 505).
- Exposure Draft 15/09 Proposed Auditing Standard ASA 508 *Litigation and Claims* (Revised and Redrafted)(Re-issuance of ASA 508).
- Exposure Draft 16/09 Proposed Auditing Standard ASA 620 *Using the Work of an Auditor’s Expert* (Revised and Redrafted)(Re-issuance of ASA 620).
- Exposure Draft 17/09 Proposed Auditing Standard ASA 710 *Comparative Information – Corresponding Figures and Comparative Financial Reports* (Revised and Redrafted)(Re-issuance of ASA 710).

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.

We do, however, note that Exposure Draft 09/09 Proposed Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements* ("ED 09/09") is inconsistent with the international equivalent ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements* ("ISQC 1") in its definition of "firm" and therefore its application. While ISQC 1 refers to "a sole practitioner, partnership or corporation or **other entity of professional accountants**," ED 09/09 refers more broadly to "a sole practitioner, partnership or corporation or **other entity of assurance practitioners**." We understand that this change has been made to accommodate the broader application of ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. However, we believe that ASAE 3000 needs to clarify the education and training requirements of assurance practitioners so that those individuals who are not professional accountants, and who refer to and assert compliance with ASAE 3000, have an appropriate and consistent understanding of the requirements of assurance engagements, including those relating to sufficient and appropriate audit evidence, engagement risk and materiality.

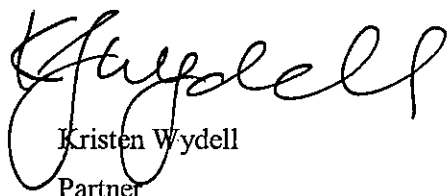
We also note that Exposure Draft 09/09 is inconsistent in a number of areas with the exposure draft of APES 320 *Quality Control for Firms* recently issued by the Accounting Professional and Ethical Standards Board. These inconsistencies are noted in Attachment 1 to this letter. It is both impractical and unhelpful for these two standards to be inconsistent. We strongly recommend the AUASB work with the APESB on an ongoing basis to ensure that the requirements in ASQC 1 and APES 320 applying to firms that undertake assurance engagements in Australia are in themselves consistent and are also consistent with the international equivalent ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements*.

Attachment 1 to this letter sets out our other 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

Exposure Draft 09/09 Proposed Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information, and Other Assurance Engagements*.

Paragraph	Comment
Aus 0.2(b)	<p>Paragraph Aus 0.2(b) states <i>"This Auditing Standard applies to a firm that performs: ... (b) an audit or review of other than historical financial information."</i></p> <p>This sentence is clumsy, and is adequately covered by paragraph Aus 0.2(c). Accordingly, we recommend paragraph Aus 0.2(b) be deleted.</p>
Aus 12.3	<p>Paragraph Aus 12.3 states <i>"for the purposes of the Corporations Act 2001, a firm means an individual, auditor, audit firm or audit company."</i></p> <p>We do not understand the rationale behind the inclusion of this paragraph, and, as currently written, has the potential to suggest that this is the Corporations Act definition of "firm" which is incorrect. Accordingly, we recommend this paragraph be deleted.</p>
Aus 12.4	<p>Paragraph Aus 12.4 provides a definition of "limited assurance," which is not referred to elsewhere in this standard. Accordingly, we do not understand the rationale behind the inclusion of this paragraph, and recommend it be deleted.</p>
Aus 25(b)	<p>Paragraph Aus 25(b) states <i>"The firm shall establish policies and procedures... (b) requiring, for audits of financial reports of listed entities, the rotation of the engagement partner and the individuals responsible for engagement quality control review, and, where applicable, others subject to rotation requirements, after a specific period in compliance with relevant ethical requirements."</i></p> <p>The ED of APES 320, however, requires the rotation of "key audit partners." In addition, paragraph A.14 of ED 09/09 refers to the rotation of the key audit partners after a pre-defined period, normally of no more than seven years, whilst paragraph 34 of the ED of APES 320 refers to no more than five years.</p> <p>To avoid confusion, we recommend the AUASB work with the APESB to ensure that the requirements in ASQC 1 and APES 320 are consistent.</p>
Aus 27(b)	<p>The wording in paragraph Aus 27(b) differs slightly from that in paragraph 42(b) of the ED of APES 320. The rationale for this difference is unclear. We recommend the AUASB work with the APESB to ensure that the requirements in ASQC 1 and APES 320 are consistent.</p>
Aus 53.1	<p>Paragraph Aus 53.1 states <i>"Engagement partners are entitled to rely on the results of the firm's monitoring process in respect of its system of quality control unless otherwise advised by the firm."</i></p> <p>This paragraph duplicates paragraph 4 in ED 10/09 which states <i>"Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise."</i></p> <p>Accordingly, we recommend paragraph Aus 53.1 be deleted.</p>
Aus A6.1	<p>Paragraph Aus A6.1 states <i>"The relevant ethical requirements, for the purposes of</i></p>

	<i>this Standard are contained in APES 110 Code of Ethics for Professional Accountants.</i> The term “relevant ethical requirements” is defined as such at paragraph 12(q) and, accordingly, this paragraph is unnecessary.
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Exposure Draft 10/09 Proposed Auditing Standard ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (Revised and Redrafted)(Re-issuance of ASA 220).

Paragraph	Comment
Aus 7.2	<p>Paragraph Aus 7.2 states “<i>for the purposes of the Corporations Act, a firm means an individual auditor, and audit firm or audit company.</i>”</p> <p>We do not understand the rationale behind the inclusion of this paragraph, and, as currently written, has the potential to suggest that this is the Corporations Act definition of “firm” which is incorrect. Accordingly, we recommend this paragraph be deleted.</p>

Exposure Draft 11/09 Proposed Auditing Standard ASA 210 *Agreeing the Terms of Audit Engagement* (Revised and Redrafted)(Re-issuance of ASA 210).

Paragraph	Comment
Appendix 2	Appendix 2 provides guidance for jurisdictions that do not have authorised or recognised standard setting organisations or financial report frameworks prescribed by law or regulation. We recommend the AUASB clarify the application of this Appendix in the Australian context, given the existence of the AASB and Australian Accounting Standards.

Exposure Draft 13/09 Proposed Auditing Standard ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation* (Revised and Redrafted)(Re-issuance of ASA 402).

Paragraph	Comment
	We recommend the AUASB review GS 007 <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> to ensure it is consistent with the final revised and redrafted ASA 402. For example, GS 007 refers to “Type A and Type B” reports, while this exposure draft refers to “Type 1 and Type 2.”

Exposure Draft 15/09 Proposed Auditing Standard ASA 508 *Litigation and Claims* (Revised and Redrafted)(Re-issuance of ASA 508).

Paragraph	Comment
	Exposure Draft 15/09 contains a number of requirements and application and other explanatory material not contained in the international equivalent ISA 501 <i>Audit Evidence—Specific Considerations for Selected Items</i> (“ISA 501”). However, the

	AUASB has not made any public explanations for its decision to diverge so significantly from ISA 501. We believe such explanations would have been useful for respondents when reviewing this exposure draft.
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Exposure Draft 17/09 Proposed Auditing Standard ASA 710 *Comparative Information – Corresponding Figures and Comparative Financial Reports* (Revised and Redrafted)(Re-issuance of ASA 710)

Paragraph	Comment
Aus 6.1(b)	<p>Paragraph Aus 6.1(b) states “<i>Corresponding figures are not presented as a financial report capable of standing alone.</i>”</p> <p>This objective of this paragraph is unclear and, accordingly, we recommend the AUASB either redraft, or delete this paragraph.</p>