

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

Our ref PE\_Submissions\_Group 3  
EDs\_JB\_060111.doc

12 January 2006

Dear Ms Kelsall

**Exposure Drafts - ED 24/05, 25/05 and 26/05 (“Group 3 EDs”)**

We are pleased to have the opportunity to comment on the Group 3 Exposure Drafts issued by the Auditing and Assurance Standards Board. We are supportive of the overall content of the EDs, however, we have included in an appendix to this letter, a number of matters we would like the Board to consider in the finalisation of these Standards.

Please contact me on 02 9335 7108 if you wish to discuss any of these comments further.

Yours sincerely

Chris Hall  
Partner

## Appendix

### Exposure Draft – ED 24/05 “The Independent Auditor’s Report on a General Purpose Financial Report”

	<b>Paragraph(s)</b>	<b>Issue noted</b>	<b>Recommendation</b>
<b>1</b>	<b>63</b>	This paragraph as currently worded requires the auditor to always determine and report whether the audit has been conducted in accordance with ISAs and state this fact if it has.	We recommend that the paragraph be reworded to avoid any unintended obligation.  For example, the paragraph could read:  “Only when the auditor has complied fully with all ISAs relevant to the audit shall the auditor make reference in the auditor’s report to the audit having been conducted in accordance with ISAs.”
<b>2</b>	<b>Appendix 1</b>	Consistent with ISA 700, the heading “Report on the Financial Report” should also include a footnote as an explanation for when this heading is required.	We recommend that the following footnote is included with this subheading:  The subheading “Report on the Financial Report” is unnecessary in circumstances when the second subheading “Report on Other Legal and Regulatory Requirements” is not applicable.

**Exposure Draft – ED 25/05 “Modifications to the Independent Auditor’s Report”**

	<b>Paragraph(s)</b>	<b>Issue</b>	<b>Recommendation</b>
<b>1</b>	9 and 11	Having changed the words in paragraph 9 from “material matters” (ISA wording) to “significant uncertainty”, paragraphs 9 and 11 have become confusing.	We recommend that either the words in paragraph 9 are changed to “material matters” to be consistent with the ISA or paragraphs 9 and 11 are combined.
<b>2</b>	13	As a result of changing the words used in the ED from “inherent uncertainty” (as in existing AUS 702) to “significant uncertainty”, we believe that paragraph 13 is no longer required. It is not included in the ISA.	We recommend deleting paragraph 13.
<b>3</b>	Existing AUS 702 paragraph 64	This paragraph has not been included in the ED. If the intention of the AUASB is that the black letter requirement of the existing paragraph is still applicable, this paragraph should be included in the ED.	We recommend that the AUASB reconsider whether the black letter element of paragraph 64 in existing AUS 702 is still applicable and whether it should be included in the ED. If so, it would be best placed after current paragraph 14.
<b>4</b>	27	In accordance with the drafting rules used by the AUASB, it is not appropriate to include the phrase “...it may not be...” in a mandatory requirement paragraph.	We recommend rewording the paragraph as follows:  “..... is fundamentally misstated <b>and the auditor is unable</b> to generate the required information....”

	<b>Paragraph(s)</b>	<b>Issue</b>	<b>Recommendation</b>
<b>5</b>	Appendix 2	The fonts used for the subheadings over emphasise the emphasis of matter paragraph as compared to the auditor's opinion.	We recommend that in all the examples, the same fonts are used for subheadings as is the case in the existing standards.
<b>6</b>	Appendix 4	The Auditor's Responsibility section is confusing. It is unclear why the words are in italics or why the standard words used in the other examples would not be relevant.	We recommend that the standard words used in the other examples are also included in this example. This should be followed by the current paragraph with square brackets surrounding this text.

**Exposure Draft – ED 26/05 “Related Parties”**

	<b>Paragraph(s)</b>	<b>Issue</b>	<b>Recommendation</b>
<b>1</b>	ISA 550 paragraph 10	It is unclear why this paragraph has not been included in the ED.	We recommend that paragraph 10 of ISA 550 is included in the ED after current paragraph 25.
<b>2</b>	37, 38, 40	These paragraphs make reference to “except for” and “inability to form and opinion”.	We recommend that this terminology be changed to reflect the language used in ED 25/05 ie. qualified, adverse and disclaimer opinions.