

30 August 2011

Technical Director
International Auditing and Assurance Standards Board
545 Fifth Avenue, 14th Floor
New York, New York 10017 USA

Dear Technical Director

Exposure Draft on Proposed International Standard on Assurance Engagements ISAE 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and Proposed Consequential Amendments

Thank you for the opportunity to comment on the exposure draft of the proposed international standard on assurance engagements *ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and proposed consequential amendments.

The Institute of Internal Auditors – Australia (IIA) is the professional body representing Australian internal auditors. With more than 3,200 members in all states and territories across Australia our membership is made up of internal auditors in government, the corporate sector, and professional practice.

The IIA in Australia is an affiliate of the global Institute of Internal Auditors (IIA Global) which represents more than 160,000 members in 165 countries around the world. IIA Global promulgates the *Code of Ethics* and issues the *Professional Practices Framework* containing *The International Standards for the Professional Practice of Internal Auditing* which is recognised globally as the authoritative guidance on internal audit matters.

Overall, IIA – Australia is not supportive of the exposure draft in its current format.

Our key point of contention is that it is unclear to whom the proposed standard is applicable. Specifically it is unclear as to whether the proposed standard is mandated for the CA and CPA firms and for CAs and CPAs who work in internal audit departments or other assurance capacities but are not part of a CA or CPA firm. This ambiguity causes conflict when CAs or CPAs perform internal auditing activities, particularly those working for accounting firms, and their use of *The International Standards to the Professional Practice of Internal Auditing*.

In endeavouring to ascertain the answer to this fundamental question, the reader can look to the framework and a number of statements within the proposed ISAE (including those on pages 10, 11 and paragraph 46) and even after doing this it is not clear whether a practitioner is required to comply with this standard. We believe that including an authoritative statement on applicability *within* the proposed standard would greatly assist our members and the general public with interpretation of this issue. We also believe the framework should be designed to clearly present both the practitioners required to comply and the responsibilities of the parties dependent on the engagement type. We include such a framework for your consideration.



We have discussed this in more detail in our attached submission together with the IIA – Australia contribution to your *Request for Specific Comments and Comments on Other Matters*.

Thank you for the opportunity to comment on the exposure draft. If you wish to discuss the matters raised by IIA – Australia in further detail, please feel free to contact Stephanie Koehn, Technical Manager on +612 9267 9155 or at stephanie.koehn@iia.org.au.

Yours sincerely



Christopher McRostie
Chief Executive Officer

Attachment

Comment on exposure draft of proposed International Standard on Assurance Engagements *ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*



The Institute of Internal Auditors – Australia

Summary of the IIA – Australia position on exposure draft of proposed International Standard on Assurance Engagements ISAE 3000 (Revised), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information

Overall, IIA – Australia is not supportive of the exposure draft in its current format.

The main point of contention for IIA - Australia is to whom the proposed standard is to apply. Our reading of the exposure draft suggests that it is attempting to capture not only external service providers who provide attestation or direct engagement services to organisations, but also those thousands of professionals who work for organisations and provide these types of services from an in-house perspective.

While accountants and accounting firms can be highly competent providers of attestation or direct engagement services to organisations, it would be fair to say that these services are not the sole domain of those regulated by IAASB.

Recommendations

The IIA – Australia strongly recommends:

1. The proposed international standard on assurance engagements ISAE 3000 (*Revised*), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* should not proceed in its current exposure draft format.
2. If the standard is to go ahead, that a clear authoritative statement be set out within the standard which provides clear guidance on who the standard is intended to apply to.

The IIA – Australia view on the Request for Specific 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?**

In its current state, the exposure draft purports to apply to a range of activities for which we believe it would be inappropriate. We believe ISAE should apply only to assurance provided by accountants or accounting professionals, in respect of financial information, to an entity other than the one being assessed. A suitably qualified accountant who is providing assurance over an engineering design would not and should not follow this standard, nor would an environmental auditor or an internal auditor.

In particular, internal auditing is not an 'accounting' discipline – it is a review discipline that is often undertaken by accountants, but is also, equally, undertaken by IT professionals, quality systems professionals and historians. Paragraph 46 implies that the standard is not intended to apply to internal auditors, which should be made explicit – the proposed ISAE 3000 does not apply to accounting professionals when they are undertaking internal audit work.

Further, we believe the scope of operation of ISAE 3000 should be appropriately restricted so there is no implication of wider relevance than is appropriate for a standard that applies to accountants undertaking accounting-based reviews that are to be publically reported.



With regard to the statement on Page 11, ‘...assurance on statements about the effectiveness of internal control,,, integrated reporting or corporate social responsibility reporting’, with all due respect we believe accountants should not attempt to offer opinions on anything other than financial operations – more general risk management and internal control is in the domain of other disciplines. A statement of assurance being produced by a multidisciplinary team should not be compelled to conform solely to the standards of one of the disciplines.

2. No Comment

3. With respect to attestation and direct engagements:

- a. No comment
- b. Does the proposed ISAE 3000 properly define, and explain the difference between, direct engagements and attestation engagements?

The distinction between the engagements is clear, however, the framework used to present the roles and responsibilities of the engagements could be more explicit as follows:

Engagement Type	Management	Engaging Party	Assurance Provider	Intended User	# of Parties	Comply w/ ISAE 3000
Attestation	Responsible for: <ul style="list-style-type: none"> • Underlying subject matter • Measuring and evaluating 	External party – may include, but is not limited to shareholders, regulators, government, customers or suppliers	Responsible for: <ul style="list-style-type: none"> • Assurance reporting 	External parties (potentially other than the engaging party)	3 or more	Yes
Direct engagement	Responsible for: <ul style="list-style-type: none"> • Underlying subject matter 	External party – same as above	Responsible for: <ul style="list-style-type: none"> • Measuring and evaluating • Assurance reporting 	Various internal and external parties	3 or more	Yes
Internal Audit	Responsible for: <ul style="list-style-type: none"> • Underlying subject matter 	Management or Board	Responsible for: <ul style="list-style-type: none"> • Measuring and evaluating • Assurance reporting 	Management and / or Board	2	No

c. No comment

4. No Comment

5. No Comment

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?

No, please refer to question #1.

- b. Do respondents agree with proposed definition of ‘practitioner’?

No, please refer to question #1.

