

15 December 2005

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Dear Merran

**Comments on Group 2 Exposure Drafts of Proposed Auditing Standards issued by the Auditing and Assurance Standards Board (AUASB)**

Thank you for the opportunity to comment on the following Exposure Drafts (EDs) of proposed Auditing Standards issued by the AUASB on the 28 October 2005:

- **Exposure Draft ED 6/05**, Proposed Foreword to AUASB Pronouncements
- **Exposure Draft ED 7/05**, Proposed Auditing Standard: Preamble to AUASB Standards
- **Exposure Draft ED 8/05**, Proposed Auditing Standard: Objective and General Principles Governing an Audit of a Financial Report (Re-issuance of AUS 202)
- **Exposure Draft ED 9/05**, Proposed Auditing Standard: Terms of Audit Engagements (Re-issuance of AUS 204)
- **Exposure Draft ED 10/05**, Proposed Auditing Standard: Quality Control for Audits of a Financial Report (Re-issuance of AUS 206)
- **Exposure Draft ED 11/05**, Proposed Auditing Standard: Audit Documentation (Re-issuance of AUS 208)
- **Exposure Draft ED 12/05**, Proposed Auditing Standard: The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report (Re-issuance of AUS 210)
- **Exposure Draft ED 13/05**, Proposed Auditing Standard: Other Information in Documents Containing Audited Financial Reports (Re-issuance of AUS 212)
- **Exposure Draft ED 14/05**, Proposed Auditing Standard: Consideration of Laws and Regulations in an Audit of a Financial Report (Re-issuance of AUS 218)
- **Exposure Draft ED 15/05**, Proposed Auditing Standard: Planning an Audit of a Financial Report (Re-issuance of AUS 302)
- **Exposure Draft ED 16/05**, Proposed Auditing Standard: Audit Considerations Relating to Entities Using Service Organisations (Re-issuance of AUS 404)
- **Exposure Draft ED 17/05**, Proposed Auditing Standard: Initial Engagements – Opening Balances (Re-issuance of AUS 510)
- **Exposure Draft ED 18/05**, Proposed Auditing Standard: Analytical Procedures (Re-issuance of AUS 512)

- **Exposure Draft ED 19/05**, Proposed Auditing Standard: Management Representations (Re-issuance of AUS 520)
- **Exposure Draft ED 20/05**, Proposed Auditing Standard: Auditing Fair Value Measurements and Disclosures (Re-issuance of AUS 526)
- **Exposure Draft ED 21/05**, Proposed Auditing Standard: Using the Work of an Expert (Re-issuance of AUS 606)
- **Exposure Draft ED 22/05**, Proposed Auditing Standard: Subsequent Events (Re-issuance of AUS 706)
- **Exposure Draft ED 23/05**, Proposed Auditing Standard: Going Concern (Re-issuance of AUS 708)

CPA Australia, in consultation with its Financial Reporting & Governance Centre of Excellence (CoE), has considered the above Exposure Drafts and articulates its general comments in this letter. Technical and editorial comments are appended. For each comment, CPA Australia has also provided suggestions for the AUASB's consideration. This letter is in addition to the letter, dated 15 December 2005, submitted jointly by CPA Australia, BDO, Deloitte, Ernst & Young, Grant Thornton, KPMG, PKF, PricewaterhouseCoopers, The Institute of Chartered Accountants in Australia and the National Institute of Accountants.

### ***General Comments***

Based on the 26 EDs released thus far by the AUASB, CPA Australia is generally supportive of the approach proposed by the AUASB in the re-drafting of Auditing Standards and their subsequent re-issuance as legal instruments.

CPA Australia continues to hold the view that proposals to elevate existing explanatory guidance to mandatory requirements be deferred to *Phase 2*. We urge the AUASB to give this matter its urgent attention. Such elevations should only be considered where there is a demonstrable need such as to comply with unique aspects of the Australian regulatory environment. These scenarios are envisaged to be rare. With an intended operative date of 1 July 2006, dramatic changes to the proposed Auditing Standards from the existing standards would not allow adequate time for adoption by affected entities and their auditors. There would also be insufficient time to adequately educate the wider general public. Clearly, this would not be in the public interest. Further, this proposal is also in line with the AUASB decision to adopt a two-phase strategy to the re-drafting and re-issuance of Auditing Standards as legal instruments, and that *Phase 1* is to focus on ensuring legal enforceability. This would enable constituents to be clear as to their obligations arising from each phase.

CPA Australia reiterates its recommendation to the AUASB to consider providing marked-up copies of subsequent EDs without which attempts to identify proposed changes have proven to be challenging. It is CPA Australia's understanding that marked-up copies of the EDs are currently prepared and presented as AUASB board papers. Given that AUASB meetings are held as public meetings, providing finalised marked-up copies of the EDs to respondents would not constitute confidential documents and their provision should not require significant additional effort from the technical staff.

## ***Specific Comments***

### ***1. Ethical Requirements in Auditing Standards***

CPA Australia and the Institute of Chartered Accountants issued a media release on the 2 November 2005 announcing the establishment of the new independent Accounting Professional Ethical Standards Board (APESB) whose functions are to promulgate, review and oversee ethical and professional standards. Members of the APESB will be appointed by early January 2006. The APESB will play a critical role in ensuring that Australia continues to have the highest quality ethical and professional standards which will have the force of law concurrently with the introduction of the new Auditing Standards on 1 July 2006. CPA Australia considers that given references to ethical standards are contained in selected requirements and guidance paragraphs of ED 7/05, ED 8/05, ED 10/05, ED 14/05 and ED 15/05, it is appropriate that the AUASB make references to the APESB in the proposed Auditing Standards. This is consistent with the International Standards on Auditing (ISAs) which make references to the issuing body of the international ethical and professional standards, for example ISA 200 *Objective and General Principles Governing an Audit of Financial Statements*. CPA Australia is fully committed to ensuring Australia has in place a set of high-quality Professional Standards. As such, CPA Australia is currently undertaking a review of the Joint Code of Professional Conduct and APS 5 in view of the new legislative regime and the likely impacts for members.

### ***2. Clarity of International Auditing and Assurance Board (IAASB) Standards Project***

The IAASB released four proposed ISAs (redrafted ISA 240, redrafted ISA 300, redrafted ISA 315, and redrafted ISA 330) which have been redrafted to reflect new drafting conventions resulting from the IAASB Clarity Project on the 31 October 2005. Although the AUASB has not expressed its intentions in terms of adopting outcomes of the Clarity Project in its new Auditing Standards, CPA Australia agrees with the AUASB's adoption of a "wait-and-see" approach in relation to the developments of the Clarity Project. As emphasised earlier, with an intended operative date of 1 July 2006, dramatic changes to the proposed Auditing Standards from the existing standards would not allow adequate time for adoption, not to mention insufficient time available to the AUASB to undertake a full review of the impact of the Clarity Project's proposals should they be adopted in Australia.

