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Ref: TJB:SDAH

23 December 2005

Ms Merran Kelsall
Chairman
Australian Auditing and Assurance Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

Dear Ms Kelsall

Auditing exposure drafts

We have reviewed Group 1 and Group 2 exposure drafts to date and generally concur with the revisions made to existing standards to reissue them as legislative instruments. There are a few matters that we believe warrant further debate and submit our comments below for your consideration.

ED 13/05 Other Information in Documents Containing Audited Financial Report (re-issue of AUS 212)

This standard relates to other information presented in an annual report *and* other documents. As the volume of voluntary information provided by entities continues to increase we question the ability of the auditor to comply with this standard on a timely basis. Frequently "other information" is not available until close to finalisation of the audit and therefore audit review is often at the same time printers proofs are being prepared for publication. We consider that in a legislative environment it will be important for the auditor to establish clear boundaries around the information subject to audit review, to enable the practical implementation of these audit requirements.

ED 14/05 Consideration of Laws and Regulations in an Audit of a Financial Report (re-issue of AUS 218)

We have serious reservations regarding the auditor's ability to comply with this standard in a legislative environment with increasing emphasis on social and environmental responsibilities. We could foresee circumstances in the future where an auditor is joined in an action against an audit client who is being pursued for compensation when the auditor had not reported potential non-compliance. While an

auditor may recognise that non-compliance by the entity may materially affect the financial report, assessing non-compliance and adverse financial impact may be unduly onerous and not practicable. For example, we have a client who is required to comply with 69 separate laws and regulations arising at local, state and federal levels.

We recommend that the auditing standard should direct the auditor to assess the audit client's process for ensuring compliance with laws and regulations, giving the auditor responsibility to report where client processes are deficient, rather than requiring the auditor to assess the risk of non-compliance per se.

Yours sincerely



TERRY BENFOLD
Partner