

27 January 2009

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)

23/08: Proposed Auditing Standard ASA 530 *Audit Sampling*

24/08: Proposed Auditing Standard ASA 610 *Using the Work of Internal Auditors*

Thank you for the opportunity to comment on these two 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, academia throughout Australia and internationally.

This letter is a response to both exposure drafts. Remarks should be taken as applying to both 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

Across the two EDs there are 16 elevated requirements with which auditors must comply, while 3 existing requirements have been removed as they are covered in the requirements of other Auditing Standards. This may result in increased costs for auditors and the business community. Our views on this matter 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.

Other Matters

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

ED 23/08 (Proposed ASA 530 *Audit Sampling*)

We note that the proposed standard currently contains no reference to documentation requirements, such as the need to document the reasons for choosing a sample size and sample method. We suggest the addition of an Aus paragraph highlighting that the following should be documented as a minimum:

- Sample size chosen and reasons why
- Sample method chosen and reasons why
- Reasons for choosing any replacement item on which to perform audit procedures
- Nature and causes of deviations and misstatements
- Evaluation of results of audit sampling.

ED 24/08 (Proposed ASA 610 *Using the Work of Internal Auditors*)

Paragraph 7

We draw to the Board's attention that the Institute of Internal Auditors defines internal audit as follows:

"Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes."

This is not consistent with the definition of the internal audit function contained in the proposed standard:

"Internal audit function means an appraisal activity established or provided as a service to the entity. Its functions include, amongst other things, examining, evaluating and monitoring the adequacy and effectiveness of internal control."

We acknowledge that this is an external auditing standard which sets out an external auditor's understanding of an internal audit function. However, we raise this matter because the lack of a shared understanding of the role of internal audit introduces the possibility that there may be unintended ramifications which the Board should consider.

Paragraph 9

The location of "(Ref: Para. A4)" should be moved to the end of the first sentence of paragraph 9 and before the colon, as its current location at the end of paragraph 9(d) could be taken to infer that the reference only relates to paragraph 9(d).

Paragraph 10

The above comment is also applicable to the location of "(Ref: Para. A5)" at the end of paragraph 10(c).

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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Copy: Gary Pflugrath; Andrew Stringer; Tom Ravlic