### ***3. Professional Judgement***

CPA Australia commends and recognises thought leadership of the AUASB by inclusion of a requirement mandating the exercise of professional judgement by auditors in the conduct of the audit as well as guidance which defines professional judgement. Notwithstanding this comment, CPA Australia considers that the highest quality auditing standards are those that are internationally recognised. The AUASB should also endeavour to bring to bear at the international arena thought leadership such as that presented in this instance. The AUASB should consider exerting more influence with the international standard setter rather than have Australia move in a different direction or ahead of the international standards.

#### 4. Application of Auditing Standards

The "Application" paragraph in the Auditing Standards sets out their applicability to audits of financial reports performed in accordance with the Corporations Act (2001) as well as audits of financial reports performed for other purposes. As such, CPA Australia urge the AUASB to give considerations to the diversity of potential users of Auditing Standards in the re-drafting exercise. Such considerations are especially critical for those mandatory requirements which relates to the concepts of professional scepticism, professional judgement and relevant ethical requirements. For requirements of these nature, variability in procedures undertaken and principles followed will result for a range of reasons e.g. individuals belong to different professional bodies will abide by different codes of conduct. Come 1 July 2006 when Auditing Standards are granted the force of law, unless auditors are clear on their obligations, non-compliance will see significant consequences.<sup>1</sup> The AUASB should assess the need for additional guidance in the market place on a timely and continuous basis.

#### 5. Small Entity Considerations

Paragraph 26 of the *Preamble* states that, "wherever necessary, small entity considerations are included in the body of the relevant AUASB standards. It is inferred from the paragraph that it is probably the intention of the AUASB to include small entities considerations in the respective Auditing Standards and withdraw AGS 1048 *The Special Considerations in the Audit of Small Entities*. CPA Australia is of the view that the AUASB re-consider the withdrawal of AGS 1048. Although the proposed Auditing Standards contains explanatory guidance specific to small entity audits, AGS 1048 takes a further step. To facilitate the adoption of the new Auditing Standards by auditors of small entities, CPA Australia strongly urge the AUASB to retain AGS 1048 and look to expanding the pronouncement to include guidance that addresses additional matters for example, how the new Auditing Standards having the force of law would impact small entity audits as well as small entity audits considerations in relation to new requirements in the Auditing Standards.

CPA Australia is committed to the development of high quality Auditing Standards in Australia. We hope the comments provided will be constructive to the AUASB's continued development of statutory Auditing Standards in Australia.

If you have any questions regarding this submission, please do not hesitate to contact Jessie Wong, CPA's Technical Adviser, Financial Reporting and Governance on +61 3 9606 3902 or by email: [jessie.wong@cpaaustralia.com.au](mailto:jessie.wong@cpaaustralia.com.au).

Yours sincerely



**Peter Lowe CPA**  
Chief Executive  
CPA Australia

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<sup>1</sup> The mandatory requirement in paragraph 1(b) of the "Application" section states that the Auditing Standards apply to an audit of a financial report for any other purposes. Although these audits are not caught by the requirements of the Corporations Act (2001), in dealing with referred cases of non-compliance, references to the Auditing Standards will be made by the Australian Securities and Investments Commission or the Company Auditors and Liquidators Disciplinary Board.

**APPENDIX**

Paragraph Number in Proposed ED	Line Number	Comment(s)	Suggestion(s)
<b>Exposure Draft ED 6/05 Proposed Foreword to AUASB Pronouncements</b>			
-	Authority Statement	Given that it is the intention of the AUASB that this ED not be issued as an Auditing Standard, the AUASB should consider that this intention be made explicit in the Authority Statement to the Foreword.	Under the header 'Main Proposals' in the Preface section of the ED, it is currently stated that, "The proposed <i>Foreword to AUASB Pronouncements</i> does not itself establish mandatory requirements for the performance of audit, review, assurance or related service engagements. Accordingly, the AUASB does not intend to issue the proposed <i>Foreword to AUASB Pronouncements</i> as an Auditing Standard.' Consider including a statement to this effect in the Authority Statement
-	-	All pronouncements issued by the AUASB contains a paragraph relating to the copyright of the pronouncements. Since the objective of the Foreword includes setting out the range of pronouncements issued by the AUASB, the Foreword should also be explicit as to the copyrights of existing and new pronouncements.	Consider including guidance to clarify the copyrights to the pronouncements previously issued by AARF and the new pronouncements issued by the AUASB.
11	2	The Foreword defines public interest as, "acting for the good of stakeholders by facilitating confidence and reliability ...". However, it is lacking in the proposed Foreword clarity as to who constitutes the "stakeholders".	The IAASB in their latest annual report defines stakeholders to include "international regulators, national standard setters and the public". The FRC also dedicated a section of their latest annual report to discussing stakeholder liaison. The AUASB may like to consider the above in formulating and clarifying the Board's definition of "stakeholders".
17	-	This paragraph sets out the AUASB meeting and voting procedures. However, precise details are set	Consider making reference to the AUASB governance guidelines in the Foreword so that constituents are made

		out in the AUASB Governance Guidelines posted on the AUASB website.	aware of this document which contains important protocols followed by the AUASB.
18	5,6,7	The paragraph sets out that the agenda and location of the meeting would be made available on the AUASB website one week in advance in the interest of members. The Foreword does not currently address the availability of the meeting papers.	As pointed out earlier in the attached letter, given that AUASB meeting are held as public meetings, provision of meeting papers in advance will greatly encourage public's participation at these meetings. Further, participants will get a lot more from their attendance if papers are made available.
41	7,8	The paragraph sets out that the AUASB intends that the exposure periods for its EDs to be between 45-60 days.	CPA Australia strongly urge the AUASB to allow 90 days, with a <i>minimum</i> of 60 days for the majority of its EDs and only 45 days in rare and exceptional circumstances. Exposure period should not be less than 45 days in order for constituents to have adequate time to consider and formulate their responses to the EDs. It should be noted that the IAASB allows for exposure periods of 90-120 days in their due process and working procedures document on the IAASB website. The AASB also generally allow at least 3 months for its EDs (AASB Policy Statement 1, paragraph 24)
<b>Exposure Draft ED 7/05 Preamble to AUASB Standards</b>			
-	Authority Statement	Authority statements in other proposed Auditing Standards contains the paragraph, "This Auditing Standards is to be read in conjunction with the <i>Preamble to AUASB Standards</i> ..." A paragraph to a similar effect should be added to the authority statement in the proposed Preamble to ensure consistency.	Consider adding a paragraph such as the one below to the authority statement in the <i>Preamble</i> : "AUASB Standards should be read in conjunction with the <i>Preamble to AUASB Standards</i> "
5(b), (c)	-	Paragraph 5(b) and 5 (c) refer to other uses of the Auditing Standards is inappropriate to come under the header "Auditing Standards made under s336 of the Corporations Act." Powers of the AUASB explicit in those sub-sections are grant under section 227(B)(1) of the <i>ASIC Act 2001</i> .	Consider amending header accordingly.

