



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **9**

Meeting Date: 16 April 2012

Subject: Engagements to Report on Controls

Date Prepared: 29 March 2012

Action Required

For Information Purposes Only

Agenda Item Objectives

To agree further aspects of the scope of the proposed standard in assurance engagements ASAE 34XX *Engagements to Report on Controls*.

Background

At the 27 February board meeting, the AUASB approved the project plan to revise AUS 810 and reissue as ASAE 34XX. The broad scope of the revised standard was also agreed as engagements covering:

- Reasonable and limited assurance.
- Internal audit which provides assurance only.
- No specified controls framework.
- Components of controls which may be assured not limited to control procedures.
- Not restricted to Type 1 and Type 2 style reports (see ASAE 3402), as these are only attest reports on controls relevant to users entities financial reporting.
- Direct and attest reports.
- Restricted use and general use reports.
- Conducted by assurance practitioners.
- Primarily assurance procedures which provide an assurance conclusion.
- Various subject matters (not limited to financial reporting controls).

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- Recommendations presented separately or as part of the assurance report, only when clearly differentiated from the assurance conclusion in a separate section of the report.

The AUASB agreed to carry over discussion of the hierarchy of standards and consider it at the April Board meeting.

Matters to Consider

The Board is asked to consider the following matters which are discussed further in Agenda Item 9.1:

1. Hierarchy of Standards

- Where ASAE 34XX should sit in relation to other relevant standards, whether alongside or below ASAE 3000, ASAE 3402 and ASAE 3100.
- If sitting below ASAE 3000, whether ASAE 34XX should stand-alone or use references to anchor to the overarching requirements. If anchored to the overarching standard, whether every relevant requirement of that standard needs to be referenced in ASAE 34XX or only those which are expanded upon with further requirements or application material.
- If sitting alongside another standard, such as ASAE 3402 or ASAE 3100, whether engagements to which that standard apply are either carved out of ASAE 34XX or specifically excluded from application of the other standard.

2. Internal Audit

- Whether ASAE 34XX can be applied to internal audit engagements conducted by internally resourced internal auditors or if they are prevented from doing so by being unable to meet the independence requirements.
- Is it appropriate for ASAE 34XX to interpret which internal audit engagements meet the independence requirements in the code of ethics or should ASAE 34XX remain silent on ethics and let the practitioner draw their own conclusions?

3. Control system description

- In a direct reporting engagement, how detailed and in what form does the description of the system need to be?
- What are suitable sources of that description, other than the assurance practitioner preparing it?
- In identifying the system, could a range of options be permitted? This range could include a long form report with a detailed description including control objectives and related controls, a shorter form report with a summary description including the assertions addressed by the system and a short form report identifying the boundaries of the system only.

4. Suitability of limited assurance to operating effectiveness of controls

- Is it appropriate to allow for limited assurance engagements when concluding on the operating effectiveness of controls, even though these engagements may not always be appropriate?

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- If limited assurance on operating effectiveness of controls is allowed, is it sufficient to include a requirement regarding the acceptance of an engagement only when the level of assurance represents a meaningful level of work effort?

AUASB Technical Group Recommendations

The technical group recommend:

1. Hierarchy:
 - (a) Anchoring ASAE 34XX to ASAE 3000, with anchors/references to every relevant requirement whether expanded on or not.
 - (b) ASAE 34XX carves out engagements to which ASAE 3402 is applicable, so that all service organisation engagements on financial controls are conducted and reported under ASAE 3402.
 - (c) ASAE 34XX specifically include controls engagements which are also compliance engagements, where the conclusion relates primarily to controls rather than compliance, thereby excluding from the application of ASAE 3100. Conversely, where the focus of the conclusion is primarily compliance with only certain aspects relating to controls, then carve out of ASAE 34XX.
2. Internal Audit: specifically identify nature of internal audit engagements which are in the scope of ASAE 34XX.
3. Control system description: allow for a range of reporting styles from long form to short form and identify circumstances in which they are each suitable.

Material Presented

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Agenda Item 9.1 Attachment 1: Engagements to Report on Controls – Scope of Proposed Standard

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Scope of ASAE 34XX	Decisions on “matters to consider”.	AUASB	16 April 2012	Pending

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