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To: ED Comments

Cc: Kim Farrant; Marcus Looby; Simon Dawes

Subject: Comments on exposure draft 01/14

To whom it may concern

Please find below our comments on exposure draft 01/14 of Proposed Standard on Assurance Engagements ASAE 34XX Assurance Engagements on Controls.

We have structured the answers below in response to the questions posed at the roundtable session last month:

Question (from AUASB)	<i>Net Balance response comments</i>
1. Does this standard address the scope of all common engagements where assurance practitioners are requested, or required to provide assurance on controls?	<i>We don't believe assurance of controls is required for any current or future climate change legislation. Procedures are required to be conducted in relation but for a secondary purpose. The controls are not the subject matter. For sustainability reporting we would not see this as a key part of our work, as the subject matter is usually disclosure driven. That said, there may be opportunity to extend this into the realm of supplier/contractor auditing – for example, where a retailer may want comfort that health and safety controls are operating effectively at an overseas garment manufacturer.</i>
2. Is it appropriate that all engagements are required to conclude on the suitability of the design to meet the identified control objectives and, in addition, may include: a. Fair presentation of the description of the system (attestation engagements only); b. Implementation of controls as designed; and/or c. Operating effectiveness of controls as designed?	<i>We believe that is appropriate for design of controls to be tested in year 1, but that the scope of the engagement must move to implementation and operating effectiveness in year 2 onwards. Ensure there is a piece on scope limitations here – e.g. can only test a control if it actually happened during the period.</i>
3. Is it appropriate that the scope of a controls engagement may cover, either: a. A specified date for engagements including the description, design and/or implementation of controls; or b. Throughout the specified period for engagements which include operating effectiveness of controls?	<i>See above, this should be at least one year minimum time period, since some controls (e.g. calculating emissions) only operate once per year</i>

4. Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?	<i>We understand that attestation engagements most commonly used by government auditors internally – nothing further to add.</i>
5. Is the objective of an assurance practitioner in ASAE 3000 to obtain assurance about “whether the subject matter information is free from material misstatement” appropriately adapted for an engagement on controls to obtain assurance about whether there are material: a. Misstatements in the description of the system b. Deficiencies in the suitability of the design to achieve the control objectives; c. Deficiencies in the implementation of controls as designed; or d. Deviations in the operating effectiveness of controls as designed?	<i>We believe the standard could be much clearer around the issue of Criteria. For instance, should (a) in fact be part of the objective or is it the thing you are testing against (criteria)?</i>
6. Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?	Yes
7. Is a limited assurance engagement on controls a meaningful engagement?	Yes
8. Are the appendices included appropriate and are sufficient example assurance reports included to address the most common engagements on controls?	Yes

Kind regards
Nadia

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