

13 March 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

Proposed Standard on Assurance Engagements ASAE 3xxx, Australian Water Accounting Standard 2, Assurance Engagements on General Purpose Water Accounting Reports (AWAS 2)

Thank you for the opportunity to comment on the exposure draft for the Proposed Standard on Assurance Engagements on General Purpose Water Accounting Reports (the ED). CPA Australia and the Institute of Chartered Accountants in Australia (the Institute) have considered the ED 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.

CPA Australia and the Institute recognise the importance of developing a standard for assurance engagements on general purpose water accounting reports (GPWAR) and commend the Auditing and Assurance Standards Board (AUASB), and the Bureau of Meteorology (BOM) for this effort. 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 and BOM. 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



Alex Malley
Chief Executive Officer
CPA Australia Ltd



Lee White
Chief Executive Officer
Institute of Chartered Accountants Australia

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



Institute of
Chartered Accountants
Australia

charteredaccountants.com.au

Appendix – Feedback

We note the consistency of the approach taken in the ED with the umbrella assurance standard, ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, and other similar assurance standards such as ASAE 3410 *Assurance Engagements on Greenhouse Gas Statements*. There are relevant issues that exist at a framework level, for example, clarifying reasonable and limited assurance. However, the achievement of consistency with the current framework is considered an appropriate objective at the individual standard level and hence we have limited our comments to this context.

Recognizing the importance of consistency, and that many of the matters raised in our submission on the consultation paper *Assurance Engagements on General Purpose Water Accounting Reports* (the CP) have been addressed here, we support the overall approach taken in the ED to the areas specified in the consultation questions.

Opportunity for further guidance

There are opportunities to expand on the application material within the standard, or develop separate guidance on some of the unique challenges involved in assurance engagements on GPWAR (relevant to **question 10**). Some examples include:

- *Water quality*: AWAS 1 *Preparation and Presentation of General Purpose Water Accounting Reports* states “For water to meet the definition of a water asset, it must be of sufficient quality to enable the water report entity or its stakeholders to derive the future benefits expected from the water”. The guidance material within AWAS 1 also stipulates that the intended use of the water is pertinent to this definition which adds further complexity to the considerations applicable in obtaining assurance with regard to the existence and recognition of water assets.

While the ED covers the use of the work of experts in assurance engagements, which is relevant, it does not currently cover this area specifically. Application material specific to the types of considerations and challenges practitioners are likely to face in this area would be beneficial.

- *Future prospects*: AWAS 1 states “Information shall be disclosed in the notes that assists users of a general purpose water accounting report to understand the future prospects of the water report entity”.

We note that the ED acknowledges the inherent uncertainty in future prospects disclosures, and states that in some circumstances, this or other inherent uncertainties may mean it is not appropriate to perform an assurance engagement. As future prospects disclosure is a requirement for all GPWAR, we recommend application material providing examples of the types of procedures that may be applied in this area, and the types of issues that may lead to an assurance engagement being inappropriate to commence or continue, would be beneficial.

- *Unaccounted-for differences*: for similar reasons as outlined above in regard to future prospects, we recommend further application material specifically in regard to the impact of the existence of unaccounted-for differences on the conduct of assurance engagements would be beneficial.
- *Limited assurance reporting*: the majority of the example reports provided are for reasonable assurance engagements. We believe that practitioners would find further examples of limited assurance reports, particularly modified limited assurance reports useful. Alternatively, guidance could be provided on how the modified reasonable assurance reports would change for a limited assurance engagement.

We recognise that the practice of water accounting and associated assurance are in their early stages of development and promulgation. As these practices gain maturity, the above noted and other specific matters may gain prominence and create the need for further guidance. We encourage the development of appropriate non-authoritative material such as guidance notes or staff publications to complement the pronouncements.

Consistency in wording conveying objective

The objective of the assurance engagement is stipulated in the ED as:

To obtain reasonable or limited assurance, as appropriate, about whether the water accounting statements, note disclosures and accountability statement included in the general purpose water accounting report are free from material misstatement, whether due to fraud or error, thereby enabling the assurance practitioner to express a conclusion conveying that level of assurance

We note that this objective does not in any sense involve the practitioner *providing* assurance. This is consistent with the *Framework for Assurance Engagements*.

However the ED contains several instances stating that the assurance practitioner *provides* assurance. Clarity in the language used in this context is essential to avoid the implication of stretching the objective of assurance engagements, and thereby potentially contributing to an expectations gap. We have noted the following instances where this occurs in the ED:

- Para 15(o)
- Para 62(c)(i)
- Para 63
- Para 86
- Para A35(b)
- Para A48
- Para A109(d)
- Para A110
- Para A145
- Para A149
- Para A166
- Appendix 1 and 2, Introductory comments to illustrative reports
- Appendix 1, Illustration 2, Other Matter example 2

(Note this list is exclusive of instances found in the explanatory material accompanying the ED).