

29 August 2008

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

Dear Ms Kelsall

Exposure Drafts ED 5/08 Proposed Auditing Standard ASA 240, ED 6/08 Proposed Auditing Standard ASA 260, ED 7/09 Proposed Auditing Standard ASA 315 and ED 8/08 Proposed Auditing Standard ASA 330 (all Revised and Redrafted)

Ernst & Young Australia is pleased to comment on the above-referenced proposed standards. We welcome the opportunity to continue contributing to the improvement of the Australian Auditing Standards that will continue to drive the quality and consistency on audits in Australia. On the whole, we are supportive of all of the above referenced Proposed Standards.

In response to these various exposure drafts, we would like to make the following observation and recommendation. Our profession operates in a highly regulated environment and Australia is one of the few jurisdictions that have given the auditing standards the "force of law". With that in mind, when these revised and reissued standards are now read, it is easy to focus on the seemingly greater level of prescription that now appears in the standards. It is possible that every "requirement" within these standards may be interpreted as "mandatory" without any reference to the risks specific to the client, materiality, use of professional judgement and other subjective principals based concepts that currently exist in the Audit and Assurance Standards.

We therefore recommend that the AUASB consider revising the existing Preamble, or provide an overall Performance Standard or Application Framework, to help address this concern. We understand that these standards are based on the approved revised and clarified International Standards of Auditing. However because of the unique legal environment that our auditing standards operate within, we are concerned that these standards will encourage a behaviour not focused on using the auditor's professional judgement, and instead becoming more of a "checklist" mentality to auditing (to ensure every black letter requirement is addressed).

In response to the specific questions that the AUASB has requested a response on, we do not believe there are any additional comments to be made.

Should you require our more detailed comments, please contact Chris Westworth (02 9248 4816) or Fiona Campbell (03 9288 8516).

Yours sincerely



Ernst & Young



Chris Westworth
Professional Practice Director - Oceania Region