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The Chairman  
Auditing and Assurance Standards Board  
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Melbourne Victoria 8007

Our ref Comfort Letter Standard response  
11/11

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

7 December 2011

Dear Ms Kelsall

**Exposure Draft 03/11 Proposed Standard on Related Services ASRS 4450 *Comfort letter Engagements* (“ED 03/11”)**

We are pleased to have the opportunity to comment on ED 03/11. We are supportive of the need for the Auditing and Assurance Standards Board (“AUASB”) to issue a standard relating to comfort letter engagements.

Currently there is a void regarding guidance on comfort letter engagements in Australia. We believe that the proposed standard provides an appropriate level of guidance regarding the performance of comfort letter engagements. We have detailed below our comments on specific aspects of the proposed standard.

**Relationship with applicable Standards of other jurisdictions**

We believe that the provisions of paragraph 8 will create significant challenges when auditors attempt to comply with the requirements of the proposed standard and the requirements of an equivalent standard issued by other national auditing standards setting bodies.

One potential difference relates to the use of engagement letters. There is no requirement for a requesting party to sign an engagement letter under the American Institute of Certified Public Accountants Statement on Auditing Standards No. 72 (“SAS 72”). Paragraph 16 of the proposed standard requires the auditor to document the agreed terms of the engagement in an engagement letter.

Other potential issues could arise due to definitional differences between the proposed standard and SAS 72. The proposed standard includes definitions for terms such as auditor’s statement and change period which are not consistent with SAS 72.

These potential differences will create difficulties for the business community and auditors in modifying established practices when an Australian auditor issues a comfort letter in accordance with a standard issued by a foreign auditing standards setting body. It is likely that certain procedures proposed by this standard would not be acceptable for offerings in jurisdictions which have a comfort letter auditing standard in place.

We agree that auditors should undertake comfort letter engagements in accordance with the proposed standard when issuing a comfort letter for a jurisdiction that does not have an equivalent standard issued by a national auditing standards setting body.

Rather than seeking to address identified differences, we recommend paragraph 8 be modified to allow auditors the choice of either:

- complying with this standard when issuing a comfort letter for jurisdictions that do not have a comfort letter auditing standard in place, or
- complying with the requirements of an equivalent standard when issuing a comfort letter for jurisdictions with a comfort letter auditing standard in place.

In addition, we recommend paragraph 8 be modified to remove the requirement for the auditor to include reference to both standards in the comfort letter.

We would be pleased to discuss our submission with members of the AUASB or its staff. If you wish to do so, please contact me at (02) 9335 7630.

Yours sincerely



Martin McGrath  
*Partner in Charge,  
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