



# Board Meeting Summary Paper

**Subject:** Approval of ASAE 3402 for release  
**Date:** 31 May 2010

AUASB AGENDA ITEM NO. <b>6</b>
<b>Meeting Date: 8 June 2010</b>

**Action Required**

**For Information Purposes Only**

## Agenda Item Objectives

1. To approve Standard on Assurance Engagements ASAE 3402 *Assurance Reports on Controls at a Service Organisation* for release as a final standard.
2. Confirm withdrawal of AGS 1042 *Audit Considerations Relating to an Entity Using a Service Organisation*.

## Background

Following the release of the new standard ISAE 3402 *Assurance Reports on Controls at a Service Organization* by the IAASB in December 2009 to compliment clarity standard ASA 402 *Audit Considerations Relating to an Entity Using a Service Organisation*, ASAE 3402 was drafted as a new standard in clarity format. ASAE 3402 conforms with ISAE 3402 with additional Aus paragraphs and Aus appendices.

The AUASB considered draft ED 01/10 of the Proposed ASAE 3402 at the February Board meeting and requested amendments to address matters raised at that meeting. The Board approved the amended ED 01/10 out-of-session on 16 April 2010 for release for a 30-day public exposure period. The Board also approved the withdrawal of AGS 1042 from the operative date of ASAE 3402, which will be for reporting periods commencing on or after 1 July 2010.

## Matters to Consider

The comment period for ED 01/10 ended on 21 May 2010. Six responses were received and have been made available on the AUASB website. A summary of the respondents' comments and the AUASB Technical Group's response is included in the Attachment to this paper: Agenda Item 6.1.

---

*This document contains preliminary views and/or staff recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.*

Two questions were posed in the invitation to comment, to which respondents commented as follows:

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?*

Those respondents who answered this question all considered either that the benefits of the proposed standard would outweigh the costs of implementation or that there were no significant costs of compliance with the proposed standard.

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

No public interest concerns were raised. One respondent noted the following benefits to the public interest: *'A deeper understanding by users would encourage greater use of these engagements and improved reliance by user auditors. We believe that this will directly contribute to improved efficiency in the Australian financial services industry by improving transparency and accountability of assurance providers to service organisations.'*

The comments have been considered and the following amendments recommended for approval by the Board:

1. Add to end of sub-paragraph Aus 3.1(b): *(for example, reports only on controls that affect user entities' production or quality control).*
2. Make sentence in third paragraph of Appendix 0A into two sentences to clarify meaning.
3. Replace "audit" with "test" in Appendix 0A for consistency with an assurance engagement.
4. Correction of typographical error and grammatical error in Appendix 0A.
5. "Directors" replaced with "those charged with governance" in Appendix 0A to be consistent with term used in the standard.
6. Add "relevant" before ethical requirements in Appendix 2 to be consistent with requirement in paragraph 11.
7. Change "the service auditor's" to "our" Appendix 2.
8. Corrections to referencing in paragraphs 14, 16, 18, A4 and A10 and footnotes 4 and 13.

We note that only the recommended amendments 6 and 7 above affect the wording taken from ISAE 3402. However the wording amendment does not change the intended meaning of the ISAE.

Whilst additional comments were made by respondents, these were either matters which are planned to be addressed in other projects, can only be addressed by the IAASB in amending their standards or were considered to be already adequately addressed by the standard or other pronouncements.

We note that discussions have been held with the Office of Best Practice Regulation (OBPR) regarding clearance of the standard with respect to regulatory impact requirements. Initial indications are that this process is unlikely to be prolonged for this standard.

---

*This document contains preliminary views and/or staff recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.*

## **Staff Recommendations**

1. We recommend approval of final ASAE 23402 for release subject to Office of Best Practise Regulation clearance and final pre-release QA.
2. We confirm that the Board approved the withdrawal of AGS 1042 from the operative date of ASAE 3402.

## **Material Presented**

Agenda Item 6	Board Meeting Summary Paper
Agenda Item 6.1	Board Meeting Summary Paper – Staff Attachment
Agenda Item 6.2	ASAE 3402 <i>Assurance Reports on Controls at a Service Organisation</i> (Clean Version)
Agenda Item 6.3	ASAE 3402 <i>Assurance Reports on Controls at a Service Organisation</i> (Marked Up Version)

---

## **Action Required**

<b>No.</b>	<b>Action Item</b>	<b>Deliverable</b>	<b>Responsibility</b>	<b>Due Date</b>	<b>Status</b>
1	Approval of final ASAE 3402	Approval	Board	8/6/10	Pending
2	Withdrawal of AGS 1042	Withdrawal on website	Technical Group	By 1/6/10	Pending

---

## **Notes**

---

*This document contains preliminary views and/or staff recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.*