

13 December 2005

Ms Merran Kelsall
Chair
Auditing and Assurance Standards Board
Level 4
530 Collins Street
Melbourne VIC 3000

Dear Merran

Re: Auditing exposure drafts ED 24/05 and ED 25/05

The National Institute of Accountants (NIA) wishes to notify the Auditing and Assurance Standards Board (AUASB) of its general support for the exposure drafts numbered 24/05 and 25/05.

We would like it to be noted, however, that while the international standards separate the issues of unmodified and modified audit reports that such a division between the two is unnecessary.

Both of the proposed standards relate to the report of an independent auditor on a general purpose financial report and as such could still exist in one pronouncement.

We continue to support the AUASB initiative of publishing in its exposure drafts the table of changes. It has proven useful as a guide to matters on which to focus as the standards come under review.

Kindest Regards

Tom Ravlic PNA
Policy Adviser – Financial Reporting and Governance
National Institute of Accountants

13 December 2005

Ms Merran Kelsall
Chair
Auditing and Assurance Standards Board
Level 4
530 Collins Street
Melbourne VIC 3000

Dear Merran

Re: Foreword to AUASB standards

The National Institute of Accountants (NIA) wishes to notify the Auditing and Assurance Standards Board (AUASB) of its in principle support for the existence of a foreword to auditing standards.

A foreword describes a process of standard setting to individuals and organisations that are a part of the stakeholder body of the AUASB.

The proposed foreword is incomplete, however, in that it does not discuss what role consultative groups play in the due process of the AUASB. It would be appropriate if the AUASB would include several paragraphs to deal with the role of the AUASB consultative group and propose a minimum number of meetings to be held each year.

While the NIA is a member of several organisations that have the privilege of having contact with the AUASB chairman and the technical secretariat from time to time the broader community is not in the same position.

The AUASB has a larger body of stakeholders and as such a consultative group needs to be convened in order for the AUASB – a body that on its own admission exists to nurture the public interest where external audits are concerned - to communicate with a broader range of stakeholders more effectively.

It would have been useful to have had such a consultative group meeting in the program of the AUASB as it has been dealing with the project to bring auditing standards into law so a greater number of organisations are given the opportunity to respond verbally to the AUASB.

Kindest Regards

Tom Ravlic PNA
Policy Adviser – Financial Reporting and Governance
National Institute of Accountants

13 December 2005

Ms Merran Kelsall
Chair
Auditing and Assurance Standards Board
Level 4
530 Collins Street
Melbourne VIC 3000

Dear Merran

Re: Auditing exposure draft on related parties

The National Institute of Accountants (NIA) wishes to notify the Auditing and Assurance Standards Board (AUASB) of its support for the contents of the exposure draft on related parties.

Nothing has come to our attention at the present time that gives us reason to dispute the provisions of the exposure draft as it relates to auditing the disclosures on related parties.

It is appropriate to note that auditors will need to consider this standard in the light of amendments to the accounting pronouncements on related parties, which are presently being worked on by the Australian Accounting Standards Board.

We continue to support the AUASB initiative of publishing in its exposure drafts the table of changes. It has proven useful as a guide to matters on which to focus as the standards come under review.

Kindest Regards

Tom Ravlic PNA
Policy Adviser – Financial Reporting and Governance
National Institute of Accountants

14 December 2005

Ms Merran Kelsall
Chairman
Auditing and Assurance Standards Board
Level 4
530 Collins Street
Melbourne VIC 3000

Dear Merran

Re: NIA view on the preamble and other Group 2 standards

The National Institute of Accountants (NIA) continues to support the work of the Auditing and Assurance Standards Board (AUASB) in its quest to complete the project of bringing the auditing standards into law within the tight timeframe it has set for itself. This tight timeframe has been made necessary by the date at which the standards are due to become law and the NIA appreciates the fact the AUASB adopted a strategy that was consistent with the notion the NIA flagged in a letter sent to you as chairman back in May.

Auditing Standards Response Group

The NIA encourages the AUASB to consider the issues raised by the Auditing Standards Response Group (ASRG) in its submissions on the Group 2 standards as it works through the revisions of the auditing pronouncements. While the AUASB may ultimately disagree with aspects of the ASRG's feedback it is nevertheless important for the AUASB to test its own conclusions with those of others as it finalises the standards for implementation as legal instruments.

The preamble

We support in principle that making of the preamble as an auditing standard to assist in interpretation.

Bolded and unbolded paragraphs

We continue to have reservations about the intense focus of the AUASB on 'black and grey letter' paragraphs. We view with disappointment the large amount of time spent during AUASB meetings on what ought to be bolded and what should stay in normal type.

It is important that the AUASB reconsider the decision to continue with the distinction between the two types of paragraphs when it commences its work on improving the quality of standards.

A far more effective approach would be to ensure that the structure of the documents is sound in the first instance rather than encouraging

practitioners to themselves draw artificial distinctions between paragraphs in a document.

It would be hugely beneficial for the audit standard setting processes to follow the example set by the accounting standard setters. For example, the preface to the standards issued by the International Accounting Standards Board (IASB) states all paragraphs are to be read as having an equal weighting. The AUASB needs to consider this approach further when it commences the next phase of its strategy for auditing standards in this jurisdiction.

The Group 2 standards in general

Apart from the general observation that the Group 2 standards continue the pace the AUASB has set for itself to complete the task required of it. We are encouraged by the continued professionalism and effort of the staff of the AUASB as it strives to meet the deadlines that have been set for them.

We would, however, encourage the AUASB to place on its web site copies of the draft standards in their marked-up versions so that it is easier for people with little time to identify more quickly what the changes are when they read the exposure drafts. Given that the AUASB uses the electronic forum of the internet more than hard copy when dealing with exposure drafts it would be inexpensive for the AUASB to upload a marked up version as well as a 'clean' version of exposure drafts

Should you have any queries or comments in relation to any of the statements raised above please feel free to contact me on 03 8665 3143 for further comment.

Kindest Regards

Tom Ravlic PNA
Policy Adviser – Financial Reporting and Governance
National Institute of Accountants