

## **Edge letter didn't seek to undermine**

Comments made in response to a question on international auditing standards by Bill Edge, the Auditing & Assurance Standards Board chairman, were not intended to undermine the reputation of the international auditing standard setter, according to a letter sent by the AuASB to a parliamentary committee in the past fortnight.

The letter, which appeared on the Federal Parliamentary website on 16 April, is intended to build on an answer Edge provided to a question put by Senator Stephen Conroy, the shadow spokesman on corporate governance, regarding the role of international auditing standards in the Australian framework.

Senator Conroy initially asked: "As you know, Australia is having a debate about adopting international accounting standards. We have been down the path of that once before, back in 1998, when the government tried to legislate that we adopt international accounting standards and it was defeated in the Senate. At the time, one of the main arguments was that the International Accounting Standards Board was a bit of a joke, that it really had very poor quality standards, that it was not properly resourced and that, with the exception of a few individuals, no-one took it very seriously.

"It would be fair to say that there has been a significant revamp under Sir David Tweedie's leadership — more funding, permanent members, full-time members and worldwide consultations. I put to you that there are similar concerns to those expressed in 1998 about the IASB and its role in recent years — that it is not properly constituted, that it has poor resourcing and so on. I know that there have been some reforms recently, which are welcome, and I hope you will expand on those in a second, but I put to you that the actual body itself has been pretty moribund for a long time, so handing over our auditing standards to a body that has been poorly regarded is a big leap."

The AuASB chairman indicated he agreed wholeheartedly with the proposition Senator Conroy put forward.

"The accounting standard setting regime globally is far stronger than the auditing standard setting regime. But what we are not doing is accepting or letting them take over our standard setting. All we are saying is that we will take the standards they set as a starting point and then we will increase the quality and rigour of them in Australia. Australian standards exceed the international standards," Edge told the Committee.

"One would hope that in three to four years time there will have been more resources put into the international standard setting arena so we can be more consistent with the accounting framework. But we would not — and I would argue this quite strongly — take the international auditing standards, for exactly the reasons you have just given."

The 15 April letter states the comments appearing above and taken from the 18 March committee hearing were not intended to be offensive to the standard setter and that the

global standard setter has made great strides forward in terms of improving the standard setting process and boosting external stakeholder involvements in governance.

“Firstly, for the record, I would like to make it very clear that my comments in response to the series of propositions put to me by Senator Conroy were in no way intended to diminish the reputation or standing of the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) or the body of International Standards on Auditing (ISAs) issued by that board.”

Edge says that the AuASB’s policy on adopting international auditing pronouncements has been undertaken because of the high quality of auditing standards issued by the body.

This article was supplied by Tom Ravlic. Tom Ravlic is a financial journalist who has spent the past seven years covering the accounting profession, accounting and audit standard setting and corporate governance. His work has appeared in various publications including *Business Review Weekly*, *Personal Investment* (now *Personal Investor*), *The Age*, *CFO Magazine*, the *Australian CPA*, the *Company Director Journal* and the newsletters of the internationally renowned Lafferty Group. In addition to his freelance commitment to a wide range of publications, Tom has recently accepted an appointment to be editor of *Chartac Accountancy News*, published by Melbourne-based publisher Crown Content.