

17 February 2011

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

Via email: [edcomments@auasb.gov.au](mailto:edcomments@auasb.gov.au)

Dear Ms Kelsall

**ED 03/10 Proposed Standard on Assurance Engagements ASAE 4400 Agreed-Upon Assurance Procedures to Report Factual Findings (Revision of AUS 904)**

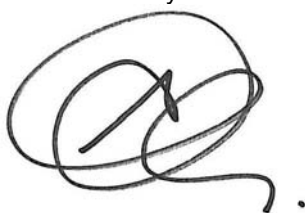
Thank you for the opportunity to comment on ED 03/10 ASAE 4400 *Agreed-Upon Assurance Procedures to Report Factual Findings* (the ED). CPA Australia, The Institute of Chartered Accountants (The Institute) and the National Institute of Accountants (the Joint Accounting Bodies) have considered this ED and our comments follow.

The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

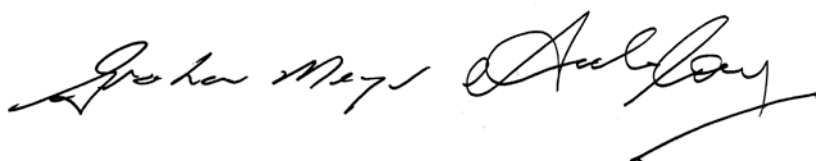
The Joint Accounting Bodies support the revision of AUS 904 *Engagements to Perform Agreed-upon Procedures* and an updated standard addressing assurance practitioner needs in this area is to be welcomed. However we wish to draw the Board's attention to certain matters. These are dealt with in the attached Appendix, which also contains our responses to matters on which specific comment was requested.

The Joint Accounting Bodies 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 Amir Ghandar (CPA Australia) at 02 9375 6244, Andrew Stringer (Institute) at 02 9290 5566, or Tom Ravlic (NIA) at 03 8665 3143.

Yours sincerely



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Chief Executive Officer  
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**Graham Meyer**  
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**Andrew Conway**  
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Representatives of the Australian Accounting Profession



[cpaaustralia.com.au](http://cpaaustralia.com.au)



The Institute of  
Chartered Accountants  
in Australia

[charteredaccountants.com.au](http://charteredaccountants.com.au)



[nia.org.au](http://nia.org.au)

## Overall Observations and Suggestions

1. The proposal to issue the standard as a Standard on Assurance Engagements (ASAE) is problematic as this classification is likely to cause confusion to practitioners and other stakeholders. It is not an assurance standard since it is not intended to lead to a report that conveys assurance, and thus should not be styled as an ASAE standard.

We recommend that the Board consider the structure of pronouncements issued by the International Auditing and Assurance Standards Board (IAASB), which contains standards categorised as International Standards on Related Services (ISRS). This makes clear the existence of a series of standards related to the assurance standards, but which are nevertheless not considered to be assurance standards. An Australian equivalent could be an ASRS series.

The former AUS 106 *Explanatory Framework for Standards on Audit and Audit Related Services* in Appendix 1 contains a very informative outline of a framework that accommodates such a separate, related series of standards.

2. The current *Foreword to AUASB Pronouncements* and the *Framework for Assurance Engagements* do not address another series of standards. This would also be an opportunity for the Board to revisit the Foreword and Framework to cater for such a different category which, while not being assurance standards, are nevertheless related to the assurance standards.

The robust way in which standards are now viewed makes it imperative that the distinction between assurance and non assurance engagements is clearly articulated, particularly in these overarching documents.

3. Incorporating this distinction into the proposed standard itself would also be very helpful in assisting both preparers' and users' comprehension of this type of engagement. The inclusion in this standard of a diagram such as that contained in the former AUS 106, which highlights this difference, would we believe be very helpful.
4. We note that there are significant differences in the ED compared to ISRS 4400 and question whether it is appropriate to claim compliance with ISRS 4400 given these differences.
5. Further, paragraph 22 states that users "must" conduct their own assessment of the findings – we consider the use of the word 'must' in this case to be too strong given that a user is not required to comply with auditing standards, and suggest replacing it with the term 'are expected to'.

### Comments on specific feedback sought:

1. **What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community for compliance with this proposed ASAE?**

We recognise that the standard contains a number of new and elevated requirements compared to the existing AUS 904. It is difficult to estimate the likely impact on practitioners of the costs of compliance, but on balance do not believe that these should be substantial.

**2. Are there any significant public interest matters that constituents wish to raise?**

The Joint Accounting Bodies are of the view that further awareness and education about the differences between agreed-upon procedures engagements and audit/review engagements is important to attempt to ensure that those who engage assurance practitioners to conduct these different types of engagements understand the distinctions between them.

**3. Will adherence to the independence requirements applicable to Other Assurance Engagements present any additional costs for assurance practitioners? Will these costs, if any, be passed on to the business community?**

We do not consider there to be any additional costs.

**4. Will the term “assurance procedures” be properly understood by stakeholders as not providing assurance when conducted in an agreed-upon assurance engagement? Is it likely to be confused with the provision of assurance?**

The term ‘assurance procedures’ will cause further confusion and will only add to the stakeholders’ belief that assurance is being provided. The term’s definition in the ED may also cause uncertainty as it is conceivable that relevant engagements may include procedures other than ‘to evaluate or measure the subject matter against criteria’. We suggest the procedures be referred to as ‘agreed-upon procedures’, and that the title of the ED be updated to reflect this term.

**5. Does the practitioner merely exercise professional competence and skill in conducting the procedures agreed, as currently drafted, or does the practitioner also need to exercise professional judgement to conduct agreed procedures, as they would in an audit or review?**

The distinction is that in an assurance engagement the nature, timing and extent of testing is at the discretion of the practitioner, whereas in an agreed-upon procedures engagement this is not the case. The nature, timing and extent of testing is determined by the scope of the engagement agreed with the client. Consequently we do not consider that the exercise of professional judgement is fundamental to conduct agreed upon procedures, since all procedures would have been agreed to and reflected in an engagement letter.

However, in many cases clients of practitioners will advertently or inadvertently rely on the practitioner’s judgement in defining the range or scope of procedures. The practitioner should take care to ensure that the user is aware of the possible procedures and possible outcomes when making their choice, so that it is clearly an informed selection.

**6. In an agreed-upon assurance procedures engagement, as currently drafted, the assurance practitioner does not assess:**

- (a) the adequacy of the procedures to be conducted;**
- (b) risk; or**
- (c) the findings.**

**Do you consider any of these matters need to be assessed? If so, under what circumstances?**

We do not consider it necessary for any of these matters to be assessed in an agreed-upon procedures engagement as it is not the assurance practitioner’s responsibility to assess such matters in these types of engagements.

**7. Do the factual findings reported constitute a conclusion provided by the practitioner?**

Some users are likely to consider a statement of fact to contain an implicit conclusion. For example, using the example report of factual findings in Appendix 4 of the ED, it is possible that a user would conclude that accounts payable is accurate and complete. Consequently we believe further awareness and education is required, as noted in our response to question 2 above.

- 8. If a user relies on the factual findings reported is this based on:**
- (a) the practitioner's competence and skill in conducting the procedures (as currently drafted); or**
  - (b) assurance provided by the practitioner? If so, how is the level of assurance defined?**

Refer to our observations above in the overall observations and suggestions.