

10 February 2014

The Chairman  
Auditing and Assurance Standards Board  
PO Box 204  
Collins Street West  
Melbourne Victoria 8007  
Via email: [edcomments@auasb.gov.au](mailto:edcomments@auasb.gov.au)

Dear Ms Kelsall

## Exposure Drafts EDs 05/13 – ED 07/13

Thank you for the opportunity to comment on the following series of interrelated exposure Drafts.

- ED 05/13 “Proposed Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Review 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 ASAE 3420 as a result of Proposed Re-issuance of ASAE 3000”.

You have specifically requested that respondents focus on the decisions made regarding by the AUASB regarding the Aus paragraphs and responses to specific questions.

As a general principle, the Institute of Public Accountants (IPA) supports the policy of making Australian specific amendments to International Auditing and Assurance Standards on public interest grounds.

### Operative Date

The exposure drafts collectively number in excess of 150 pages. We note that the operative date of the proposed standard, Framework and amendments is from 1 January 2015.

Accounting firms will need to become familiar with new and revised requirements, update internal policies and procedures, train staff and communicate with clients impacted. The time frame to do this is considered very tight, particularly as accounting firms are currently addressing issues associated with AASB 10-13 and other regulatory developments.

### ED 05/13 “Proposed Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Review of Historical Financial Information”

We support the proposed Standard on Assurance Engagements that represents the Australian equivalent of revised ISAE 3000 ‘Assurance Engagements Other than Audits or Reviews of Historical Financial Information’, and its replacement of ASAE 3000 ‘Assurance Engagements other than Auditor or Reviews of Historical Financial Information’.

Specially, we support the following Aus paragraphs:

1. The inclusion of Aus 12.1(a) “Assurance practitioner – The individual, firm, or other organisation, whether in public practice, industry and commerce, or the public sector conducting an assurance engagement. Where this ASAE expressly intends that a requirement or responsibility be fulfilled by the lead assurance practitioner, the term the “lead assurance practitioner” rather than the “assurance practitioner” is used.”
2. The inclusion of Aus 12.2(a) “Assurance practitioner’s expert – An individual or organisation possessing expertise in a field other than assurance, whose work in that field is used by the assurance practitioner to assist the assurance practitioner in obtaining sufficient appropriate

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- evidence. An assurance practitioner's expert may be either an assurance practitioner's internal expert (who is a partner or staff, including temporary staff, of the assurance practitioner's firm or a network firm), or an assurance practitioner's external expert."
3. The inclusion of Aus 12.3(m) "Lead assurance practitioner – The person in the firm who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. The "lead assurance practitioner" should be read as referring to its public sector equivalents where relevant."
  4. The inclusion of Aus 20.1: "The assurance practitioner shall comply with the relevant ethical requirements\* related to assurance engagements".
  5. The amendments made to Aus 46L.1: "The assurance practitioner shall obtain an understanding of the underlying subject matter and other engagement circumstances sufficient to: (a) Enable the assurance practitioner to identify and assess the risks of material misstatement in the subject matter information; and (b) Thereby, provide a basis for designing and performing procedures to respond to the assessed risks identified in paragraph Aus 46.1(a) of this ASAE and to obtain limited assurance to support the assurance practitioner's conclusion". "In obtaining an understanding of the underlying subject matter and other engagement circumstances under paragraph Aus 46L.1 of this ASAE, the assurance practitioner shall obtain an understanding of internal control over the preparation of the subject matter information relevant to the engagement, through enquiry of the personnel responsible for the subject matter information".
  6. The amendments made to Aus 48L.1: "Based on the assurance practitioner's understanding (see paragraph Aus 46L.1 of this ASAE), the assurance practitioner shall: (a) Identify and assess the risks of material misstatement in the subject matter information; and (b) Design and perform procedures to respond to the assessed risks identified in paragraph Aus 48L.1 (a) of this ASAE and to obtain limited assurance to support the assurance practitioner's conclusion". Aus 49L.1 If the assurance practitioner's assessment of the risks of material misstatement in the subject matter information have changed, the assurance practitioner shall design and perform additional procedures to obtain further evidence until the assurance practitioner is able to: (a) Conclude that the matter is not likely to cause the subject matter information to be materially misstated; or (b) Determine that the matter(s) causes the subject matter information to be materially misstated.

We further support specific application guidance paragraphs Aus A103.1, Aus A104.1, Aus A106.1, and Aus A111.1

In response to your specific questions, the IPA replies as follows:

1. Do respondents believe that additional paragraphs marked as "Aus" are appropriate?  
Yes.
2. Have applicable laws and regulations been appropriately addressed in the proposed standard?  
Yes.
3. Are there any references to relevant laws or regulations that have been omitted?  
No.
4. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?  
None that we are aware.
5. What, if any, are the additional significant costs to/benefits for auditors 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 audit services?  
There will be costs associated with understanding the new and revised requirements, staff training, revisions to policies and procedures, revised programs, and client education. Any such costs are transitional in nature. The benefits are alignment with ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", and specific Australian amendments that are considered to be in the public interest. Although there are costs for the accounting firms, the revised standard is in the interest of users.
6. Are there any other significant public interest matters that constituents wish to raise?  
No.

## **ED 06/13 “Proposed Framework for Assurance Engagements”**

We support the proposed “Framework for Assurance Engagements” that represents the Australian equivalent of “International Framework for Assurance Engagements”, and its replacement of the current Framework used by the AUASB.

Specially, we support the following Aus paragraph:

1. Aus 30.1 When an assurance practitioner chooses to represent compliance with an Assurance Standard, it is important to recognise that those Standards include requirements that reflect the premise in paragraph 5 of the Framework regarding relevant ethical requirements and ASQC 1.

In response to your specific questions, please refer to response to ED 5/13 “Proposed Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Review of Historical Financial Information” where similar questions were asked.

## **ED 07/13 “Proposed Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 as a result of Proposed Re-issuance of ASAE 3000”**

We support the proposed consequential amendments to:

- ASAE 3402 “Assurance Reports on Controls at a Service Organisation”
- ASAE 3410 “Assurance Engagements on Greenhouse Gas Statements”, and
- ASAE 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information Included in a Prospectus or Other Document”.

These consequential amendments arise from the re-issuance of ASAE 3000 “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”. These proposed conforming amendments to Standards on Assurance Engagements represents the Australian equivalent of “Conforming Amendments to Other ISAEs” issued by the IAASB.

Specially, we support the following Aus amendments:

- Use of the term the “assurance practitioner” and the “lead assurance practitioner” in place of the “practitioner” and the “engagement partner” to accommodate a broad application of AUASB standards to professionals from other disciplines in addition to professional accountants, and
- Reference to relevant ethical requirements contained in ASA 102 “compliance with Ethical Requirements when Performing Audits, Reviews and other Assurance Engagements” to maintain consistency with other AUASB standards.

In response to your specific questions, please refer to response to ED 5/13 “Proposed Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Review of Historical Financial Information” where similar questions were asked.

If you would like to discuss our comments, please contact Colin Parker at [colin@gaap.com.au](mailto:colin@gaap.com.au) or me.



Yours sincerely  
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Chief Executive Officer