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Dear Michael

CPA Australia, the Institute of Chartered Accountants in Australia and the National Institute of Accountants (the joint accounting bodies) welcome the opportunity to respond to IFAC's ISAE 3000 Survey for National Standard-Setters and IFAC Member Bodies.

Although you indicated that in countries where the survey is being sent to more than one organisation we may choose to confer with each other and provide just one response for your country, we are providing a joint response for the professional accounting bodies (who are all members of IFAC), separately from the national standard-setter, the Australian Auditing and Assurance Board (AUASB). As you are aware, in Australia the national standard-setter is a statutory body, established independent of the professional bodies. Therefore, while the AUASB and the professional bodies have discussed the survey and consulted each other about our submissions, separate responses have been provided.

The following responses recognise that within Australia, the AUASB has issued an ISAE 3000 equivalent standard, called ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. This standard conforms with ISAE 3000, with several differences pertaining to the inclusion in ASAE 3000 of: an expanded definition of the term 'reasonable assurance'; nine additional mandatory requirements; and additional explanatory guidance on the level of documentation required in two paragraphs.

Two other standards have been issued by the AUASB in its "3000" series standards for assurance engagements. They are: ASAE 3100 *Compliance Engagements* and ASAE 3500 *Performance Engagements*. ASAE 3000 has general application for assurance engagements other than audits or reviews of historical financial information, while the other two standards are written for specific application, but are to be read in conjunction with ASAE 3000.

ASAE 3100 *Compliance Engagements*, operative from 1 October 2008, is used by assurance practitioners providing either reasonable or limited assurance of an entity's compliance with internally or externally imposed requirements, as measured by suitable criteria. This suitable criteria includes legislation, regulations, company policies, statutory requirements, and enforceable contractual obligations. ASAE 3500 *Performance Engagements*, operative for engagements commencing on or after 1 January 2009, is to be used by assurance practitioners for assurance engagements where the performance of an entity's activities is examined. It is expected to be used primarily within the public sector. In undertaking performance engagements the activities of entities are typically assessed against established benchmarks to determine for example, the adequacy of internal controls or the extent to which the entities' resources are being efficiently and effectively managed.

### Questions

The first four questions are directed specifically towards the standard-setting body of the country. As noted above, the professional accounting bodies are not responsible for standard setting in Australia. This responsibility rests with the AUASB, with whom we have shared and discussed our responses to your survey. Therefore, we have not provided any responses to Questions 1 to 4 (inclusive).

Representatives of the Australian Accounting Profession



[cpaaustralia.com.au](http://cpaaustralia.com.au)



The Institute of  
Chartered Accountants  
in Australia

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[nia.org.au](http://nia.org.au)

5. **What is the general pattern of use of ISAE 3000 or its national equivalent by professional accountants in your jurisdiction (for example: is its use growing; is it used extensively; is it used for a wide array of subject matters; is it cited in regulations; is it used predominantly for one or two engagement types)? Please indicate the subject matters that are most commonly reported upon (and if possible, examples of some of the less common subject matters of which you are aware).**

We are seeing some evidence that ASAE 3000 is being used by professional accountants when providing assurance on corporate social responsibility and sustainability reporting, and more recently for assurance over greenhouse gas emissions. The Australian Government's Department of Climate Change (DCC) has also recognised ASAE 3000 as being a potential standard for the assurance of greenhouse gas emissions, as part of an assurance framework for the country's emissions trading scheme, called the Carbon Pollution Reduction Scheme. The DCC referred to ASAE 3000 in its External Audit Consultation Paper and sought respondents' views on whether the standard should be referenced in its legislative external audit guidelines.

An example of an assurance report by a professional accountant, for greenhouse gas emissions can be found at the following link:

[http://www.originenergy.com.au/files/ey\\_origin\\_review\\_statement\\_v2.pdf](http://www.originenergy.com.au/files/ey_origin_review_statement_v2.pdf)

Government bodies are showing interest in the use of ASAE 3100 *Compliance Engagements*, as the appropriate standard against which to conduct specific assurance engagements. In guidance released to assist assurance practitioners in conducting audits of self-managed superannuation funds (regulated by the Australian Taxation Office(ATO)), ASAE 3100 was identified as the appropriate standard to be used by assurance practitioners when providing assurance on trustees' compliance with ATO administered laws and regulations. Also, the professional bodies were recently approached by a State Government body responsible for regulating the use of trust accounts by real estate agents. The regulator indicated that it is investigating prescribing ASAE 3100 as the relevant standard to be used when providing assurance on such accounts.

