

13th October 2005

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

E-mail: edcomments@asb.gov.au

Dear Sir

Comments on ED 1/05, 2/05, 3/05, 4/05 and 5/05

Our organisation is supportive of changes to strengthen the audit function in society. Therefore we are supportive of the above EDs designed to achieve that objective by making these auditing standards legal instruments.

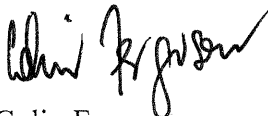
However, this support is qualified by the following two concerns about this process:

1. Our organisation believes that research should inform accounting practice and regulation. There have been many changes in recent years to increase regulation in corporate governance, audit independence, and now auditing standards. We do not believe that there has been sufficient research (or review of the current research) into the merits of these changes. We believe more research into this issue should be encouraged, supported and considered in the process.
2. In relation to the specific changes to the EDs, we understand the necessity of replacing 'should' with 'shall' in these amended standards. Although in Europe we are aware that the term 'must' rather than 'shall' is being considered. However, there are also many other requirements in auditing standards that need professional judgement. For example, from paragraph 5 of ED 3/05, some other words requiring professional judgement are shown in italics:
 - The auditor shall obtain *sufficient appropriate* audit evidence to be able to draw *reasonable* conclusions on which to base the audit *opinion*.

Our point here is that these standards were originally written for members of the accounting profession (thereby including significant 'professional judgement') and not designed to be codified legal instruments.

Thank you for the opportunity to comment on these EDs. If you would like more information on any of the above comments please feel free to contact us.

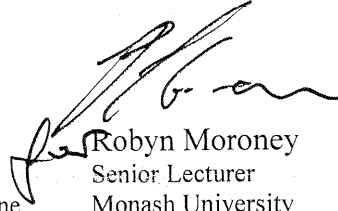
Yours faithfully



Colin Ferguson
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On behalf of the Accounting and Finance Association of Australia and New Zealand.