



Explanation of the Applicability of AUASB pronouncements when conducting Internal Control Engagements

Assurance engagements to report on controls at an entity may be conducted and reported on by the assurance practitioner under a number of different pronouncements depending on the subject matter and the whether or not assurance is being provided. The objective of this explanation is to assist the assurance practitioner in determining the appropriate pronouncement to apply in any given circumstance.

The following pronouncements may be applicable when conducting an engagement on controls:

- *ASAE 3000 Assurance Engagements other than Audits or Reviews of Historical Financial Information*
- *AUS 810 Special Purpose Reports on the Effectiveness of Control Procedures*
- *ASAE 3402 Assurance Reports on Controls at a Service Organisation*
- *GS 007 Audit Implications of the Use of Service Organisations for Investment Management Services*
- *AUS 904 Engagements to Perform Agreed-upon Procedures*

The overarching standard for engagements to report on controls when assurance is to be provided is ASAE 3000, which provides the broad requirements for all assurance engagements, other than audits or reviews of historical financial information. Consequently, ASAE 3000 will need to be applied in all assurance engagements on controls.

In addition, AUS 810, which was issued under a previous framework by the former AuASB in 2002 and predates ASAE 3000, is applicable to certain assurance and agreed-upon procedures engagements to report on controls and provides additional requirements relating specifically to controls. AUS 810 requires updating and is expected to be replaced with a new Assurance Standard in the 2011-12 financial year. Consequently, AUS 810 may be applied only to the extent that the requirements of ASAE 3000 are also met. Where inconsistencies are identified, the requirements of ASAE 3000 take precedence over AUS 810.

For engagements to conduct agreed-upon procedures on controls and report factual findings, AUS 810 is applied alongside AUS 904. AUS 904 will be replaced by a revised standard by June 2011.

Where a controls engagement relates to reporting on a service organisation for use by user entities and their auditors, ASAE 3402 specifically applies. AUS 810 does not need to be applied in these circumstances as ASAE 3402 provides all of the necessary requirements. Further guidance is provided by GS 007 where the services provided by the service organisation are investment management services.



The following table summarises the applicability of the AUASB’s pronouncements when conducting internal controls engagements:

| AUASB Standard or Guidance | <u>ASAE 3000</u> | <u>AUS 810</u> | <u>ASAE 3402</u> | <u>GS 007</u> | <u>AUS 904</u> |
|---|---|---|---|--|--|
| Title | <i>Assurance Engagements other than Audits or Reviews of Historical Financial Information</i> | <i>Special Purpose Reports on the Effectiveness of Control Procedures</i> | <i>Assurance Reports on Controls at a Service Organisation</i> | <i>Audit Implications of the Use of Service Organisations for Investment Management Services</i> | <i>Engagements to Perform Agreed-upon Procedures</i> |
| Applicable to reporting periods commencing ON or AFTER | 1 July 2007 | July 2002 | 1 July 2010 | 1 July 2008 | July 2002 |
| Applicable practitioners | Assurance practitioners | Auditors (generally) | Auditors of Service Organisations | Auditors of Investment Management Services Organisations | Auditors (generally) |
| Subject matter of assurance engagement | Other than Historical Financial Information (including controls) | Design and operating effectiveness of control procedures | Design and/or operating effectiveness of controls at a service organisation | Design and/or operating effectiveness of controls at an investment management service organisation | Any subject matter subject to agreed-upon procedures |
| Nature of Report | Reasonable or limited assurance | Reasonable or limited assurance or factual findings | Reasonable assurance | Reasonable assurance | Factual findings |
| Issue date | 9 July 2007 | July 2002 | 29 June 2010 | 12 Mar 2008 | July 2002 |

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