

7 October 2009

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

Dear Ms Kelsall,

**EXPOSURE DRAFT 21/09**  
**Proposed Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.***

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



Simon O'Neill  
**Chairman**  
**ACAG Financial Reporting and Auditing Committee**

**Exposure Draft 21/09**  
**Proposed Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.***

ACAG has reviewed the exposure draft and provides comments below.

**Comment on the proposed ASA 102**

***General Comment***

ACAG supports the proposed standard ASA 102 which will ensure relevant ethical requirements as established in APES 110 are brought within the legislative framework of the AUASB. The issue of this proposed standard will minimise the requirement to make conforming amendments in other AUASB standards as a result of changes to APES 110.

The title of the proposed standard indicates it is an ‘Auditing Standard’, however, proposed ASA 102 also applies to assurance engagements and practitioners *as well as* audits and auditors. We would suggest that the title be changed to ‘Auditing and Assurance Standard’.

We recommend that ethical requirements and references to ethical requirements within other auditing and assurance standards are reviewed with a view to removing duplications and ensuring consistency.

**1. Is the reference to *relevant ethical requirements* in the requirements section of proposed ASA 102 appropriate for the purposes of referencing in other AUASB Standards?**

Yes – we believe that the reference to *relevant ethical requirements* in the requirements section of proposed ASA 102 is appropriate for the purposes of referencing in other AUASB Standards.

**2. Is it appropriate for ASA 102 to state in the application and other explanatory material that the auditor, assurance practitioner and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008) in determining whether the requirements of ASA 102 has been met?**

Yes – we believe it is appropriate for ASA 102 to state in the application and other explanatory material that the auditor, assurance practitioner and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008) in determining whether the requirements of ASA 102 has been met.

However, we recommend the proposed ASA 102 also refer to other ethical pronouncements, such as APES 320. We also recommend that the proposed standard include a statement that indicates that ‘relevant ethical requirements’ are not necessarily limited to those specifically named in the standard.

**3. Have applicable laws and regulations been appropriately addressed and included in the proposed standard?**

Yes – we believe that applicable laws and regulations have been appropriately addressed and included in the proposed standard.

**4. 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?**

No – we believe that there are no laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard.

However, we feel it would be prudent to include in ASA 102 the following paragraph contained in APES 110 Section 290 under the Preface heading.

*‘The statutory independence of Auditors-General is provided for in legislation by the Parliament of each Australian jurisdiction in a number of ways. This includes defining the scope of the Auditor-General’s mandate, the appointment and removal of the Auditor-General and the performance of his or her responsibilities. The requirements within this Code should apply to Auditors-General and their senior officers who are delegated or authorised to sign assurance reports, to the extent that they do not conflict with such legislation.’*

This is because Auditors-General can face particular independence issues under their mandate that do not exist in the private sector.

**5. 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 any significant costs, do these outweigh the benefits to the users of audit services?**

No – we believe that there will not be additional significant costs to/ benefits for auditors and the business community arising from the creation of ASA 102, as these ethical requirements are already being adhered to as part of APES 110.

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

No – we have not identified any other significant public interest matters.

**Other Comments**

We note that this proposed standard would result in conforming amendments to draft clarity standards ASQC 1, ASA 220 and ASA 200.