

21 May 2010

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
MELBOURNE VIC 8007

By email: edcomments@auasb.gov.au

Dear Ms Kelsall

ED 01/10: Proposed Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation*

Thank you for the opportunity to comment on Proposed Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Third Party Service Organisation*. CPA Australia, the Institute of Chartered Accountants, and the National Institute of Accountants (the Joint Accounting Bodies) have considered the exposure draft (ED) and our comments follow. The Joint Accounting Bodies represent over 180,000 professional accountants in Australia. Our members work in diverse roles across public practice, commerce, industry, government and academia throughout Australia and internationally.

Matters on Which Specific Comment Requested

- 1. What, if any, are the significant costs to/benefits for assurance practitioners and the business community arising from compliance with the requirements of this proposed Standard on Assurance Engagements? If there are significant costs, do these outweigh the benefits to the users of assurance services?**

We consider the benefit to service auditors of having a specific standard that contains the requirements and guidance needed to perform the engagement outweighs the costs associated with implementing them.

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

None noted.

Representatives of the Australian Accounting Profession



cpaaustralia.com.au



The Institute of
Chartered Accountants
in Australia

charteredaccountants.com.au



nia.org.au

Other Comments

▪ Paragraph Aus3.1

While we agree that the wording change in the proposed Australian standard makes the paragraph clearer compared to the wording in the international standard (ISAE 3402), we recommend that the examples provided in sub-paragraph (b) of ISAE 3402 be retained.

▪ Paragraph Aus30.1

This paragraph is silent on what service auditors should do in situations where individual internal auditors provide direct assistance to the service auditor. We recommend that commentary be included describing what the service auditor should do in these situations. This may be achieved by way of reference to other pronouncements.

▪ Appendix 0A

- The first sentence under the heading *[The objective and scope of the engagement]* is written in a manner which is difficult to read: "...likely to be relevant to customers', who have used [the type or name of system], internal control as it relates ...". We recommend that consideration be given to amending this wording to assist readers. We suggest the following wording: "... likely to be relevant to customers who have used [the type or name of system]. Specifically it is relevant for these customers' internal control as it relates ...". This amendment should be made throughout Appendix 0A where this same wording appears.
- In the first sentence of the third paragraph after the heading *[Responsibilities of the assurance practitioner]* we recommend that the word "audit" be changed to "assure", particularly as later headings are titled "Assurance Approach", "Assurance Procedures" and "Assurance Report".
- In the second sentence of the fourth paragraph after the heading *[Responsibilities of the assurance practitioner]*, the word "pervasive" should read "persuasive".
- In part (c) after the heading *[The responsibilities of management and identification ...framework]*, we recommend the term "directors" in points (i) and (ii) be replaced with "those charged with governance" to be consistent with the wording used in the paragraph after the dot points.
- In the second sentence after the heading *[Assurance Approach]*, we recommend that the word "with", located at the end of the sentence, be inserted between the words "controls" and "which".

▪ Appendix 2, Examples 1 and 2

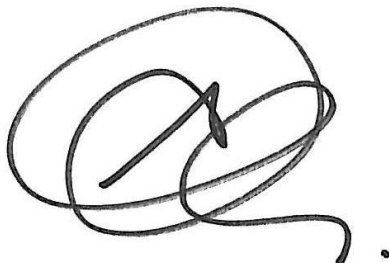
- In the third sentence of the first paragraph after the heading Service Auditor's Responsibilities, we recommend that the word "relevant" be inserted between the words "with" and "ethical".
- In the second sentence of the second paragraph after the heading Service Auditor's Responsibilities, we recommend that the words "the service auditor's" be deleted and replaced by the word "our".

- **Appendix 2, Examples 4**

- There appears to be a contradiction between the heading of this example, which notes that the service auditor is unable to obtain sufficient appropriate evidence, and the wording underneath this heading, which indicates that "We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion". We recommend that consideration be given to amending the wording in this example to remove this apparent contradiction.

The joint accounting bodies 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. If you have any questions regarding this submission, please do not hesitate to contact either Gary Pflugrath (CPA Australia) at 02 9375 6244, Andrew Stringer (Institute) at 02 9290 5566, or Tom Ravlic (NIA) at 03 8665 3143.

Yours sincerely



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