

7 October 2009

Ms. Merran H Kelsall
Chairman
Auditing and Assurance Standards Board
Level 7, 600 Bourke Street
Melbourne Vic 3000

Dear Merran,

Re: AUASB's Exposure Draft ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*

Thank you for the opportunity to comment on the above exposure draft. Subject to the comments noted below, APESB supports AUASB's issue of the proposed ASA 102.

Relevant Ethical Requirements should be a defined term

We note that ASA 102 does not include a definition of Relevant Ethical Requirements. The IAASB glossary, International Standards on Auditing (ISAs) and International Standards on Quality Control (ISQC) all define Relevant Ethical Requirements as ordinarily being Part A and B of the *IFAC Code of Ethics*.

From an Australian context, we would like to bring to your attention that the revised APES 320 *Quality Control for Firms* (APES 320) defines Relevant Ethical Requirements as comprising Part A and B of APES 110 *Code of Ethics for Professional Accountants*. This is consistent with the international approach.

Accordingly, we strongly recommend that AUASB defines this term in line with IAASB Standards and existing APESB standards in Australia.

Compliance with Relevant Ethical Requirements

We note that application paragraph A1 states that the auditor, assurance practitioner, and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants*. We are concerned that the use of the term "have regard to" implies that APES 110 is not mandatory and it is something the auditor should consider. Further, this term is not consistent with paragraph 5 of the proposed ASA 102 which mandates that the auditor must comply with relevant ethical requirements.

As you would be aware, APES 110 is mandatory for the members of the three professional accounting bodies in Australia and we are concerned that the proposed ASA 102 is creating a lower standard. Further, an assurance practitioner who is not a member of one of the professional accounting bodies could read the proposed ASA 102 requirement to comply with relevant ethical requirements as guidance. This could potentially lead to confusion in the market place as members of the accounting profession must follow APES 110 regardless of ASA 102 (as it is an already existing mandatory professional requirement) whilst in the case of non members it could be read as guidance.

Recommendation

We recommend that AUASB define Relevant Ethical Requirements in ASA 102 as being Part A and B of APES 110 and modify application paragraph A1 by removing the term “have regard to.”

If you would like to discuss further or require any additional information, please do not hesitate to contact me or Channa Wijesinghe, Technical Director on (03) 9642 4372 or email at channa.wijesinghe@apesb.org.au .

Yours sincerely



Kate Spargo
Chairperson