14	-	In addition to the mandatory requirements contained in the Auditing Standard applicable to review engagements, in the case of such engagements, it should be clarified that the auditor should also comply with the requirements set out in the <i>Preamble</i> . [Noting that the paragraph refers to Auditing Standard as a singular term]	Consider re-writing paragraph as follows: In the case of a review engagement, the auditor is required to apply the mandatory requirements contained only in the specified standard applicable to that review engagement as well as those contained in the <i>Preamble</i> . There is no requirement to apply the mandatory requirements of other AUASB Standards.
17	-	Claim that Explanatory Guidance is not intended to limit the application of mandatory requirements is refutable. See examples provided in the comments to the individual EDs in the remainder of this submission.	Consider amending the <i>Preamble</i> accordingly.
21	1	Usage of the word “function” appears to imply that the application paragraph set out what the Auditing Standards is supposed to do i.e. main features of the Auditing Standards. This is clearly not the case.	Consider replacing the word “function” with words such as “ambit”, “scope” and “application” etc.
30(b)	1	Clarification is needed as to what “substantially” is intended to mean e.g. greater than 50% guidance retained, guidance retained in substance etc.	Consider including explanation on the protocol observed by the AUASB in determining the extent to which additions/deletions/ amendments are permitted before an Auditing Standard is deemed not to conform to the equivalent ISA should be clarified.
34	4,5	Minor wording change.	Consider replacing “international standards” with “International Standards on Auditing” or “standards issued by the IAASB”.
38	-	Refer to “Ethical Requirements in Auditing Standards” section in the comment letter.	Consider adding appropriate reference to the Accounting Professional and Ethical Standards Board (APESB) in this paragraph.
39	1,2	It is not clear from the paragraph what is meant by “factors outside the auditor’s control”. It is noted that this is a departure from the international	Consider providing further guidance or re-writing the sentence as follows: Where, in rare and exceptional circumstances, factors

		equivalent ISA 230, "Audit Documentation".	unrelated to the planning and conduct of the audit and are outside the auditor's control prevent the auditor from complying with a relevant mandatory requirement, ..."
<b>Paragraph Number in Proposed ED</b> (Line Number)	<b>Status</b> (Requirement, Guidance, Footnote or Appendix)	<b>Comment(s)</b>	<b>Suggestion(s)</b> [Amendments underlined]
<b>Exposure Draft ED 8/05</b> Proposed Auditing Standard: <i>Objective and General Principles Governing an Audit of a Financial Report (Re-issuance of AUS 202)</i>			
9 (2)	Guidance	Minor editorial.	Amend as follows: "As discussed in AUS 206, "Quality Control for Audits of a Financial Report", relevant ethical requirements relating to audits of a financial report ordinarily comprise ..."
10 (3)	Guidance	Minor editorial.	Amend as follows: "The explanatory paragraphs <u>in</u> and any appendices <u>to</u> Auditing Standards..."
24 (1)	Requirement	CPA Australia is concerned that the proposal to amend the phrase "shall obtain" in several mandatory requirements to "shall seek to obtain" may result in a watering-down of the standard which then raises the important question of whether the proposed Auditing Standard is still able to claim ISA compliance. This is aggravated by that fact that this paragraph takes the status of a mandatory requirement in the Australian Standard, yet being less stringent, compared to that of being explanatory guidance in the ISA. Also, the choice of words seems to be inconsistent with the proposal to use "shall endeavour to obtain" in other EDs such as ED	Consider reverting to wordings in ISA 200, paragraph 17.



		19/05, "Management Representations".	
Footnote 2, 34 (5)	Footnote/ Guidance	First reference to a specific Auditing Standard. To be written in full.	Consider including full name of the Auditing Standard being referred to.
35 (6)	Guidance	Minor editorial.	Amend as follows: "...the auditor is required to consider whether the effect of identified uncorrected misstatements, both individually and in the aggregate ..."
Footnote 8	Footnote	"Auditing" to be added before "standard" in order to be consistent with other EDs.	Consider amending as follows: "The term "management" has been used in this <u>Auditing Standard</u> to describe those responsible for ..."
44 (7)	Guidance	Reference to International Public Sector Accounting Standard to also include reference to the issuing body. This is seen in paragraph 6, 51, 57 as well as the conformity statement.	Consider amending as follows: "For example, the International Public Sector Accounting Standard (IPSAS), "Financial Reporting Under the Cash Basis of Accounting," promulgated by the <u>International Public Sector Accounting Board</u> states that..."
44 (14)	Guidance	Amending "financial statements" to "financial report" to Australian-ise the standard would require the word "complete" to be deleted. In Australia, <i>Corporations Act (2001)</i> requires a financial report to contain all the required components as explicit in the paragraph. Put differently, when references are made to a financial report, it is always complete with the required components .	Amend as follows: "A <del>complete</del> financial report as defined under sections 295 and 303 of the <i>Corporations Act 2001</i> and AASB 101 ..."
61 (1)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: "Pursuant to paragraph 10 of this <u>Auditing Standard</u> , the auditor <u>is required to</u> refers to AUS 802 when expressing an opinion on ..."
63 (3)	Guidance	Title of ISA 200 is incorrect.	Amend as follows: "Except as noted below, this Auditing Standard conforms with

			International Standard on Auditing ISA 200, "Objective and General Principles Governing an Audit of a Financial Report Statements" ...
<b>Exposure Draft ED 9/05</b> Proposed Auditing Standard: <i>Terms of Audit Engagements</i> (Re-issuance of AUS 204)			
General	Guidance	Addition of "ordinarily" not reflected in the appendix "Table of Proposed Changes from AUS 204". This is also observed in other EDs.	Subsequent EDs and their respective attachments to be checked to ensure completeness.
17-22	Requirement/ Guidance	The words "applicable" and "acceptable" are used inconsistently to describe the "financial reporting framework (FRF)" in ED 9/05, paragraphs 17 to 22 and ED 8/05, paragraphs 46 to 58. It appears that the essence of the paragraph is that management select the "applicable" FRF and the auditor determines whether it is an "acceptable" FRF. Although ED 8/05, paragraph 47 explicits that "acceptable" are referred to as "applicable" in the Auditing Standards and that the terms are being used interchangeably in some EDs.	Consider clarification of relevant paragraphs by using only one word consistently in the Auditing Standards.
Appendix 1	Guidance	References to financial statements in paragraph 8 to be updated to reflect naming of financial statements to correspond to AASB 101 <i>Presentation of Financial Statements</i> [ <i>Corporations Act (2001)</i> s.295 defined "financial statements" as that required by the Accounting Standards"]	Financial statements to be renamed to the balance sheet, the income statement, the statement of changes in equity and the cash flow statement.
<b>Exposure Draft ED 10/05</b> Proposed Auditing Standard: <i>Quality Control for Audits of a Financial Report</i> (Re-issuance of AUS 206)			
3	Guidance	Proposed table of changes describes the	Consider re-writing the sentence as follows to ensure

