

Merran Kelsall
The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne VIC 8007

8 February 2011

Dear Ms Kelsall

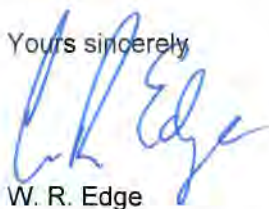
Comments on Exposure Draft 03/10 – Agreed-Upon Assurance Procedures to Report Factual Findings

We appreciate the opportunity to comment on the above mentioned Exposure Draft. We have a number of comments and suggestions which are included in Appendix 1, but overall are supportive of the proposed new standard. We believe that there is a definite need for a standard dealing with agreed-upon procedures to report factual findings.

We have also responded to the specific questions included in the Request for Comment. These responses are included in Appendix 2.

We would be pleased to discuss our comments with you. Please contact Avril Trent on (02) 8266 8097 or me on (03) 8603 3649 should you require any further information.

Yours sincerely



W. R. Edge
Partner
OneFirm Risk & Quality Leader

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Merran Kelsall
8 February 2011

Appendix 1

Specific comments and suggestions

1. Use of the term “agreed upon assurance procedures”

The term “agreed-upon assurance procedures” is used throughout the proposed standard, as well as in the title. Although it is made clear that agreed-upon assurance procedures engagements do not provide assurance, the use of this term could create misunderstanding. Also, although the procedures performed are generally assurance type procedures, not all of the procedures would necessarily be of an assurance nature.

We believe it would be preferable to use the term “agreed-upon procedures” throughout. This term could be defined in the definitions section of the standard. The definition could include reference to the fact that the procedures are generally of an assurance nature, but that they are not specific assurance procedures.

2. Compliance with ethical requirements, including those pertaining to independence

The proposed standard requires the assurance practitioner to comply with ethical and other requirements “as if the engagement were an assurance engagement” (paras 14, 15, 29, 34(b) as well as the corresponding application paragraphs).

We believe that this is contradictory given the non-assurance nature of these engagements, and could lead to an additional burden on practitioners in meeting the requirements. It would mean that independence requirements will need to be applied beyond what is necessary for other non-assurance engagements.

In addition, by applying requirements relating to Other Assurance Engagements, there could be an implication that the engagements are a form of assurance engagement, which is likely to cause confusion to users.

3. Agreeing the terms of engagement

Merran Kelsall

8 February 2011

We suggest removing the second sentence of para 21 and replacing with “All other parties shall be excluded from using the report”. Our view is that specified parties who receive copies of the report, and are entitled to rely on the report, should agree to the terms of the engagement. Other parties should not be entitled to use the report, unless the terms of that use are specifically agreed between the assurance practitioner, the engaging party and the additional user.

Para A11(f) should be accordingly amended to read as “identification of the intended users of the report;”

Merran Kelsall
8 February 2011

4. Analytical review procedures

Para A20(f) and A21 refer to analytical review procedures being one of the types of procedures that an assurance practitioner can perform as part of an agreed-upon procedures engagement. The wording refers to the fact that these analytical procedures are based solely on analysis against expectations defined in the terms of the engagement. In our view, these would not be analytical review procedures, as the engaging party will need to specify what additional procedures the assurance practitioner will need to perform in the event that the expectations are not met.

"Analytical procedures" implies a level of judgement and subjectivity, which are not elements of an agreed-upon procedures engagement. We would suggest removing para A20(f) and A21.

5. Other comments

- a) Para 42(j) references para A26, which does not exist. The reference should be to para A24.
- b) The first sentence of para 44 appears to be incomplete. Additionally this paragraph uses the term "auditor" where the term "assurance practitioner" should be used.
- c) We suggest that the Reporting section of the requirements makes it clear that the report of factual findings should not include any recommendations.

Merran Kelsall
8 February 2011

Appendix 2

Responses to specific questions raised

- 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 do not believe there will be significant additional costs associated with compliance with this proposed ASAE. There should be benefit from the more detailed and clarified requirements and guidance in relation to these types of engagements.

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

N/A

- 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.**

Refer to comment 2 of Appendix 1. We do not believe that the independence requirements applicable to Other Assurance Engagements should apply to these engagements.

- 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?**

We believe that the term “assurance procedures” will cause confusion. Refer to our more detailed comment 1 of Appendix 1.

- 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-upon procedures, as they would in an audit or review?**

One of the most significant attributes of an agreed-upon procedures engagement is the lack of subjectivity in both the procedures and the factual findings. Applying judgement requires a level of subjectivity, so it would not be appropriate for the

Merran Kelsall
8 February 2011

practitioner to exercise professional judgement when conducting agreed-upon procedures.

- 6) **In an agreed-upon 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 agree that the assurance practitioner should not assess any of the matters listed.

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

The factual findings reported do not, and should not, constitute a conclusion.

- 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?**

The user should only rely on the practitioner's competence and skill – no assurance is provided.
