



Hayes Knight

Hayes Knight (NSW) Pty Ltd  
Level 2, 115 Pitt St, Sydney NSW 2000  
GPO Box 4565 Sydney NSW 2001  
**Tel** +61 (0)2 9221 6666 **Fax** +61 (0)2 9221 6305  
**Email** info@hayesknight.com.au  
**ABN** 25 125 243 692

[www.hayesknight.com.au](http://www.hayesknight.com.au)

1 August 2011

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

Dear Ms Kelsall

**RE: Comments on Exposure Draft Revised International Standard on Assurance Engagement ISAE3000**

We appreciate this opportunity to comment on the above as issued by the International Auditing and Assurance Standards Board.

We are responding on behalf of the Hayes Knight Australian Network of firms, each of which is a separate and legal entity.

Overall Comments

We are supportive of the revised International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than audits or review of historical financial information. We believe that this revised standard will be the overarching standard to current and future subject-specific ISAES.

The proposed ISAE 3000 includes requirements that enable consistent high quality engagements, while being sufficiently flexible to apply to the broad range of relevant engagements.

Before addressing the specific questions in the exposure draft, we make the following comments:

- **Fraud**  
The revised ISAE3000 appears not to be covering sufficiently on discussions of fraud. Paragraph 6(a) should be considered to include "...is free from material misstatement" whether due to fraud or error.

**Associated offices**

**Australia** Melbourne Brisbane Adelaide Darwin Perth **New Zealand** Auckland Albany Parnell

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- Framework for Assurance Engagements  
The proposed ISAE 3000 includes material from the existing Australian Framework for Assurance Engagements.

We believe that this framework should not be withdrawn as it plays a useful role in providing an overview of assurance concepts, without the burden of specific requirements.

Specific Comments

We have provided responses to request for specific matters on the attached Appendix 1.

Please contact me on (02) 9221 6666 if you require any further information.

Yours faithfully,

A handwritten signature in black ink, appearing to read 'Pran Rathod', written over a horizontal line.

**Pran Rathod FCPA**  
**Director – Audit Services**

Specific Matters for Comments

1. Do respondents believe that the nature and extent of requirements in proposed ISAE 3000 would enable consistent high quality assurance engagements while being sufficiently flexible, given the broad range of engagements to which proposed ISAE 3000 will apply?

**We consider that the proposed ISAE 3000 carries a significant amount of application and guidance material in its application to the broad range of relevant engagements, and enabling a consistent high quality assurance engagement.**

2. With respect to levels of assurance:

- (a) Does proposed ISAE 3000 properly define, and explain the difference between, reasonable assurance engagements and limited assurance engagements?

**Yes.**

- (b) Are the requirements and other material in proposed ISAE 3000 appropriate to both reasonable assurance engagements and limited assurance engagements?

**Yes.**

- (c) Should the proposed ISAE 3000 require, for limited assurance, the practitioner to obtain an understanding of internal control over the preparation of the subject matter information when relevant to the underlying subject matter and other engagement circumstances?

**Although limited assurance engagements are undertaken with an emphasis on analytical review procedures and enquiry, assurance providers should obtain and update their understanding of the control environment for purpose of making relevant enquiries, assessing risks in the misstatement of a subject matter and to design and perform appropriate evidence gathering procedures based on reliable data.**

**Analytical review procedures are effective only on reliable data. Accordingly, the assurance provider should be satisfied that the procedures are in place to record and report reliable data.**

3. With respect to attestation and direct engagements:

- (a) Do respondents agree with the proposed changes in terminology from “assurance-based engagements” to “attestation engagements” as well as those from “direct reporting engagements” to “direct engagements”?

**We agree with the proposed changes in the terminology and believe that the proposed terms attestation engagements and direct-reporting engagements more clearly convey the scope, nature and limitations of such engagements, as stated in the proposed ISAE 3000.**

- (b) Does proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?

**We believe that the proposed ISAE 3000 properly defines and explains the difference between “direct engagements” and “attestation engagements”.**

- (c) Are the objectives, requirements and other material in the proposed ISAE 3000 appropriate to both direct engagements and attestation engagements? In particular:

- (i) In a direct engagement when the practitioner’s conclusion is the subject matter information, do respondents believe that the practitioner’s objective in paragraph 6(a) (that is, to obtain either reasonable assurance or limited assurance about whether the subject matter information is free of material misstatement) is appropriate in light of the definition of a misstatement (see paragraph 8(n))?

**Paragraph A6(9) states that in a direct engagement, the practitioner is not independent of the subject matter information because the practitioner created that subject matter information. This may not be in accordance with APES110 “Code of Ethics for Professional Accountants”.**

- (ii) In some direct engagements the practitioner may select or develop the applicable criteria. Do respondents believe the requirements and guidance in proposed ISAE 3000 appropriately address such circumstances?

**Following on from matter discussed in (i) above, we believe that the guidance does not address issues on some of the professional standards, such as quality control and professional skepticism.**

4. With respect to describing the practitioner’s procedures in the assurance report:

- (a) Is the requirement to include a summary of the work performed as the basis for the practitioner’s conclusion appropriate?

**The summary of work performed will assist the intended users to better understand the scope and level of assurance. We therefore consider that description of summary of work in the report as appropriate.**

- (b) Is the requirement, in the case of limited assurance engagements, to state that the practitioner’s procedures are more limited than for a reasonable assurance engagement and consequently they do not enable the practitioner to obtain the assurance necessary to become aware of all significant matters that might be identified in a reasonable assurance engagement, appropriate?

**We consider the requirement to be appropriate as this will assist the intended users to fully understand the practitioners report.**

- (c) Should further requirements or guidance be included regarding the level of detail needed for the summary of the practitioner's procedures in a limited assurance engagement?

**We consider that the requirements or guidance are adequate for purposes of summarising the practitioner's procedures in a limited assurance engagement.**

5. Do respondents believe that the form of the practitioner's conclusion in a limited assurance engagement (that is, "based on the procedures performed, nothing has come to the practitioner's attention to cause the practitioner to believe the subject matter information is materially misstated") communicates adequately the assurance obtained by the practitioner ?

**We do not consider that Practitioner's conclusion on limited assurance engagement will adequately serve much use to the users, who will make their own subjective judgments on the level of confidence that can be derived from such conclusion.**

6. With respect to those applying the standard:

- (a) Do respondents agree with the approach taken in proposed ISAE 3000 regarding application of the standard by competent practitioners other than professional accountants in public practice?

**Assurance engagements can also be taken by professionals other than professional accountants in public practice. These professionals may include environmental engineers, in the case of GGH statements, and who have their own professional standards.**

**It is not clear as to how and why such competent practitioners (other than professional accountants in public practice) would apply the revised standard as they do not accept authority of the IAASB to set standards that apply to the group.**

- (b) Do respondents agree with the proposed definition of "practitioner"?

**We agree with the definition of practitioners as per paragraph 8(9) of the proposed ISAE 3000. The definition is broad enough to cover the practitioners who are not professional accountants in public practice.**