



# AUASB Meeting Summary Paper

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**AGENDA ITEM NO.**        **7**  
**Meeting Date:**            17 June 2013  
**Subject:**                    Assurance Engagements on Controls  
**Date Prepared:**            5 June 2013

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**Action Required**

**For Information Purposes Only**

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## Agenda Item Objectives

Consider 1<sup>st</sup> read of exposure draft of proposed standard on assurance engagements ASAE 34XX *Assurance Engagements on Controls* and provide any feedback on structure and broad content of standard.

## Background

This project, to develop and issue a new standard for assurance engagements on controls to replace AUS 810, was recommenced in February 2013. The AUASB considered key matters raised by the Project Advisory Group at the April AUASB meeting and agreed the following approach:

1. Use “Assurance Engagements on Controls” as the title.
2. Anchor standard to ASAE 3000 and use material draft revised ISAE 3000 to ensure consistency with anticipated future revisions to ASAE 3000.
3. Provide further requirements and application material on materiality.
4. Differentiate attestation and direct engagements consistently with the draft ISAE 3000 (delineation is different from that in the *Assurance Framework*).
5. Allow for the description of the system as optional in both attestation and direct engagements.
6. Suitability of the framework applied to be considered if the report is to be publically available.

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## **Matters to Consider**

Drafting of ED XX/13 of proposed ASAE 34XX *Assurance Engagements on Controls* has continued since the last AUASB meeting and a 1<sup>st</sup> read ED is now presented for the AUASB's consideration.

Consideration has been given to written comments from the Project Advisory Group on earlier versions of the exposure draft and to examples and outlines of assurance reports on controls provided by PAG members. Relevant material has been incorporated from draft ISAE 3000, ASAE 3402, ASAE 3410 and AUS 810.

The Project Advisory Group will also be considering this version of the draft ED this week in order to provide detailed feedback on the content.

The AUASB is asked to provide comments, in particular, on:

1. The scope of the ED. (see para.3)
2. The nature of the reports covered. (see para.12(m)-(p))
3. Whether compliance engagements are adequately addressed. (see para. 3(a), 7, 12(d), 12(f), A6, A8 & A19)
4. Whether materiality considerations are adequately addressed. (para.34-36, A25-A27)
5. Whether the appendices cover appropriate topics or if further examples/matters need to be covered.
6. Any matters which require further explanation or inclusion in the ED.

## **Scope**

The scope in paragraph 3 seeks to provide for engagements on controls which are delineated in a variety of ways, including by the overarching objective (operations, reporting or compliance), the area of activity (entity's function or service), the entity/location/facility, the component of control addressed (monitoring, risk assessment etc) and the nature of reports, which is addressed below.

The COSO framework has been used simply to articulate the components of controls which may be selected in the scope of the engagement. These components are the control environment, risk assessment, control activities, information and communication and monitoring activities and are considered sufficiently generic to be applicable to be applied to any system of controls. However, different frameworks may present components of control or their equivalent in different ways, using different terms. Alternative frameworks may also be used for identifying control objectives and designing controls. In using the components of control provided by COSO as a way of describing different categories of controls in the ED, the assurance practitioner is not limited to this framework.

## **Nature of Reports**

This standard is intended to be very broad to allow for any assurance engagements on controls. Consequently, the nature of the reports covered provides for: reasonable or limited assurance, direct or attestation engagements, description, design and/or operating effectiveness of controls whether over a period of time or as at a point in time.

The term "attestation engagement" has been used with a meaning consistent with draft ISAE 3000, rather than the being consistent with "assertion-based" assurance engagements as defined in the *Framework* for

*Assurance Engagements.* Attestation engagements being those for which the responsible party evaluates the subject matter against criteria, whereas assertion-based engagements are those where the responsible party's assertion is available to users.

Even though the term assertion-based engagements is not used, assertions may still be provided by the responsible party so the term "assertion" has been used rather than "attestation" to refer to statements made by the responsible party, whether available to users or only to the assurance practitioner.

In identifying the types of reports which may be prepared and useful to users, the Project Advisory Group considered whether limited assurance could provide a meaningful level of assurance with respect to operating effectiveness. The PAG agreed that limited assurance over operating effectiveness may not result in a meaningful level of assurance and so support was given to excluding these engagements from the standard. However, instead the draft ED requires the assurance practitioner, in accepting an engagement, to assess whether the level of assurance would be meaningful in the circumstances of the engagement (see paragraph 18 & A4). This is intended to guard against the conduct of limited assurance engagements where the resulting report may not provide a meaningful level of assurance and so may be misleading to users. The material in paragraphs 52-53 has been used to differentiate the work effort involved for a limited assurance engagement from a reasonable assurance engagement with respect to operating effectiveness of controls.

### Compliance Engagements

Compliance engagements may include engagements where the control objectives are directed at achieving compliance with regulatory or legislative requirements or where the control framework, control objectives or in some cases the controls themselves are specified by regulation, a regulatory body or industry body. All of these compliance engagements are intended to be addressed in the ED and are addressed in paragraphs 3(a), 7, 12(d), 12(f), A6, A8 and A19.

### Materiality

Materiality with respect to assuring controls is often largely qualitative rather than quantitative and may be difficult to assess. The requirements in paragraphs 34 to 36 and application material in paragraphs A25 to A27 seek to identify the matters to consider in assessing materiality. The AUASB is asked if further material is required on this topic.

### Appendices

The table in Appendix 1 may now be redundant as we have included limited assurance with respect to engagements on operating effectiveness. The AUASB may consider whether it remains useful.

Example engagement letters have been provided in Appendix 2 for both attestation and direct engagements but only directed at reasonable assurance engagements. If the option to provide limited assurance over operating effectiveness of controls is retained, then one of these examples could be amended for limited assurance engagements or if necessary a further example provided.

Examples of representation letters are provided for both attestation and direct engagements in Appendix 3.

Example assurance reports are provided in Appendix 4 for:

1. Limited assurance attestation report on description and design of controls at a point in time.

2. Reasonable assurance attestation report on description, design and operating effectiveness of controls throughout the period.
3. Reasonable assurance attestation report on design and operating effectiveness of controls throughout the period.
4. Reasonable assurance direct report on design and operating effectiveness of controls throughout the period.

Examples have been provided for the most common scenarios but have not been provided for: limited assurance for a direct report as this was considered less likely to be requested, limited assurance on operating effectiveness as this is not encouraged as may not provide a meaningful level of assurance or reasonable assurance on description and design at a point in time.

Modified assurance report examples are provided at Appendix 5. Examples of adverse and disclaimer opinions or conclusions have not been included in the examples as they will be far less frequently issued.

### **AUASB Technical Group Recommendations**

The AUASB is asked to provide any feedback on the draft ED of ASAE 34XX, including any of the following matters:

- Amendments to the approach or wording of requirements or application material.
- Matters to be included or expanded upon in the requirements or application material.
- Approach recommended for matters flagged in “matters to consider” above.

### **Material Presented**

Agenda Item 7	AUASB AUASB Meeting Summary Paper
Agenda Item 7.1	Draft ED XX/13 of proposed Standard on Assurance Engagements ASAE 34XX <i>Assurance Engagements on Controls</i> (Replacement of AUS 810)
Agenda Item 7.2	Project timeline – planned vs. actual

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider 1 <sup>st</sup> read draft ED XX/13 of proposed ASAE 34XX	Comments on 1 <sup>st</sup> read draft.	AUASB	17 June 2013	Pending

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