

3 February 2014

The Chairman
Auditing and Assurance Standards Board
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Dear Ms Kelsall

Exposure Drafts ED 05/13 Proposed Standard ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, ED 06/13 *Proposed Framework for Assurance Engagements* and ED 07/13 *Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASA 3420 as a Result of Re-issuance of ASAE 3000*

Ernst & Young Australia welcomes the opportunity to offer its views on the three AUASB Exposure Drafts relating to ASAE 3000 *Assurance Engagements Other than the Audits or Reviews of Historical Financial Information*.

We support the reissue of the Proposed Standard and Proposed Framework and provide our responses to the below specific questions that the AUASB has raised. We do however have a concern with some of the differences from ISAE 3000 *Assurance Engagements Other than the Audits or Reviews of Historical Financial Information* (issued on 9 December 2013). We believe that, given the increasingly globalised world in which we operate, our assurance standards should be as consistent as possible with their international equivalents. Accordingly, we recommend that the following differences from ISAE 3000 (Revised) not be incorporated into ASAE 3000:

- For limited assurance engagements, the assurance practitioner is required to:
 - “assess the risks of material misstatement in the subject matter information”, rather than “identify areas where a material misstatement of the subject matter information is likely to arise”.
 - “respond to assessed risks”, rather than “address the areas identified”.
 - “obtain an understanding of internal control over the preparation of the subject matter information”, rather than “consider the process used to prepare the subject matter information”.

Please refer to Section 1 below for more detailed comments on this.

Our responses to the specific questions that the AUASB has raised in relation to ED 05/13 and ED 07/13 are outlined in Section 1. Specific questions in relation to ED 06/13 are outlined in Section 2 of this letter.

1. Responses to the AUASB’s Specific Questions in relation to ED 05/13 Proposed Standard ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* and ED 07/13 *Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASA 3420 as a Result of Re-issuance of ASAE 3000*

Questions

1. Do respondents believe that additional paragraphs marked as “Aus” are appropriate?
 2. Have applicable laws and regulations been appropriately addressed in the Proposed Standard and amendments?
 3. Are there any references to relevant laws or regulations that have been omitted?
 4. Are there any laws or regulations that may, or do, prevent or impede the application of the Proposed Standard and amendments, or may conflict with the Proposed Standard and amendments?
 5. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of the Proposed Standard and amendments? If there are significant costs, do these outweigh the benefits to the users of assurance services?
 6. Are there any other significant public interest matters that constituents wish to raise?
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Response to Question 1

We recommend that the following differences from ISAE 3000 (Revised) and follow on changes in the proposed ASAE 3000 explanatory paragraphs and amendments outlined in ED 07/13 not be incorporated into proposed ASAE 3000 but instead the wording in ISAE 3000 (Revised) should be used:

For limited assurance engagements, the assurance practitioner is required to:

- “assess the risks of material misstatement in the subject matter information”, rather than “identify areas where a material misstatement of the subject matter information is likely to arise”.
- “respond to assessed risks”, rather than “address the areas identified”.
- “obtain an understanding of internal control over the preparation of the subject matter information”, rather than “consider the process used to prepare the subject matter information”.

By using “assess the risks of material misstatement in the subject matter information” in the context of a limited assurance engagement, the proposed ASAE 3000 is using the same terminology used for a reasonable assurance engagement. Proposed ASAE 3000 does not however substantiate the risk assessment process for a limited assurance engagement by, for example, elaborating on the difference between a risk assessment for a limited assurance engagement and a risk assessment for a reasonable assurance engagement. We believe that the requirement to “assess the risk of material misstatement in the subject matter information” is inconsistent with the lower level of assurance embodied in a limited assurance engagement and accordingly believe that “identify areas where a material misstatement of the subject matter information is likely to arise”, as contained in ISAE 3000 (Revised), is more appropriate wording.

Under the proposed ASAE 3000 the requirement to “obtain an understanding of internal control over the preparation of the subject matter information” will be applicable to every limited assurance engagement. This is divergent from ISAE 3000 (Revised) which states: “while in some limited assurance engagements the practitioner may obtain an understanding of internal control over the preparation of the subject matter information, this is often not the case”. We believe that, in most cases, requiring an understanding of internal control for a limited assurance engagement is inconsistent with the lower level of assurance embodied in a limited assurance engagement. An understanding of internal control over the preparation of the subject matter may be an effective approach when it is relevant to the underlying subject matter, for example, if the subject matter information depends on the continuous operation of controls. Accordingly, we believe that “consider the process used to prepare the subject matter information”, as contained in ISAE 3000 (Revised), is more appropriate wording.

Response to Questions 2-6

We believe that all applicable laws and regulations have been appropriately addressed in the Proposed Standard and amendments. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the Proposed Standard and amendments, or may conflict with the Proposed Standard and amendments. In our view, there are no additional significant costs to/ benefits arising from compliance with the requirements of the Proposed Standard and amendments and there are no other significant public interest matters to raise.

2. Responses to the AUASB's Specific Questions in relation to ED 06/13 *Proposed Framework for Assurance Engagements*

Questions

1. Do respondents believe that additional paragraphs marked as "Aus" are appropriate?
 2. Have applicable laws and regulations been appropriately addressed in the Proposed Framework?
 3. Are there any references to relevant laws or regulations that have been omitted?
 4. Are there any laws or regulations that may, or do, prevent or impede the application of the Proposed Framework, or may conflict with the Proposed Framework?
 5. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of the Proposed Framework? If there are significant costs, do these outweigh the benefits to the users of audit services?
 6. Are there any other significant public interest matters that constituents wish to raise?
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We believe that additional paragraphs marked as "Aus" are appropriate and all applicable laws and regulations have been appropriately addressed in the Proposed Framework. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the Proposed Framework, or may conflict with the Proposed Framework. In our view, there are no additional significant costs to/ benefits arising from compliance with the requirements of the Proposed Framework and there are no other significant public interest matters to raise.

We welcome the opportunity to contribute to the improvement of Auditing and Assurance Standards that will continue to drive the quality and consistency on such services in Australia. We would be pleased to discuss our comments with members of the Auditing and Assurance Standards Board and its staff. Should you wish to do so, please contact myself on (03 8650 7637).

Yours sincerely



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Oceania Professional Practice Director – Assurance
Ernst & Young