



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **8**
Meeting Date: 25 February 2013
Subject: Engagements to Report on Controls
Date Prepared: 6 February 2013

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To provide an update on the project to issue proposed Standard on Assurance Engagements ASAE 34XX *Engagements to Report on Controls*.
2. To obtain approval of the revised project timetable following recommencement of the project.

Background

At the 27 February 2013 board meeting, the AUASB approved the project plan to revise AUS 810 and reissue as ASAE 34XX. As this is a joint project with New Zealand, the NZAuASB also approved the project plan at their meeting on 14 February 2012, for developing equivalent standard SAE 34XX.

The broad scope of the revised standard was agreed through discussion of issues papers presented at the AUASB and NZAuASB February and April meetings, as engagements covering:

- Reasonable or limited assurance,¹ subject to the level of assurance representing a meaningful level of work effort (as limited assurance may not be appropriate in some circumstances).
- A conclusion as to whether the description fairly presents the system as designed and implemented, controls are suitably designed² and, if included in the scope of the engagement, the control operated effectively.³
- Controls at a point in time or over a specified period.

¹ Agreed-upon procedures engagements are not to be addressed in this standard.

² Suitability of design would usually be measured against control objectives.

³ To operate effectively controls need to provide reasonable assurance that the control objectives stated in the description were achieved throughout the period. A conclusion on operating effectiveness cannot be provided at a point in time.

This document contains preliminary views and/or AUASB Technical Group 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.

- Any controls framework, which represents suitable criteria.⁴
- Any component of control, which represents appropriate subject matter.⁵
- Various subject matters (not limited to financial reporting controls, nor restricted to Type 1 and Type 2 style reports (see ASAE/ISAE (NZ)3402), as these are only attest reports on controls relevant to users entities financial reporting).⁶
- Attest (assertion-based) and direct reports, where the direct report may take the form of a long form description prepared by the assurance practitioner, reference to a description provided by an identified source or document, or a short form description of the boundaries of the system and the assertions addressed, with detailed controls and control objectives only identified in the working papers.
- Restricted use and general use reports.
- Conducted by assurance practitioners who meet relevant ethical requirements, including independence.
- Primarily assurance procedures which provide an assurance conclusion.⁷
- 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.
- Long form or short form reports.
- The control system (subject matter) identified either simply by the boundaries of that system or in a detailed description including each control objective and related controls.
- Recommendations reported only to the extent that they are reported incidentally to the engagement but not as the main purpose and those recommendations are clearly differentiated from the assurance conclusion either under a separate heading or in a separate document.

The nature of the reports which are proposed to be covered by this standard are set out in the table below:

⁴ Controls frameworks may include COSO, COBIT, frameworks imposed by legislation/regulation (such as WA government agencies for which a controls framework for financial administration is set out in *Financial Management Act 2006* (FMA) and associated *Treasurer's Instructions*) or frameworks developed in-house or for a particular industry sector.

⁵ Components of control may include control environment, risk assessment, information and communication, monitoring and control procedures.

⁶ Subject matters to which the controls relate may include: efficiency and effectiveness, emissions and energy reporting, carbon offsets reporting, water reporting, compliance with contractual or legislative requirements or financial reporting.

⁷ Management consultancy and other advisory engagements are not within the scope of this standard even if they relate to controls.

This document contains preliminary views and/or AUASB Technical Group 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.

Nature of assurance Engagements on controls (from draft ASAE 34XX Appendix 1)

Report Type	Level of Assurance	Manner of reporting	Nature of Matters Assured	Date or Period Covered
1	Limited/ Reasonable assurance	Assertion-based (Responsible party assertion)	Description & design	As at date
2	Reasonable assurance	Assertion-based (Responsible party Assertion)	Description, design & operating effectiveness	Throughout period
3	Limited/ Reasonable assurance	Direct	Design	As at date
4	Reasonable assurance	Direct	Design & Operating effectiveness	Throughout period

The proposed ASAE/SAE 34XX was agreed to sit under ASAE/ISAE (NZ) 3000, with references to anchor to the overarching requirements in ASAE/ISAE (NZ) 3000. However, proposed ASAE/SAE 34XX is to sit alongside other Standards on Assurance Engagements, either carving out engagements from ASAE/SAE 34XX or from the other standard, when engagements may fall under multiple standards.

In order to use a consistent approach to other AUASB/ NZAuASB standards the requirements of the following standards are to be used as a basis for developing requirements in ASAE/SAE 34XX:

- ASAE 3000/ISAE (NZ) 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* – to be used as anchors for the requirements.
- Proposed ISAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* – project nearing completion for revision of ISAE 3000 which will be addressed in revisions to ASAE 3000/ISAE (NZ) in due course and so will need to be reflected in proposed ASAE 34XX.
- ASAE/ISAE (NZ) 3402 *Assurance Reports on Controls at a Service Organisation* – standard in clarity format on controls under specific circumstances.
- ASAE/ISAE (NZ) 3410 *Assurance Engagements on Greenhouse Gas Statements* – standard in clarity format which addresses both limited and reasonable assurance engagements on greenhouse gas statements or part of a statement.

Application material and guidance from these standards will be considered in developing the application material for ASAE/SAE 34XX. In addition, the requirements in AUS 810, which will be superseded and withdrawn once ASAE 34XX is issued, will be considered for on-going relevance.

The AUASB Technical Group commenced drafting the revised standard in the first half of 2012, however following the 16 April 2012 AUASB meeting, this project was put on-hold as resources

This document contains preliminary views and/or AUASB Technical Group 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.

were required on other high priority projects. Now that those projects have been completed this project has been recommenced in 2013.

Matters to Consider

We have revised the project timetable to reflect the break in progress of this project and plan to now continue drafting based on the Board and Project Advisory Group's input to date. The PAG has been reactivated and the membership revised to reflect the current circumstances. The PAG will meet in March and April to advise on the latest draft ASAE 34XX with a view to presenting the 1st draft to the Board at the April meeting. The revised timetable reflects the expectation that the new standard will be ready for approval at the December Board meeting.

The revised timetable is attached as a chart (Agenda Item 8.1) and a written table (Agenda Item 8.2).

AUASB Technical Group Recommendations

The technical group recommend approval of the revised project timetable so that this project may recommence.

Material Presented

Agenda Item 8	AUASB Board Meeting Summary Paper
Agenda Item 8.1	Revised project timetable – chart (Confidential)
Agenda Item 8.2	Attachment: Revised project timetable – table (Confidential)
Agenda Item 8.3	Attachment: Project Advisory Group Members (Confidential)

This document contains preliminary views and/or AUASB Technical Group 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.