



Board Meeting Summary Paper

Subject: Agreed-upon Procedures to Report on Factual Findings

Date: 25 November 2010

AUASB
AGENDA
ITEM NO.

7

Meeting Date:
29 November

2010

Action Required

For Information Purposes Only

Agenda Item Objectives

To approve exposure draft ED 03/10 Proposed Standard on Assurance Engagements ASAE 4400 *Agreed-upon Assurance Procedures to Report Factual Findings* (Re-issuance of AUS 904).

Background

At the September Board meeting, the Board considered a draft ASAE on agreed-upon assurance procedures engagements. The Board confirmed that they were supportive of the scope of the ASAE in so far as it is directed at:

- Assurance procedures.
- Assurance Practitioners.
- Financial or non-financial information.
- Practitioners who apply the Code of Ethics including independence equivalent to “other assurance engagements” under exposure draft APES 110 Section 291.

The Board requested that the draft ASAE be amended in the following respects:

- Title to include “*to Report Factual Findings*”.
- Requests for comments to exclude additional questions as drafted but cover any information needed by the Office of Best Practice Regulation (OBPR).
- Definition of assurance procedures be reconsidered to capture the nature of those procedures rather than the objective of those procedures.

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.

- Ensure that users who may not be party to the terms of engagement, such as regulators or user groups represented by industry bodies, are adequately addressed in the engagement letter and report.
- When performing the assurance procedures, those procedures should be limited to those agreed in the terms of engagement.

Matters to Consider

The matters raised at the September Board meeting were addressed in a revised draft, which was provided to the PAG for comment. The PAG members have provided extensive comments on this revised draft which have been addressed in the final ED presented.

A final exposure draft, ED 03/10, is now presented for the Board's approval. Agenda Item 7.2 is marked-up for all amendments made since the last Board meeting. Due to the extent of the mark-ups we suggest that the clean version (Agenda Item 7.1) is used for the purposes of the Board discussion.

In addition to the matters which the Board requested to be addressed at the last Board meeting, noted above, amendments have been made to address the following matters:

1. Table 1 *Differentiating factors between agreed-upon assurance procedures engagements and assurance engagements*, which was previously included in the application material, has replaced the Decision Tree as Appendix 1. The Decision Tree, which has been included in the papers as Agenda Item 7.3 for the Board's reference, was considered to have oversimplified the differences between agreed-upon assurance procedures and assurance engagements such that it may not always result in the appropriate decision.
2. Law or Regulation – paragraphs 43 & 44 have been inserted to allow for the circumstance where the assurance practitioner is required to report under a law or regulation which is inconsistent with ASAE 4400.
3. Errors, exceptions or an inability to conduct certain procedures – paragraph 45 has been inserted to clarify how matters which may result in a modified report for an assurance engagement are addressed in a report of factual findings.
4. Application material – additional application material has been added in relation to all aspects of the engagement.
5. Conformity with ISRS 4400 – a summary of the additional requirements contained in ASAE 4400 which are not contained in ISRS 4400.
6. Appendix 2 – new appendix added at the suggestion of the Project Advisory Group, listing example engagements with how they could be scoped as an agreed-upon assurance procedures engagement or an assurance engagement.

In considering draft ED 03/10 for approval, the Board is also asked to consider:

1. Numbering of the Standard as ASAE 4400. Noting that the international equivalent is a standard on Related Services ISRS 4400.
2. Independence – confirmation that independence applicable to “other assurance engagements” in the Code of Ethics will be applied.

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The APESB proposed standard APES 110 Code of Ethics for Professional Accountants currently on exposure provides for two levels of independence requirements. The requirements for audit and review engagements are more onerous and are contained in Section 290 and the requirements for “other assurance engagements” are contained in Section 291. Note that audit and review are defined in the Code of Ethics as only relating to the financial report, whereas the AUASB Standards use audit and review to mean any reasonable assurance and limited assurance engagements respectively. The difference in usage of these terms may need to be addressed in the AUASB Standards, such as ASA 102, to ensure that it does not cause confusion in the marketplace.

3. Whether the amendments adequately address the issues raised at the last Board meeting.

A draft Preliminary Impact Assessment has been provided to the Office of Best Practice Regulation for their consideration. We are anticipating a minimal regulatory impact from issuing ASAE 4400, as it will replace an existing standard and is intended to assist practitioners in ensuring they conduct the most appropriate engagement, however we await OBPR’s assessment to confirm that a Regulatory Impact Statement is not required.

Staff Recommendations

The AUASB Technical Group recommend that ED03/10 is approved for exposure subject to quality assurance. We suggest an extended period of exposure of 60 days until 28 January 2011 due to the holiday period.

Material Presented

Agenda Item 7	Board Meeting Summary Paper
Agenda Item 7.1	Draft ED 03/10 Proposed Standard on Assurance Engagements ASAE 4400 <i>Agreed-upon Assurance Procedures to Report Factual Findings</i> (Re-issuance of AUS 904) – (Clean Version)
Agenda Item 7.2	Draft ED 03/10 Proposed Standard on Assurance Engagements ASAE 4400 <i>Agreed-upon Assurance Procedures to Report Factual Findings</i> (Re-issuance of AUS 904) (Marked Up Version) (electronic only)
Agenda Item 7.3	ED03/10 Alternative Appendix 1 – Decision Tree

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1	Approval of ED 03/10	Board decision	Board	29 Nov 2010	Pending

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