(4)		<p>proposed change as “removing the need ... to read in conjunction with the Joint Code of Professional Conduct. This is considered inappropriate for the following reasons:</p> <ul style="list-style-type: none"> <li>• The deleted sentence constitutes explanatory guidance hence it does not constitute an essential procedure or basic principle. Thus use of the word “need” is inappropriate.</li> <li>• Since ED 10/05 has close relevance to the relevant ethical requirements, deletion of guidance to auditor to bear in mind the relevant ethical requirements whilst reading the re-issued AUS 206 lowers the quality of the new Auditing Standard compared to the existing AUS 206 and equivalent ISA. This is clearly not in the public interest.</li> <li>• This is merely “the presence of an implied obligation” situation” which should be treated in the ways set out in the <i>Preamble</i> rather than to be deleted.</li> </ul>	<p>consistency with other EDs:  “<i>This Auditing Standard is ordinarily read in conjunction with relevant ethical requirements.</i>”</p>
4(2), 20(4)	Guidance	References to requirements and guidance to be updated to ensure consistency with other EDs.	Amend as follows: “Requirements” to be renamed “mandatory requirements” and “guidance” to be renamed “explanatory guidance”.
8 (l)	Guidance	ASIC Regulation 2AC states: For the definition of <i>professional accounting body</i> in subsection <u>5(1)</u> of the Act, the following bodies are prescribed: (a) CPA Australia; (b) The Institute of Chartered Accountants in Australia; (c) National Institute of Accountants.  Proposed use of the word “includes” has the implication of widening the definition of “professional accounting body” and is inconsistent with <i>ASIC Regulations 2001</i>	Amend as follows” “Professional accounting body” – The following bodies are prescribed: <ul style="list-style-type: none"> <li>• CPA Australia;</li> <li>• The Institute of Chartered Accountants in Australia; and</li> <li>• National Institute of Accountants.</li> </ul>

8 (o)	Guidance	8(o) does not exist in the ED although a change is reflected in the Appendix.	-
13 (8)	Guidance	Minor amendment to proposed wordings to ensure consistency.	Add word as follows: “...have not complied with <u>relevant</u> ethical requirements ...”
26 (para 2) (1)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “Pursuant to <u>AUS 202</u> , the engagement team’s responsibilities is required to <del>include</del> maintaining an objective state of mind and an appropriate level of professional scepticism ...”
26 (para 2) (6,7)	Guidance	The sentence in its current form is not easily understood. Minor sentence structure correction recommended.	Consider amending as follows: “Appropriate communication <u>ordinarily</u> occurs within the engagement team”.
31 (8)	Guidance	The sentence “the engagement partner need not review all audit documentation” restricts the application of the mandatory requirement in paragraph 30.	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that “Explanatory Guidance is not intended to limit mandatory requirements or the auditor’s obligations under AUASB Standards”. Consider excluding the above sentence in the <i>Preamble</i> .
35 (7)	Guidance	Minor editorial.	Amend as follows: “Pursuant to paragraph 34 of this Auditing Standard, conclusions resulting from consultations...”
39 (1)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “As necessary, the engagement partner <u>ordinarily</u> informs members of the engagement team...”
44 (para 2) (2)	Guidance	Addition of words to explanatory guidance required resultant of proposed elevation of part of paragraph 40. To acknowledge engagement quality control reviews performed for i) audits of a financial report of listed entities and ii) other audits where a review is performed.	Consider amending as follows: “Engagement quality control reviews for audits of a financial report of listed entities, or <u>other audit engagements where an engagement quality control review is performed</u> may, depending on the circumstances, include some or all of these considerations.”

**Exposure Draft ED 11/05**Proposed Auditing Standard: *Audit Documentation* (Re-issuance of AUS 208)

11	Guidance	The paragraph provides guidance as to what the auditor would ordinarily exclude from the audit documentation. Review notes are mostly removed at the conclusion of an audit after being actioned upon by members of the audit team and those further audit procedures performed had been documented in the audit working papers. Review notes do not fall into any category currently described in paragraph 11.	Consider providing appropriate guidance regarding the treatment of review notes.
18 (8)	Guidance	CPA Australia is of the view that summaries on audit documentation are useful to all audits and that a specific mention of large and complex audits are not-warranted. Given it is set out in the <i>Preamble</i> that the Auditing Standards apply equally to all entities regardless of type, specific references to large and/or complex audits should be avoided unless there is a demonstrable need. Further, this may also create unintentional negative perceptions of the quality of audits of medium or smaller entities.	Consider deleting references to large and complex audits. This comment applies to all such instances.
19 (3)	Requirement	Minor editorial.	Amend as follows: “The auditor shall, <u>on a timely basis</u> , document discussions of significant matters with those charged with governance, management and others <del>on a timely basis</del> .”
27	Guidance	The paragraph states that where a mandatory requirement is not relevant, the auditor is not required to document the circumstances for non-compliance. Unforeseen changes in circumstances may arise to cause a requirement not previously relevant to subsequently become relevant (after the 60 day period). Guidance as to what the	Consider including guidance which set out the implications on the auditor in the event a requirement not previously relevant subsequently become relevant due to changes in circumstances.

		auditor's obligations are under these circumstances is required. It is envisaged that such guidance will be especially important when auditors are held to have failed to complied with para 25 as a result of the circumstances described above.	
28(b), 29	Requirement/ Guidance	The proposed mandatory requirement assumes that there is a reviewer for every audit and this may not always be the case (e.g. sole practitioners). This is also acknowledged by the proposed elevation of paragraph 40 in ED 10/05 which differentiates between audits of financial reports of listed entities and other entities.	Consider amending para 28(b) as follows: "where applicable, who reviewed the audit work performed and the date and extent of such review."  Consider amending para 29 as follows: " <u>Where applicable</u> , the requirement to document who reviewed the audit work performed ..."
34	Guidance	The paragraph currently focuses primarily on the requirements of the <i>Corporations Act (2001)</i> . Acknowledgement should also be given to the presence of other regulatory requirements e.g. the GST Act	Consider adding to the paragraph guidance to acknowledge the presence of other regulatory requirements.
<b>Exposure Draft ED 12/05</b> Proposed Auditing Standard: <i>The Auditor's Responsibility to Consider Fraud in an Audit of a Financial Report (Re-issuance of AUS 210)</i>			
General	Guidance	General divergence in the wordings of qualifiers from what is stipulated in the <i>Preamble</i> . For example: Paragraph <ul style="list-style-type: none"> <li>• 26: <u>As required by</u> AUS 202, the auditor plans and performs an audit ...</li> <li>• 37: <u>As required by</u> AUS 402, to obtain an understanding of the entity ...</li> <li>• 64: ... the auditor's conclusion <u>as required by</u> paragraph 118.</li> <li>• 87: <u>As required by</u> AUS 406, the auditor, based on the audit procedures...</li> </ul>	Consider replacing proposed qualifiers with those proposed in the <i>Preamble</i> .

