

The Chairman  
Australian Auditing Standards Board  
PO Box 204  
Collins Street West  
Melbourne, Victoria 8007  
AUSTRALIA

23 April 2010

Dear Sir

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

We are pleased to respond to the AASB's request for comments on the proposed revised differential reporting framework within Australia.

WHK Horwath's response reflects WHK Group's position as Australasia's fifth largest accounting business, and therefore one of the largest providers of accounting and related services to small and medium enterprises. We have 19 major accountancy firms employing over 3000 people in over 100 offices throughout six states in Australia and both islands of New Zealand.

WHK Horwath is a member of Crowe Horwath International, one of the top ten global accounting affiliations with offices in 107 countries.

We are in favour of the AUASB's proposed standard, as part of the Board's programme to continue to ensure conformity between Australian Auditing Standards and International Standards on Auditing. However, we have some suggestions for improvement which we believe the Board could address through the insertion of additional 'Aus' paragraphs.

We note the close inter-relationship between this exposure draft, and ASA 402 *Audit Considerations Relating to Entities Using Service Organisations*. In particular, Paragraphs 17 and 21 of ASA 402 require that, before placing reliance on such a report, the user auditor must consider both the professional competence and the scope of work performed by the service organisation auditor.

In our opinion, in order to conclude positively about these two factors, the user auditor would need to gain assurance that the service organization auditor has met the acceptance and continuance requirements of Paragraph 13 of ASAE 3402. However, the example Service Auditor reports in Appendix 2 do not contain any explicit statement to this effect.

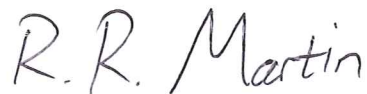
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We believe that, without such a statement, the introduction of ASAE 3402 may lead to an increased documentation requirement, and therefore cost burden, on user auditors to meet the requirements of ASA 402. We would therefore suggest that the service auditor's report should include an explicit statement of compliance with the requirements of ASAE 3402 Paragraph 13, including:

- The capabilities of the service auditor
- The suitability of the service organizations preparation of the description of its system
- Their determination that the engagement's scope is likely to be useful to user entities and their auditors
- The acknowledgement by service organization management of their responsibilities

We hope that our comments on this Exposure Draft are helpful. Should you wish to discuss any of the points that we have raised, or request any further information, please contact Ralph Martin: ([ralph.martin@whkhorwath.com.au](mailto:ralph.martin@whkhorwath.com.au))

Yours faithfully  
**WHK Horwath**

A handwritten signature in black ink that reads "R. R. Martin". The signature is written in a cursive, slightly slanted style.

**Ralph Martin**  
National Technical & Training Manager, WHK Horwath