



**Australian Government**

**Auditing and Assurance Standards Board**

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8 April 2005

Mr John V Stanhope  
National President  
Group of 100 Inc.  
Level 28  
385 Bourke Street  
Melbourne VIC 3000

Dear Mr Stanhope

**Audit Reports on Financial Reports under  
Australian Equivalents to International Financial Reporting Standards (A-IFRS)**

Thank you for your letter dated 21 March 2005 regarding the Group of 100's (G100) concerns regarding what G100 believes are different audit practices that have arisen in respect of the audit status of quantitative disclosures by AASB 1047 "Disclosing the Impacts of Adopting Australian Equivalents to International Financial Reporting Standards."

At its previous meeting on 1 March 2005, the Auditing and Assurance Standards Board (AUASB) considered a proposal that the AUASB prescribe the inclusion of a general emphasis of matter paragraph in audit and review reports on financial reports prepared under Australian Equivalents to International Financial Reporting Standards (A-IFRS) for the first time.

It is fair to say that the majority of AUASB members expressed strong reservations about prescribing the inclusion of a general emphasis of matter paragraph in audit and review reports on first time A-IFRS. The AUASB also noted similar concerns raised by the ASIC Chief Accountant, the Chairman of the Australian Accounting Standards Board, and a number of practitioners and financial report preparers. Accordingly, the AUASB agreed not to endorse or require the general inclusion of emphasis of matter paragraphs in such circumstances.

As you have noted from the AUASB's meeting highlights, the AUASB's consideration of the above matter arose in the context of a proposal raised with it to amend its existing guidance in Audit & Assurance Alert 14 *The Implications for Auditors on the Transition to Australian equivalents to IFRSs*, so as to incorporate a proposed requirement for auditors to include emphasis of matter on first-time A-IFRS. The need for this requirement was not accepted by the AUASB.

The use of emphasis of matter in audit reports generally, and the circumstances in which it may be used in Australia are governed by Auditing Standard AUS 702 *The Audit Report on a General Purpose Financial Report*. We believe that these requirements are clearly stated in AUS 702, but stress that the exercise of an auditor's professional judgement should always underlie a decision by the auditor as to whether or not an emphasis of matter paragraph should be included in circumstances, which in the auditor's opinion, exhibit significant uncertainty.

The AUASB will further consider the matters raised in your letter at its next meeting, which is scheduled to be held on 13 April 2005. If you would like to discuss these matters further in the meantime, please contact either myself or Mr Richard Mifsud directly on (03) 8080 7440.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Merran Kelsall', with a long horizontal flourish extending to the right.

Merran Kelsall  
Chairman, AUASB

cc: Mr Richard Mifsud, Principal Executive, AUASB  
Mr David Boymal, Chairman AASB  
Mr Jeffrey Lucy, Chairman ASIC