

10 October 2005

The Chairman
Auditing and Assurance Standards Board
Level 4
530 Collins Street
MELBOURNE VIC 3000

Dear Ms Kelsall,

Exposure Drafts ED 1/05, 2/05, 3/05, 4/05 and 5/05

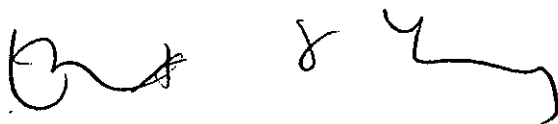
Ernst & Young Australia is pleased to comment on the above-referenced 5 proposed standards. We welcome the opportunity to contribute to the continued improvement of the Australian auditing standards that will drive the quality and consistency on audits in Australia. We support the group submission made by the Auditing Standards Response Group on behalf of the industry and we would like to take this opportunity to confirm our overall support for the 5 proposed standards as a whole.

We acknowledge the difficulty faced by the Board in trying to change existing standards into language that can be enforced under the *Corporations Act 2001*, and commend the Board for the progress made towards this objective. Our detailed comments relating to specific paragraphs within each of the proposed standards arise due to the issues identified in the group submission from the Auditing Standards Response Group. As such, we have therefore not included these detailed comments on each of the 5 exposure drafts in our response. We understand that the Preamble is currently still changing and we therefore request the opportunity to respond again in detail once the Preamble is finalised.

We would, however, like to reinforce a key concern we have with the auditing standards becoming legally enforceable. It is critical that the Auditing and Assurance Standards Board (AuASB) understand the implications of these becoming law and that there are no unintended consequences as a result of the change in status of these standards. We do not believe that it is in the public interest for these standards as they are currently drafted to become legal instruments, as we believe there are unintended consequences that will arise from these standards.

We would be pleased to discuss our comments with members of the AuASB or its staff. If you wish to do so, please contact Ruth Picker (03 9288 8620) or Fiona Campbell (03 9288 8516).

Yours sincerely,



Ernst & Young



Ruth Picker
Partner – National Accounting & Auditing Standards
Professional Practice Director – Oceania Region