

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

Via email to: edcomments@auasb.gov.au

Dear Ms Kelsall

Exposure Drafts (EDs)

18/09: Proposed Auditing Standard ASA 101 *Preamble to Australian Auditing Standards*

19/09: Proposed Auditing Standard ASA 520 *Analytical Procedures*

20/09: Proposed Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*

Thank you for the opportunity to comment on these three AUASB Exposure Drafts. CPA Australia, the Institute of Chartered Accountants and the National Institute of Accountants (the Joint Accounting Bodies) have jointly considered them 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.

This letter is a response to all three exposure drafts. Remarks should be taken as applying to all of the draft standards except where an issue is unique to a specific standard.

Specific Questions

We offer the following comments on the questions posed in the EDs.

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

We believe applicable laws and regulations have been appropriately addressed.

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

We are not aware of any such omissions.

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 such situations.

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 audit services?

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

charteredaccountants.com.au



nia.org.au

In ASA 520 there are four new or elevated requirements with which auditors must comply. Our views on the potential for new or elevated requirements to increase costs for auditors and the business community are expressed in our previous submission on Exposure Drafts provided to the Board in our letter of 17 October 2008.

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

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

General Comments

Drafting Conventions and Paragraph Numbering

The drafting conventions adopted by the AUASB for the *Clarity* project note that where a paragraph is included by the Board which does not have an international equivalent, or where the wording used by the international standard is changed, the paragraph will be denoted by the letters "Aus" before the paragraph number. We note that ASA 101 and ASRE 2410 are standards to be issued by the AUASB which do not have an international equivalent, in the revised and redrafted *Clarity* format. To ensure that the drafting conventions are applied consistently across all standards, we recommend that for each of these standards, the letters "Aus" precede each of the paragraph numbers. (Note: In our submission dated 20 May 2009 we suggested that the Board consider the same approach for ASA 508, should the Board choose to issue it as a separate standard.) Furthermore, we suggest that the Board includes wording in the Preface to ASA 101 indicating that the entire standard is an "Australia-specific" standard and has no equivalent international standard (ISA).

Other Matters

There are several other matters to which we wish to draw the Board's attention.

ED 18/09 Proposed Auditing Standard ASA 101 *Preamble to Australian Auditing Standards*

Paragraphs 5 and 6

Each of these two paragraphs makes reference to a paragraph "Aus 2.1", which does not exist. The reference should be to paragraph 8.

Paragraph 8(b)

The words "auditing standards", used for the second time in the opening sentence, should have capitalised first letters to denote that it is a defined term shown in paragraph 8(a).

Paragraph 12

The words "need not" in the second last line of this paragraph does not create a requirement, although it is in the "Requirements" section of the standard. Being something that an auditor is not required to do, the Board may consider using the wording "shall not". However, if the intention of the Board is to leave it for the auditor to choose whether or not the reasons why a Requirement is not relevant are documented, then the wording "is not required to" could be used.

Paragraph A2

The second sentence of this paragraph details a Requirement imposed upon the auditor, and uses the word "required" We suggest that the Board should move this sentence to create a new "Requirement"; denoted as paragraph 13.

ED 19/09 Proposed Auditing Standard ASA 520 *Analytical Procedures*

No comments

ED 20/09 Proposed Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity

Paragraph 26

The Board should consider whether the Requirement for the auditor to discuss their belief that other information includes a material misstatement of fact should be a discussion with “management and/or those charged with governance”, rather than merely management.

Paragraph A5

This paragraph includes the wording “Relevant ethical requirements as in force at the relevant time”. We suggest including a footnote reference to APES 110, Parts A and B at this wording.

Paragraph A36

- The example included in this paragraph suggests that the auditor considers including an emphasis of matter paragraph in a review report. Given the introduction of “other matter” paragraphs in ASA 706, we believe the wording of the paragraph should suggest that the auditor considers an “emphasis of matter or other matter” paragraph be included in the report. With the introduction of “other matter” paragraph, we suggest that the Board examine the full suite of AUASB’s pronouncements to determine whether references to an “emphasis of matter” paragraph, should also include a reference to an “other matter” paragraph.

- We suggest that the footnote referring to the *Corporations Act* be revised and included in the main body of the paragraph.

The wording of the footnote notes that withholding issuance of a report, or withdrawing from a review engagement, are not options under the *Corporations Act*. This is true for statutorily required reviews of half-yearly reports. However, there may be situations where an auditor performs a review for a client which does not involve a half-yearly report – for example, a review of a quarterly financial report. In these situations, there is no prohibition on withdrawing from an engagement, of withholding the issuance of a report. We suggest that the wording be amended to reflect that the prohibition applies only to reviews of half-yearly financial reports.

Also, as noted in our general comments, as this entire standard is not an internationally equivalent *Clarity* standard, there is no explicit wording with which to comply in drafting this standard. The inability to withdraw from certain engagements is an important matter that should be included in the paragraph.

Paragraphs A55 to A60

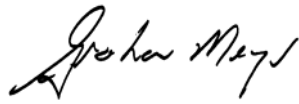
There are no references to these paragraphs, which are included under a heading of “Other Considerations”, in any “Requirements” paragraphs. We suggest references to these paragraphs should be included.

The professional 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



Geoff Rankin
Chief Executive Officer
CPA Australia Ltd



Graham Meyer
Chief Executive Officer
Institute of Chartered
Accountants



Andrew Conway
Chief Executive Officer
National Institute of
Accountants

Copy: Gary Pflugrath; Andrew Stringer; Tom Ravlic