

# Financial Reporting Council

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

Dear Ms Kelsall

## AUASB Strategic Direction

I am writing to advise you that, at its meeting on 4 April 2005, the Financial Reporting Council (FRC) considered the desirability of giving the Auditing and Assurance Standards Board (AUASB) a broad strategic direction on the development and making of Australian Auditing Standards (AUSs).

The FRC's ability to issue a strategic direction comes from paragraph 225(2A)(d) of the *Australian Securities and Investments Commission Act 2001* (ASIC Act), which provides that the functions of the FRC include determining the AUASB's broad strategic direction.

At its meeting, the FRC resolved that the following strategic direction should be given to the AUASB:

- (a) The AUASB should develop AUSs that have a clear public interest focus and are of the highest quality.
- (b) The AUASB should use, as appropriate, International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop AUSs.
- (c) The AUASB should make such amendments to ISAs as necessary to accommodate and ensure that AUSs both exhibit and conform with the Australian regulatory environment and statutory requirements, including amendments as necessary for AUSs to have the force of law and be capable of enforcement under the requirements of the *Corporations Act 2001* by 30 June 2006.
- (d) The process of developing AUSs should include monitoring and reviewing auditing and assurance standards issued by other standard setting bodies in other national jurisdictions and considering other matters relevant to achieving the objectives of Part 12 of the ASIC Act. Consequently, where appropriate and considered to be in the public interest and

necessary to producing standards of the highest quality, the AUASB should incorporate additional requirements in its AUSs.

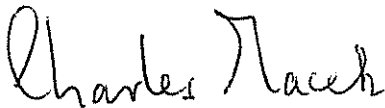
- (e) The AUASB should continue to develop auditing and assurance standards other than for historical financial information as well as developing and issuing other guidance on auditing and assurance matters, and may participate in audit research that is conducive to, and which significantly benefits, the standard-setting activities of the AUASB.

In addition, the AUASB should have regard to any programme initiated by the IAASB for the revision and enhancement of ISAs and make appropriate consequential amendments to AUSs.

While the strategic direction makes no reference to the AUASB participating in the work of international bodies such as the IAASB, the FRC strongly encourages the involvement of the AUASB in such work. This approach is consistent with paragraph 227B(1)(d) of the ASIC Act, which provides that one of the functions of the AUASB is to participate in and contribute to the development of a single set of auditing standards for world-wide use.

I take this opportunity to confirm that I will be attending the meeting of the AUASB scheduled to be held in Sydney on 13 April 2005.

Yours sincerely



Charles Macek  
FRC Chairman