4 (1-3)	Guidance	Add words to ensure consistency with other EDs and delete redundant words in sentence.	Consider amending as follows: The purpose of this Auditing Standard is to establish <u>mandatory</u> requirements and to provide <u>explanatory guidance on establish basic principles and essential procedures and to provide guidance on the auditor's responsibility ...</u>
4 (9-11)	Guidance	Add words to ensure consistency with other EDs	Consider amending as follows: The <u>mandatory</u> requirements and <u>explanatory</u> guidance in this Auditing Standard are intended to be integrated into the overall audit process.
24 (2)	Guidance	Implied obligation in explanatory guidance. Suggestion is in line with the proposed re-drafted AUS 202.	Consider amending as follows: "In accordance with <u>AUS 202</u> , an auditor conducting an audit in accordance with Auditing Standards seeks to obtain reasonable assurance that the financial report ..."
25 (1-3)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: "When obtaining reasonable assurance, an auditor maintains an attitude of professional scepticism throughout the audit, <u>ordinarily</u> considers the potential for management override of controls and <u>ordinarily</u> recognises the fact that audit procedures that are effective for detecting error may ..."
31 (3)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: "This discussion <u>ordinarily</u> places particular emphasis on the susceptibility of the entity's financial report to material misstatement due to fraud. The discussion <u>ordinarily</u> includes the engagement partner who uses professional judgement, prior experience ..."
37 (1-3)	Guidance	Amend proposed wordings to ensure consistency with <i>Preamble</i> .	Consider amending as follows: "As required by <u>Pursuant to AUS 402</u> , to obtain an understanding of the entity and its environment, including its internal control, the auditor <u>is required to</u> perform risk assessment procedures."

40 (6)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “This is <u>ordinarily</u> taken into account by the auditor when identifying the risks of material misstatement due to fraud.”
41 (6)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “For entities with multiple locations, the auditor <u>ordinarily</u> inquires about the nature and extent of monitoring of operating locations...”
48 (8)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “Since the responsibilities of those charged with governance and management may vary by entity, <u>pursuant to paragraph 47</u> it is important that the auditor...”
62 (a,b,c)	Guidance	Implied obligation in explanatory guidance. It is noted that this does not constitute a scenario described by paragraph 47(f) of the <i>Preamble</i> .	Consider amending as follows: “To assess the risks of material misstatement due to fraud the auditor uses professional judgement and <u>ordinarily</u> : (a) identifies risks ...; (b) relates the ...; and (c) considers ...”
81 (6)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “In designing and performing audit procedures to test the appropriateness of journal entries recorded in the general ledger other adjustments made in the preparation of the financial report <u>accordance with paragraph 80</u> , the auditor ordinarily ...”
82 (Bullet point 5) (11)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “In audits of entities that have several locations or components, consideration is <u>ordinarily</u> given to the need to select journal entries from multiple locations.”
84 (6)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “In reviewing accounting estimates for biases that could result in material misstatement due to fraud <u>pursuant to paragraph 80</u> , the auditor ordinarily ...”



84(a) (5)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “which case the auditor <u>ordinarily</u> reconsiders the estimates taken as a whole...”
86 (1)	Guidance	Proposed qualifier inappropriate. Guidance in substance describes mandatory requirement in paragraph 80(c).	Consider amending as follows: “ <u>Pursuant to paragraph 80</u> , The auditor ordinarily obtains an understanding of the business rationale ...”
106 (5)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “... <u>pursuant to paragraph 105</u> the auditor is required to include such internal control deficiencies in the communication of audit matters of governance interest”
<b>Exposure Draft ED 13/05</b> Proposed Auditing Standard: <i>Other Information in Documents Containing Audited Financial Reports</i> (Re-issuance of AUS 212)			
13	Guidance	Paragraph explicits “the auditor has no responsibility to determine that other information is properly stated.” This explanatory guidance limits, if not qualifies, the responsibilities of the auditor in relation to the mandatory requirements in paragraph 14 which requires that the auditor determine if the other information in the annual report needs to be amended in the event a material inconsistency with the auditor’s report is identified, as well as in paragraph 16 which sets out what the auditor’s should do when the entity refuses to amend these information. Guidance paragraph 13 is important in limiting the responsibility of the auditor in relation to other information in annual reports to identifying inconsistencies between these information and the auditor’s report and not providing reasonable assurance as to the accuracy of these information.	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that “Explanatory Guidance is not intended to limit mandatory requirements or the auditor’s obligations under AUASB Standards”. Consider excluding the above sentence in the <i>Preamble</i> .
<b>Exposure Draft ED 14/05</b>			

Proposed Auditing Standard: *Consideration of Laws and Regulations in an Audit of a Financial Report* (Re-issuance of AUS 218)

General Comment	-	Paragraph references provided in the attachment to the ED, "Table of Proposed Changes from AUS 218" are incorrect. Does not accurately reflect the paragraph numbers in the ED which has been released for public exposure. For example, the qualifier "pursuant to" not present in paragraph 54 as stated in the table and the relevant guidance for the Australian environment has been added to paragraph 52 as opposed to paragraph 55.	Subsequent EDs and their respective attachments to be checked to ensure accuracy.
8	Guidance	Paragraph explicits "whether an act constitutes non-compliance is a legal determination that is ordinarily beyond the auditor's professional competence." This guidance limits the responsibilities of the auditor in relation to the mandatory requirement in paragraph 5 which requires the auditor to recognise that non-compliance by the entity with laws and regulations may materially affect the financial report. Guidance paragraph 8 limits expectations of an auditor's competence to exclude knowledge of laws and regulations. This is reiterated in paragraph 16 which states that "the auditor is not, and cannot be held responsible for preventing non-compliance."	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that "Explanatory Guidance is not intended to limit mandatory requirements or the auditor's obligations under AUASB Standards". Consider excluding the above sentence in the <i>Preamble</i> .
17 (4)	Guidance	Minor editorial.	Amend as follows: "This risk is higher with regards to material misstatements..."
19	Guidance	Paragraph commences with "In accordance with specific statutory requirements ..." which requires amendment to remove the implied obligation in the sentence, "In these circumstances, the auditor <u>would plan</u> to test for compliance..."	In line with the Preamble, consider amending as follows: "In these circumstances, the auditor is <u>required</u> to test for compliance..."
26	Guidance	The paragraph explicitly restricts the ambit of the	Example provided in support of the inappropriateness of

