

8 February 2013

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

ED 02/12 Proposed Standard on Review Engagements ASRE 2400 Review of a Financial Report by an Assurance Practitioner Who is Not the Auditor of the Entity and ED 03/12 Proposed Auditing Standard on Review Engagements ASRE 2415 Review of a Financial Report (Company Limited by Guarantee)

Thank you for the opportunity to comment on the exposure drafts for the proposed standards. CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the exposure drafts and our comments follow.

CPA Australia and the Institute represent over 200,000 professional accountants in Australia and abroad. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

Our feedback and responses are included in the attached Appendix.

The Institute and CPA Australia are committed to assisting where possible in the development and implementation of the highest quality Australian auditing and assurance standards. We hope that the comments provided are of assistance to the AUASB. 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 (the Institute) at Liz.Stamford@charteredaccountants.com.au.

Yours sincerely



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Overall observations

We are supportive of the revision of the standards to set out additional requirements and guidance for assurance practitioners providing review engagements and to make the standards consistent with the clarity ASAs and equivalent pronouncements issued by the International Auditing and Assurance Standards Board.

Review engagements by practitioners who are not the auditor of the entity are becoming more prevalent as an option for mid sized entities such as charities regulated by the *Australian Charities and Not-for-Profits Commission Act 2012*, companies limited by guarantee and incorporated associations in some states. These entities can elect to have a review of their annual financial report performed instead of an audit. It is essential that there are appropriate comprehensive standards and guidance for the practitioners performing these reviews to follow.

Suggestions in relation to ED 02/12

Gaining an understanding of internal control as it relates to the preparation of the financial statements

We are supportive of including the requirement that the assurance practitioner should gain an understanding of internal control as it relates to the preparation of the financial statements in performing their review. However, as the assurance practitioner will not have the benefit of the level of understanding that the auditor of the entity would have of the entity's internal controls, we recommend that the board consider providing guidance on the extent and nature of procedures required to be performed in order to be able to provide limited assurance on the financial statements. Guidance similar to that included in ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements* would be useful.

Removal of example procedures from the standard and Small to Medium Practices

We disagree with the assertion that there is no compelling reason for the example procedures contained in Appendix 3 and 4 of the existing ASRE 2400 to be retained. We believe that it is important for these to remain a part of the standard. These example procedures are particularly helpful for small to medium practices in applying the standards appropriately and achieving the desired quality outcomes. ASRE 2410 *Review of a Financial Report by the Independent Auditor of the Entity* still contains example procedures and those engagements are most often performed by Registered Company Auditors. If auditors find such guidance useful then other practitioners, who may have less experience in performing assurance engagements and may have access to less technical resources, would also benefit from having example procedures in the standards relevant to them. We understand that the provision of example procedures carries a risk that practitioners will restrict their procedures only to those procedures presented, but this can, and should be addressed with appropriate caveats related to the need for practitioners to exercise professional judgement and tailor their procedures to the risks inherent in each particular engagement.

Removal of example management representation letter and Small to Medium Practices

As per our comment above in relation to example procedures, we disagree with the assertion that there is no compelling reason to include an example management representation letter in the proposed standard. Example management letters are provided in other ASAs and ASREs and they are useful to small to medium practices. The example management letter in ASRE 2410 is specifically tailored for a review of a Corporations Act entity interim financial report so is not necessarily a sufficient example for practitioners to tailor to other engagements.