

26 August 2014

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne Victoria 8007

Via email: edcomments@auasb.gov.au

Dear Ms Kelsall

**Proposed Standard on Assurance Engagements ASAE 34XX Assurance Engagements on Controls
(Replacement of AUS 810)**

Thank you for the opportunity to comment on the above exposure draft (ED). CPA Australia and Chartered Accountants Australia and New Zealand (Chartered Accountants ANZ) have considered it and our comments are set out below.

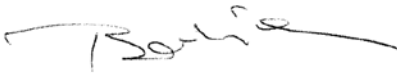
CPA Australia and Chartered Accountants ANZ represent over 210,000 professional accountants. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

We recognise the increasing prevalence of and demand for assurance engagements on controls and support the Auditing and Assurance Standards Board's (AUASB) efforts to clarify and promote consistency in these engagements. We generally support the approach taken in the ED.

While there are requirements for assurance engagements on controls in other jurisdictions, the ED represents a more specific and comprehensive pronouncement than currently exists internationally. Given that the increasing importance of assurance engagements on controls is an international trend, there may be opportunities in the future for the final standard and experience in its implementation to provide insights that would be highly useful internationally.

Please refer to Appendix 1 to this letter for our detailed comments on the questions raised in the ED. If you have any questions regarding this submission, please do not hesitate to contact either Amir Ghandar (CPA Australia) at amir.ghandar@cpaaustralia.com.au or Liz Stamford (Chartered Accountants ANZ) at liz.stamford@charteredaccountantsanz.com.

Yours sincerely



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Appendix 1: detailed responses to questions in the ED

1. ***Does this standard address the scope of all common engagements where assurance practitioners are requested, or required to provide assurance on controls?***

We consider the scope to be appropriate and sufficiently broad so as to address current and expected future common assurance engagements on controls.

2. ***Is it appropriate that all engagements are required to conclude on the suitability of the design to meet the identified control objectives and, in addition, may include:***
(a) fair presentation of the description of the system (attestation engagements only);
(b) implementation of controls as designed; and/or
(c) operating effectiveness of controls as designed?

Yes, we concur that concluding on suitability of design to meet the identified control objectives is an essential aspect of an assurance engagement on controls.

3. ***Is it appropriate that the scope of a controls engagements may cover, either:***
(a) a specified date for engagements including the description, design and/or implementation of controls; or
(b) throughout the specified period for engagements which include operating effectiveness of controls?

We support the approach taken in this aspect of the ED.

4. ***Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?***

We support the approach taken in this aspect of the ED.

5. ***Is the objective of an assurance practitioner in ASAE 3000 to obtain assurance about “whether the subject matter information is free from material misstatement” appropriately adapted for an engagement on controls to obtain assurance about whether there are material:***
(a) misstatements in the description of the system;
(b) deficiencies in the suitability of the design to achieve the control objectives;
(c) deficiencies in the implementation of controls as designed; or
(d) deviations in the operating effectiveness of controls as designed?

We support the approach taken in this aspect of the ED.

6. Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?

Although the minimum procedures required in the ED for a limited assurance engagement are primarily enquiry based, we note achieving meaningful assurance in many cases may involve a level of further work including limited testing and/or a walk-through of controls.

While we recognise the ED requires further work on a limited assurance engagement as required to “dispel or confirm a suspicion”, we note it may be very difficult to form such a position based on enquiry alone. We recommend articulation of a starting point for consideration of further procedures in certain key areas that is at a lower level than “suspicion”. We would consider these key areas to primarily include evidence regarding the effectiveness of controls. From our discussions with practitioners, we believe that it is likely that walkthroughs would be performed to obtain an understanding of the effectiveness of the controls in the majority of circumstances so suggest that the wording in paragraph 54L could be strengthened in this regard. For example it could use “This would usually involve enquiring about and observation of the operation of controls for a small number of transactions or events” rather than “This may involve...”.

7. Is a limited assurance engagement on controls a meaningful engagement?

Limited assurance can be achieved and should be encompassed by the ED. However we note the challenges involved in articulating requirements to achieve a meaningful level of assurance in a limited assurance engagement on controls while still differentiating appropriately from reasonable assurance engagements (refer also response to question 6 above) but the standard is a useful starting point for practitioners to use in such engagements. We understand that there are engagements required by Australian regulators that require limited assurance on controls, so it would be difficult to remove this as an option without appropriate engagement with these stakeholders.

8. Are the appendices included appropriate and are sufficient example assurance reports included to address the most common engagements on controls?

We support the appendices included in the ED.

9. What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the requirements of this proposed Standard? If there are significant costs, do these outweigh the benefits to the users of assurance services?

We note that the standard primarily clarifies practice on engagements that exist rather than changing what would normally occur in practice and hence do not anticipate significant costs. There may be considerable benefits to the community available through assurance engagements on controls in a growing range of areas and we recommend that it is important to communicate the existence and value of assurance engagements on controls to potential end users both in the private and public sectors.

10. Are there any other significant public interest matters that constituents wish to raise?

We have no further comments.