		mandatory requirements in para. 23 and 24. It states that, “other than as described in para 23-35, the auditor does not perform other audit procedures on the entity’s compliance with laws and regulations ...”	paragraph 17 of the <i>Preamble</i> which states that “Explanatory Guidance is not intended to limit mandatory requirements or the auditor’s obligations under AUASB Standards”. Consider excluding the above sentence in the <i>Preamble</i> .
34 and 40	Requirement	Paragraph 34 requires that in the event the auditor believes there may be non-compliance with laws and regulations, the auditor shall discuss the findings with management. Paragraph 40, however, offers the option that under these circumstances, the auditor can either communicate with those charged with governance and management or obtain evidence that they are appropriately informed. Though paragraph 40 offers a choice to the auditor as which party to approach, the proposed paragraph 34 curtails this as it mandates that the auditor discusses with management matters of non-compliance. This is not practicable under some circumstances.	Consider amending paragraph 34 to ensure consistency with paragraph 40 as follows: “When the auditor believes there may be non-compliance, the auditor shall document findings and discuss them with management and/or those charged with governance or <u>obtain evidence that they are appropriately informed</u> . Alternatively, the words “where appropriate” could be added.
41	Guidance	The paragraph explicitly restricts the ambit of the mandatory requirements in para. 40. It states that, “the auditor need not report matters that are clearly inconsequential or trivial and on which agreement may be reached in advance...”	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that “Explanatory Guidance is not intended to limit mandatory requirements or the auditor’s obligations under AUASB Standards”. Consider excluding the above sentence in the <i>Preamble</i> .
48 (5,6)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “Pursuant to <u>paragraph 20 of this Auditing Standard</u> , the auditor is required to consider any other relevant laws and regulations.”
50 (8,9)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “The auditor <u>ordinarily</u> assesses whether protection exists under the particular legislation governing the specific audit...”
50	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows:

(9)				“...the auditor ordinarily needs to have a reasonable belief concerning the occurrence...”
53 (5)	Guidance	Implied obligation in explanatory guidance.		Consider amending as follows: “Pursuant to relevant ethical requirements, the auditor <u>is required</u> <del>needs</del> to establish whether there would be a breach of duty of confidentiality ...”
1	Footnote	Minor editorial.		Amend as follows: “...and auditor’s responsibilities under <u>section 311</u> and <u>section 601HG</u> ...”
57 (3,4)	Guidance	Reference to ethical requirements should be clarified.		Consistent with other Auditing Standards (e.g. re-drafted AUS 202 and redrafted AUS 206), consider adding footnote to clarify the reference to ethical requirements as follows: “In Australia, the codes of conduct of the professional accounting bodies, as issued from time to time, are: <ul style="list-style-type: none"> <li>• CPA Australia and The Institute of Chartered accountants in Australia, <i>Joint Code of Professional Conduct</i>; and</li> <li>• National Institute of Accountants, <i>Pronouncements of the Board of Directors – Code of Ethics</i>.”</li> </ul>
<b>Exposure Draft ED 15/05</b> Proposed Auditing Standard: <i>Planning an Audit of a Financial Report</i> (Re-issuance of AUS 302)				
26 (7)	Guidance	Implied obligation in explanatory guidance.		Consider amending as follows: “In accordance with AUS 202, Objectives and General Principles Governing the Audit of a Financial Report”, the audit engagement partner (or sole practitioner) <del>nevertheless</del> <del>needs-is</del> required to be satisfied...”
28(b) (8)	Guidance	Implied obligation in explanatory guidance.		Consider amending as follows: “... pursuant to <u>paragraph 5</u> , the auditor is required to appropriately tailor them to reflect the particular engagement circumstances...”

**Exposure Draft ED 16/05****Proposed Auditing Standard: *Audit Considerations Relating to Entities Using Service Organisations* (Re-issuance of AUS 404)**

General	-	Service organisations which outsource some of their operations or controls to "sub service organisations" are becoming increasingly common in practice in Australia. References to these organisations are included in SAS 70.	Consider including references to those service organisation with these arrangements.
17	Requirement	The proposed mandatory requirement requires the auditor to consider the professional competence of the service organisation auditor in a suitable context which is a more onerous requirement when compared to the ISA requirement which is to make inquires concerning the auditor's professional competence. Whilst it is recognised that this is an ISA+ effort, it is argued that the focus of the mandatory requirement apart from the matter of competence, should also be on the auditor being satisfied with the quality of the work undertaken by the service organisation auditor in this instance. This is especially important since Australia disallow reference to be made to the service organisation auditor's report in the entity's auditor's report.	Consider including guidance to accentuate that the responsibility to ensure the "truth and fairness" of the financial report resides with the auditor conducting the entity's audit. To ensure this responsibility is discharged, the auditor has to be satisfied in relation to both the professional competence and quality of work of the service organisation auditor.
20 (last paragraph) (2)	Guidance	Minor editorial.	Amend as follows: "The report of the service organisation auditor will ordinarily contain restrictions as to <u>its</u> use..." or "The report of the service organisation auditor will ordinarily contain restrictions as to the use of the <u>service organisation auditor's report</u> ..."

**Exposure Draft ED 17/05**Proposed Auditing Standard: *Initial Engagements - Opening Balances* (Re-issuance of AUS 510)

1	Guidance	Minor editorial. Missing alphabet listing.	Amend as follows: 1 This Auditing Standard applies to: (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with Part 2M.3 of the <i>Corporations Act 2001</i> ; and (b) an audit of a financial report for any other purpose.
8 (Point 2)	Guidance	Poor wording. Suggest re-wording to minimise wording differences from ISA 510.	Consider amending as follows: “Changes in accounting policies or application thereof, are appropriately and properly accounted for and adequately presented and disclosed.”
10 (4)	Guidance	The use of “the applicable code” is misleading as it suggests there is only one code.	Consider replacing “the” with “an”.
19 (3)	Guidance	Proposed use of qualifier inappropriate. Guidance does not describe in substance the mandatory requirement in paragraph 18. More appropriately linked to AUS 704 <i>Comparatives</i> .	Consider amending as follows: “.. the auditor is required to consider the effect thereof on the current period’s financial report pursuant to <del>paragraph 18 of this Auditing Standard</del> AUS 704.”

**Exposure Draft ED 18/05**Proposed Auditing Standard: *Analytical Procedures* (Re-issuance of AUS 512)

General	Requirement/ Guidance	Both terms “judgement” and “professional judgement” are currently used in the ED. For example: Paragraph 15 (line 8): “... is ordinarily based on the auditor’s <u>judgement</u> about the expected effectiveness ...”. This observation also extends to other EDs.	Consider only using the term “professional judgement” for all EDs consistent with the Preamble and ED 8/05 (re-drafted AUS 202).
10	Guidance	Inappropriate use of qualifier. The choice of audit	Consider deleting “ordinarily” in the sentence.

