

21 February 2011

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

Dear Ms Kelsall

Exposure Draft ED 03/10 - Agreed-Upon Assurance Procedures to Report Factual Findings

Ernst & Young Australia is pleased to comment on the above proposed standard. We welcome the opportunity to continue contributing to the improvement in the Australian Auditing Standards that will continue to drive the quality and consistency on audits in Australia. On the whole, we are supportive of the above referenced Proposed Standard.

In response to the exposure draft, we would however like to make the following observations and suggestions. The acceptance of engagements in accordance with this standard (and in particular paragraphs 17, 20, A4 and A5) can often prove challenging. Whilst we assume that these paragraphs were written to prevent inappropriate use (or rather misuse) of the reports provided by assurance practitioners, we suggest that clarification be included in the standard explaining that these clauses are not expected to be onerous, but instead are included to prevent totally inappropriate use of the reports. For example, it is aimed at stopping an Agreed Upon Procedures (AUP) Report of Factual Findings being provided when the assurance practitioner should really be providing a Reasonable Assurance Engagement.

Also, paragraph 14 requires the assurance practitioner to comply with ethical and other requirements, "including those pertaining to independence... as if the engagement were an assurance engagement". We are concerned that requiring the same ethical and independence requirements to be applied to an AUP engagement will lead to a higher level of independence needing to be complied with when compared with other engagements of a similar type (factual findings engagements).

In response to the specific questions that the AUASB has requested a response on, we do not believe there are any significant additional comments to be made.

Should you require our more detailed comments, please contact Fiona Campbell on (03) 9288 8516 or Denis Thorn on (03) 8650 7637.

Yours sincerely

A handwritten signature in blue ink that reads 'F. Campbell'.

Fiona Campbell
Professional Practice Director - Melbourne
Area Methodology Leader - Asia Pacific Region
Ernst & Young