ASAE 3500 *Performance Engagements* was issued with the public sector primarily in mind. We understand that this standard is likely to be used widely by the various Governments' Auditors-General.

6. **To your knowledge, are assurance pronouncements prepared for professional accountants (ISAE 3000 or its national equivalent, or a subject matter-specific assurance pronouncement(s)) used in your jurisdiction by assurers who are not professional accountants? (If so, please include a copy of such an assurance report or identify the URL where a copy can be found.)**

The professional accounting bodies are aware that ISAE/ASAE 3000 is used by assurers, other than professional accountants, in providing assurance on corporate social responsibility, and sustainability reporting. No research evidence is available to verify the extent of the use of ISAE/ASAE 3000.

An example of an assurance report by an assurer, other than a professional accountant, for assurance on the corporate responsibility disclosures of one of Australia's major banks, can be found at the following link:

<http://nab.ice4.interactiveinvestor.com.au/nab0702/2007%20Corporate%20Responsibility%20Review/EN/body.aspx?z=3&p=24&v=1&uid=>

7. **To your knowledge, are assurance pronouncements prepared for assurers who are not necessarily professional accountants, used in your jurisdiction by professional accountants? (If so, please include a copy or identify the URL where a copy can be found.)**

Anecdotal evidence suggests professional accountants may be using assurance pronouncements prepared for assurers who are not professional accountants. The most widely used of these "other" pronouncements is AA1000AS, issued by AccountAbility. We refer you to a publication by KPMG in Australia, entitled, *Sustainability Reporting: A Guide*, which at page 26 notes that AA1000AS is widely used by accounting firms, often in conjunction with ISAE 3000:

[http://www.group100.com.au/publications/kpmg\\_g100\\_SustainabilityRep200805.pdf](http://www.group100.com.au/publications/kpmg_g100_SustainabilityRep200805.pdf). As you may be aware, KPMG in The Netherlands issued a briefing paper in 2005 entitled "Assurance Standards

Briefing: AA1000 Assurance Standard and ISAE 3000”, which promoted the apparent complementary nature of the two standards in the area of corporate social responsibility reporting.

8. **Do you have any suggestions for the IAASB to consider when deciding:**
- (a) **Whether or not to approve a project to revise ISAE 3000?**
  - (b) **The scope of the project, including particular issues that should or should not be included, if the scope of the project is it is approved?**

ISAE 3000 as it is currently issued appears to serve the public interest and assurance practitioners well. However, it may be argued that the standard does not “stand alone” as a standard separate from the ISAs, and assumes the assurance practitioner has a good understanding of the requirements of the ISAs. A revision of ISAE 3000 provides the opportunity to include some high level direction in relation to the key principles (appropriately referenced) included in relevant ISAs (e.g., ISA 315 *Understanding the Entity and Its Environment*), which will make the standard more “user-friendly” for assurance practitioners who are not professional accountants.

The IAASB may wish to consider whether the differences between ISAE 3000 and the Australian equivalent, noted in the “Conformity Section” at the end of ASAE 3000 should be incorporated into a revised ISAE 3000. ([http://www.auasb.gov.au/admin/file/content102/c3/ASAE\\_3000\\_09-07-07.pdf](http://www.auasb.gov.au/admin/file/content102/c3/ASAE_3000_09-07-07.pdf))

More importantly, however, is that consideration be given to the approach taken by the Australian standard-setter in developing and issuing standards that fall within the “3000” series of assurance standards. These are standards which provide guidance to assurance practitioners conducting assurance engagements in specialised areas. They are to be read and used in conjunction with ASAE 3000, which provides guidance on the general application of the standard.

In line with the approach taken in Australia, the IAASB may wish to consider issuing these specialised standards for Compliance Engagements and Performance Engagements. Other topical areas where the issuance of specialised standards may assist assurance practitioners relate to general environmental issues including sustainability reporting, greenhouse gas emissions and accounting for water reserves. We note that the IAASB has included the first two of these items in its Strategy and Work Program, 2009-2011.

Should there be any questions regarding these responses, please do not hesitate to contact either Gary Pflugrath (CPA Australia) at + 61 2 9375 6244, Andrew Stringer (Institute) at + 61 2 9290 5566, or Tom Ravlic (NIA) at + 61 3 8665 3143.

Yours sincerely



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