(8)		procedures is always a matter of judgement and this is simply a statement of fact which does not require the word ordinarily. It does not refer to a specific procedure which could be misconstrued as a required procedure.	
12	Requirement	This mandatory requirement replicates word-for-word the mandatory requirement in paragraph 5. Although this is also the case in ISA 520. It is suggested that this paragraph takes the status of explanatory guidance with a link back to paragraph 5 to avoid duplication of requirements in the proposed Auditing Standard which contradicts the drafting principles. In CPA Australia's opinion, this would not constitute a watering-down of the standard.	Consider amending as follow: (Paragraph written as guidance) "In accordance with paragraph 5, the auditor is required to apply analytical procedures as risk assessment procedures ..."
<b>Exposure Draft ED 19/05</b> Proposed Auditing Standard: <i>Management Representations</i> (Re-issuance of AUS 520)			
General	Requirement/ Guidance	CPA Australia is concerned that the proposal to amend the phrase "shall obtain" in several mandatory requirements to "shall endeavour to obtain" may result in a watering-down of the standard which then raises the important question of whether the proposed Auditing Standard is still able to claim ISA compliance (though currently incorrectly claimed in the ED). Also, this seems to be inconsistent with the proposal to use "shall seek to obtain" in ED 8/05 (presently AUS 202).	Consider reverting to the wordings in ISA 580.
6 (6-8)	Guidance	The sentence "Where the directors or management make representations required by statute or regulation concerning the financial report, the auditor need not seek a further representation on those matters" restricts the	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that "Explanatory Guidance is not intended to limit mandatory requirements or the auditor's obligations under AUASB Standards". Consider excluding the above sentence in the <i>Preamble</i> .

		application of the mandatory requirement in paragraph 5.	
14 (9)	Guidance	Whilst it is recognised that the approach adopted in the proposed Auditing Standards is to only have references to the full name of another standard in the first instance it is referred to in the standard, consideration should be made for AUS 702 to be an exception. This is in view that the AUASB has intended to issue AUS 702 in two parts.	Consider amending as follows: “...pursuant to AUS 702 (Part B), <u>“Modifications to the Independent Auditor’s Report”</u> , this will constitute ...
19 (2)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “...the auditor would <u>ordinarily</u> request that it be address to the auditor...”
23(b) (1)	Guidance	Attention to relevant statutory and/or regulatory provision more appropriately to be drawn from those charged with governance than generally from the directors as currently proposed.	Consider amending as follows: “...draw to the attention of <del>the directors</del> those charge with <u>governance or management</u> any relevant statutory and/or regulatory provision ...”
<b>Exposure Draft ED 20/05</b> Proposed Auditing Standard: <i>Auditing Fair Value Measurements and Disclosures</i> (Re-issuance of AUS 526)			
1 (3)	Authority Statement	Minor editorial.	Amend as follows: “paragraphs 1 to 75 and Appendix 14...”
14 (4)	Guidance	Whilst it is recognised that the approach adopted in the proposed Auditing Standards is to only have references to the full name of another standard in the first instance it is referred to in the standard, consideration should be made for AUS 702 to be an exception. This is in view that the AUASB has intended to issue AUS 702 in two parts.	Consider appropriate mention of the respective parts of AUS 702 when reference is made to that Auditing Standard.
23 (2)	Requirement	Minor editorial.	Amend as follows: “The auditor shall evaluate whether the fair value measurements and disclosures in the financial report <u>is are</u>



			in accordance with the entity's applicable financial reporting framework."
31(a)	Guidance	The <i>Preamble</i> sets out that the qualifier "pursuant to" is used. The expression is used to highlight a linkage between the obligation and the relevant explanatory guidance and the expression is not intended to extend the mandatory requirement. In view of this, 319a) s considered to extend the mandatory requirement in paragraph 30.	Consider re-writing the paragraph using the qualifier "ordinarily".
34 (2-8)	Guidance	The explanatory guidance extends the mandatory requirement by requiring the auditor to determine the <i>appropriateness</i> of consistent application of a specific valuation method on top of the mandatory requirement in paragraph 33 which requires the auditor to determine whether the method has been applied consistently.	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that "Explanatory Guidance is not intended to extend mandatory requirements or the auditor's obligations under AUASB Standards". Consider excluding the above sentence in the <i>Preamble</i> .
36 (3)	Guidance	Implied obligation in guidance.	Consider amending as follows: "In making such a determination, pursuant to <u>AUS 202</u> , the auditor is required to consider the matters discussed in AUS 606.
37 (1)	Guidance	Implied obligation in guidance.	Consider amending as follows: "If the use of such an expert is planned, pursuant to <u>AUS 606</u> , the auditor is required to obtain sufficient appropriate audit evidence that such work is adequate for the purposes of the audit, and complies with the requirements of AUS 606.
39 (9)	Guidance	Word change to ensure consistency with the <i>Preamble</i> . Replacement of words for consistency reasons have been observed in other EDs.	Consider amending as follows: "The auditor <del>often</del> <u>ordinarily</u> considers these matters by discussing them with the expert."
48 (10)	Guidance	The words "is required to" as indicated in the Table of Proposed Changes are missing from the sentence.	Amend as follows: "Pursuant to paragraph 47 of this Auditing Standard, auditors are required to pay particular attention to the significant

			assumptions underlying a valuation method and evaluate whether such assumptions are reasonable.”
57	Guidance	This guidance limits the application of the mandatory requirement in paragraph 47 by re-instating that the responsibility in relation to the choice of a valuation model and the assumptions used reside with management.	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that “Explanatory Guidance is not intended to limit mandatory requirements or the auditor’s obligations under AUASB Standards”. Consider excluding the above sentence in the <i>Preamble</i> .
63 (8)	Guidance	Add the words “is required to” in order to ensure consistency with the <i>Preamble</i> .	Consider amending as follows: “Pursuant to AUS 202, the auditor is <u>required to comply</u> <del>complies</del> with AUS 706, “Subsequent Events”, when evaluating audit evidence relating to such events.”
67 (12)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “The auditor also <u>ordinarily</u> considers whether voluntary information may be inappropriate in the context of the financial report.”
67 (5)	Guidance	Add the words “is required to” in order to link the sentence back to the first sentence of the paragraph using the qualifier set out in the <i>Preamble</i> .	Consider amending as follows: “If an item contains a high degree of measurement uncertainty, the auditor is <u>required to assesses</u> whether the disclosures are sufficient to inform users of such uncertainty.”
<b>Exposure Draft ED 21/05</b> Proposed Auditing Standard: <i>Using the Work of an Expert</i> (Re-issuance of AUS 606)			
9 (2)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “Although the auditor may use the work of an expert as audit evidence, <u>pursuant to AUS 702</u> , the auditor retains full responsibility for the audit opinion on the financial report.”
13 (1)	Guidance	Given that the qualifier “pursuant to” is used, the assumption taken by CPA Australia is that the AUASB intends that both consideration of the expert’s a) professional certification or licensing	No change suggested

