

24 June 2010

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

By email: edcomments@auasb.gov.au

Dear Ms Kelsall

ED 02/10: Proposed Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*

Thank you for the opportunity to comment on Proposed Auditing Standard on Review Engagements ASRE 2415 *Review of a Financial Report – Company Limited by Guarantee*. CPA Australia, the Institute of Chartered Accountants, and the National Institute of Accountants (the Joint Accounting Bodies) have considered the exposure draft (ED) and our comments follow. The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

General Comments

▪ **ASRE 2400 Revised in *Clarity* Format**

We recognise that the proposed ASRE 2415 is a transitional standard and provides an immediate solution to the need to have a legally enforceable standard in place for reviews conducted in accordance with the Corporations Act for periods ending 30 June 2010. However, we believe that this standard creates an anomaly whereby some reviews will be conducted in accordance with a standard revised in *Clarity* format (ASRE 2410), while others are reviewed in accordance with a standard which has not been revised (ASRE 2400).

Neither of the internationally equivalent standards (ISRE 2400 nor ISRE 2410) has been revised in *Clarity* format. However, the AUASB issued its own revised ASRE 2410 as part of the suite of legally enforceable auditing standards in October 2009. We note that as well formatting changes, the revised ASRE 2410 contains several new and changed requirements; most notably in relation to the pre-conditions of the review.

At its meeting in April the Board considered a draft of the ASRE 2400 in *Clarity* format. We recommend that the Board again consider issuing a revised ASRE 2400 in *Clarity* format in order to address this anomaly.

▪ **Transitional Standard**

In the *Explanatory Guide* accompanying this ED, and in the Preface of the ED, it is noted that the standard is a transitional standard that will be revised at a later date. We recommend that this comment be included in the "Introduction" section of the standard to ensure that readers of the standard are clear on this point.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

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nia.org.au

▪ Example Auditor's Review Report

In the *Auditor's Responsibility* section of the "Example Auditor's Review Report" we note that reference is made to this proposed standard (ASRE 2415) only. Therefore, it is not made apparent to readers of the financial report whether or not the practitioner is the auditor of the company; and therefore whether the review has been conducted in accordance with ASRE 2400 or ASRE 2410. We recommend that the wording of the example report be amended to require that the standard used by the practitioner be clearly identified.

Matters on Which Specific Comment Requested

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

We believe that applicable laws and regulations have been appropriately addressed.

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 prevent or impede the application of the standard or conflict with it. However, we note that the need for the proposed standard is predicated on the passing through Parliament of proposed changes to the *Corporations Act 2001*, as part of the Corporate Reporting Reform Bill.

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 on Review Engagements? If there are significant costs, do these outweigh the benefits to the users of audit/review services?

We do not believe that there are any significant costs for auditors and the business community arising from compliance with the requirements of this proposed standard. Indeed, we recognise that the standard complements the Commonwealth Government's initiative to reduce the reporting burden on companies limited by guarantee, through the proposed changes to the *Corporations Act 2001*, as part of the Corporate Reporting Reform Bill.

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

The Joint Accounting Bodies believe that the anomalous situation of having two standards referenced in ASRE 2415, one of which has been revised in *Clarity* format and the other which has not been revised, as being contrary to the public interest. We believe it has the potential to create confusion within the market, and to contribute to a widening of the expectations gap in this area (refer General Comments above).

The joint accounting bodies are committed to assisting where possible in the development and implementation of the highest quality Australian auditing and assurance standards. We hope that the comments provided are of assistance to the AUASB. If you have any questions regarding this submission, please do not hesitate to contact either Gary Pflugrath (CPA Australia) at 02 9375 6244, Andrew Stringer (Institute) at 02 9290 5566, or Tom Ravlic (NIA) at 03 8665 3143.

Yours sincerely



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