



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7**
Meeting Date: 29 April 2013
Subject: Assurance Engagements on Controls – Project Update
Date Prepared: 16 April 2013

Action Required

For Information Purposes Only

Agenda Item Objectives

To provide an update of the progress of the project to issue a new standard on assurance engagements on controls (ASAE/SAE 34XX) to replace AUS 810.

Background

This project was approved in February 2012 but put on-hold in April 2012 due to other priorities and then recommenced in February 2013. The AUASB approved a revised project timetable at the 25 February 2013 meeting and confirmed the scope of the project as agreed in 2012.

A Project Advisory Group was re-established and met on 27 March 2013. At this PAG, discussion a draft of the proposed standard ASAE/SAE 34XX was considered and a number of issues were discussed which were identified as a result of the drafting to date.

Matters to Consider

Key matters which the PAG discussed, included:

1. Title of Standard – the PAG recommended that the title be changed from “Engagements to Report on Controls” to “Assurance Engagements on Controls” as the latter could be interpreted as reporting the subject matter information rather than providing assurance.
2. Hierarchy of standards – ASAE 3000/ISAE(NZ) is the overarching standard for assurance engagements on controls and ASAE 34XX/SAE should be anchored to the requirements in ASAE/ISAE(NZ) 3000 whilst minimising duplication of the material in ASAE 3000. As ISAE 3000 is currently being redrafted, this presents considerable challenges as ASAE/SAE 34XX needs to be anchored to the current ASAE/ISAE(NZ) 3000 but preferably be as consistent as possible to the

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proposed ISAE 3000. Proposed ISAE 3000 uses some new terminology and provides far more extensive requirements than the existing standard. The approach taken to drafting is to include any relevant requirements from the proposed ISAE 3000 and adapt those requirements as necessary for internal control engagements. These requirements can be removed when an equivalent to the proposed ISAE 3000 is issued in Australia or NZ.

3. Materiality – how materiality is determined in relation to controls needs to be developed further to assist assurance practitioners.
4. Attestation vs. direct engagement – the practical difference between an attestation and direct engagement needs to be clarified and what the responsible party would provide for each clearly articulated for controls engagements. The definition of an attestation engagement under the proposed ISAE 3000 requires the responsible party to evaluate the subject matter against the criteria but does not require the subject matter information to be presented necessarily in a report or statement by the responsible party, in fact it can be presented by the practitioner in the assurance report. Consequently in some cases a representation letter including an assertion on the subject matter information may be all that is provided by the responsible party in an attestation engagement to show that they have evaluated the subject matter against the criteria.
5. Assurance on the description of the system – in an attestation engagement a detailed description of the system is not necessarily available to users or prepared by the responsible party in a suitable format, such as a report. Therefore assurance over the description is not always part of the assurance report. Likewise in a direct engagement the assurance practitioner does not typically prepare a system description for users and so that will not be available to accompany the assurance report. Many controls engagements contrast in this respect from service organisation’s reports on controls under ASAE 3402, for which a detailed description of the system is essential in meeting the needs of users.
6. Consideration needs to be given to whether a special purpose or general purpose framework can be used for controls and whether, if using a special purpose framework, the assurance report can then be available publically or not.

Drafting of proposed ASAE/SAE 34XX continues based on the PAG’s comments and consideration of material in proposed ISAE 3000, ASAE 3402 and AUS 810.

The project timetable is provided at agenda item 7.1 and we note that a first draft of ASAE/SAE 34XX is not presented at this AUASB meeting as the matters raised by the PAG need to first be addressed in the requirements, agreed with the PAG and then application material developed relevant to those requirements. The draft standard will be presented at the 17 June 2013 AUASB meeting.

Material Presented

Agenda Item 7	AUASB Board Meeting Summary Paper
Agenda Item 7.1	Project Timeline - planned vs actual