		by, or membership in, an appropriate professional body; and b) experience and reputation in the field in which the auditor is seeking audit evidence is mandatory in order to fulfil bold-type paragraph 14.	
15 (para. 2) (2)	Guidance	Wording change to ensure consistency with the <i>Preamble</i> . Need to replacement words for consistency also observed in other EDs.	Consider amending as follows: “If the auditor is concerned regarding the competence or objectivity of the expert, pursuant to paragraph 40, the auditor <del>needs</del> <u>is required to discuss</u> any reservations with management ...”
22 (2-4)	Guidance	This guidance limits the application of paragraph 19 by explicating that auditors are not expected to possess the same level of expertise as the experts in a specific area. Hence, this puts in context the mandatory requirement in paragraph 19.	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that “Explanatory Guidance is not intended to limit mandatory requirements or the auditor’s obligations under AUASB Standards”. Consider excluding the above sentence in the <i>Preamble</i> .
<b>Exposure Draft ED 22/05</b> Proposed Auditing Standard: <i>Subsequent Events (Re-issuance of AUS 706)</i>			
4 (1,2)	Guidance	Add words to ensure consistency with other EDs and delete redundant words in sentence.	Consider amending as follows: The purpose of this Auditing Standard is to establish <u>mandatory requirements</u> and to provide <u>explanatory guidance</u> on ...”
<b>Exposure Draft ED 23/05</b> Proposed Auditing Standard: <i>Going Concern (Re-issuance of AUS 708)</i>			
14 (1)	Guidance	The <i>Preamble</i> sets out that the qualifier “pursuant to” is used The expression is used to highlight a linkage between the obligation and the relevant explanatory guidance and the expression is not intended to extend the mandatory requirement. In view of this, the usage of “pursuant to” in this	Consider re-writing paragraph 14(c) using the qualifier “ordinarily”.

		instance is inappropriate as paragraph 14(c) is clearly an extension of the mandatory requirement in paragraph 5.	
20 (1)	Guidance	The <i>Preamble</i> sets out that the qualifier “pursuant to” is used. The expression is used to highlight a linkage between the obligation and the relevant explanatory guidance and the expression is not intended to extend the mandatory requirement. In view of this, the usage of “pursuant to” in this instance is inappropriate as by linking the guidance in paragraph 20 to the mandatory requirement in paragraph 5, the specific need for the auditor to discuss with management the basis for their intended use of the going concern assumption, and inquire of management whether events or conditions is mandated. This clearly expands the mandatory requirement.	Consider re-writing paragraph 20(c) using the qualifier “ordinarily”.
23 (6)	Requirement	The mandatory requirement requires that the auditor asks management to extend its assessment period to twelve months of the relevant period if the going concern assessment covers less than twelve months. Depending on management’s response, the auditor’s responsibility after enquiring with management is unclear.	Consider providing guidance to clarify the extend of the auditor’s responsibility in relation to management’s extension of its going concern assessment to twelve months of the relevant period.
25 (4)	Guidance	The <i>Preamble</i> sets out that the qualifier “pursuant to” is used. The expression is used to highlight a linkage between the obligation and the relevant explanatory guidance and the expression is not intended to extend the mandatory requirement. In view of this, the usage of “pursuant to” in this instance is inappropriate as by requiring that all relevant information of which the auditor is aware as a result of the audit procedures, the guidance would extend the mandatory requirement.	Consider re-writing paragraph 25 using the qualifier “ordinarily”.

30	Guidance	The paragraph explicits “the auditor does not have a responsibility to design audit procedures other than inquiry of management...” This guidance limits the application of the mandatory requirement in paragraph 27 in that it limits the responsibility of the auditor in relation to the assessment of the entity continuance as a going concern for periods beyond the relevant period to only making inquiries with management and that further procedures are not expected to be performed.	Example provided in support of the inappropriateness of paragraph 17 of the <i>Preamble</i> which states that “Explanatory Guidance is not intended to limit mandatory requirements or the auditor’s obligations under AUASB Standards”. Consider excluding the above sentence in the <i>Preamble</i> .
32 (Bullet point 1)	2	Use of the word “including” suggests that in inquiring of management as to its plans for future action, all the questions provided as examples needed to be asked. Clarification that the areas suggested in the guidance are intended to be examples.	Consider amending as follows: “Inquire of management as to its plans for future action, <u>such as</u> its plans to liquidate assets, borrow money or restructure debt, reduce or delay expenditures, or increase capital.”
39 (3)	Requirement	Whilst it is recognised that the approach adopted in the proposed Auditing Standards is to only have references to the full name of another standard in the first instance it is referred to in the standard, consideration should be made for AUS 702 to be an exception. This is given that the AUASB intends to issue AUS 702 in two parts.	Consider appropriate mention of the respective parts of AUS 702 when reference is made to that Auditing Standard. This comment applies to the whole of ED 23/05.
39, 40	Requirement	Paragraph 40 is in substance a replica of paragraph 39 only that the latter contains other required procedures. In fact, paragraph 40 refers back to paragraph 39.	Bearing in mind that an equivalent mandatory requirement to paragraph 40 is contained in ISA 570, changes to its proposed status as contained in the EDs is not recommended. However, consideration can be given only to only elevating those parts of paragraph 39 which is in addition to the requirement in paragraph 40.
41 (2)	Guidance	Paragraph reference inappropriate.	The explanatory guidance is more appropriately linked to paragraph 39 given that it further explains paragraph 39(b) which is only referred to in paragraph 40.

45 (4)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “... the entity will not be able to continue as a going concern, pursuant to <u>paragraph 44</u> . the auditor <u>is required to</u> concludes, regardless of whether or not disclosure has been made...”	
50 (3)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “...the auditor ordinarily considers the reasons for the delay.”	
52 (2)	Guidance	Minor amendment to ensure consistency with other EDs.	Consider amending as follows: “See AUS 710, “The Auditor’s Communication With those Charged With Governance” <u>for further guidance</u> .”	
53 (3)	Guidance	Implied obligation in explanatory guidance.	Consider amending as follows: “When at any stage of an audit conducted under the <i>Corporations Act 2001</i> , the auditor becomes satisfied that the entity is no longer a going concern, in accordance with the <i>Corporations Act 2001</i> , the auditor <del>needs</del> <u>is required</u> to be mindful of the requirements of section 311 of the <i>Corporations Act 2001</i> .”	
-	Appendix 1	Minor Editorial.	Amend as follows: “Have <u>mitigating circumstances</u> been adequately disclosed?”	