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Basis for Conclusions
ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, Framework for Assurance Engagements and Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420

Prepared by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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Basis for Conclusions ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, Framework for Assurance Engagements and Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASAE 3000.

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BASIS FOR CONCLUSIONS

ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information, Framework for Assurance Engagements and Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420

This Basis for Conclusions is issued by the Auditing and Assurance Standards Board (AUASB). It provides a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis of Conclusions relates to, but does not form part of, ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information, Framework for Assurance Engagements and Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420*, and is not a substitute for reading the Standard.

Background

1. The AUASB has issued a revised Standard on Assurance Engagements, ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000), which will be operative for assurance engagements commencing on or after 1 January 2015, with early adoption permitted. It replaces extant ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (issued July 2007). ASAE 3000 conforms with International Standard on Assurance Engagements ISAE 3000 (Revised) *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and Assurance Standards Board (IAASB) in December 2013.
2. As a consequence of the revisions to ASAE 3000, the AUASB has also re-issued the *Framework for Assurance Engagements* (reissued in April 2010) and *Conforming Amendments to ASAE 3402 Assurance Reports on Controls at a Service Organisation* (ASAE 3402) (issued June 2010), *ASAE 3410 Assurance Engagements on Greenhouse Gas Statements* (ASAE 3410) (issued June 2012) and *ASAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document* (ASAE 3420) (issued November 2012). The framework pronouncement, ASAE 3402, ASAE 3410 and ASAE 3420 conform with the equivalent *International Framework for Assurance Engagements and Conforming Amendments to Other ISAEs*, issued by the IAASB in December 2013.
3. ASAE 3000 sets out mandatory requirements and application and other explanatory material (“guidance”) for Australian assurance practitioners to apply when planning, performing and reporting on reasonable and limited assurance engagements on information other than historical financial information.
4. The AUASB issued an Exposure Draft of proposed standard ED 05/13 *Proposed Standard on Assurance Engagements ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ED 05/13), with a comment deadline of 3 February 2014 (55 day exposure period). Terminology used in ED 05/13 included “assurance practitioner” and “lead assurance practitioner” in place of the IAASB Terminology “practitioner” and “engagement partner” to accommodate a broader application of ASAE 3000 to professionals from other disciplines in addition to professional accountants. ED 05/13 ASAE 3000 reference to “relevant ethical requirements” are to those contained in *ISA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and other Assurance Engagements*, and maintains consistency with other AUASB standards.
5. Submissions to ED 05/13 were received from a range of accounting firms, other assurance providers, professional accounting bodies, academia and the public sector. The AUASB considered all submissions received, and in response, made a number of changes to proposed ASAE 3000. The most substantive change was to revert to the wording contained in ISAE 3000 (Revised) in relation to limited assurance engagements by removing ED 05/13’s

Australian specific requirement paragraphs related to risk assessment and obtaining an understanding of internal control over the preparation of the subject matter information.

6. Throughout the process to issue ED 05/13, conforming amendment standards and finalisation of the revised ASAE 3000, the AUASB undertook extensive consultation with NZAuASB on the proposed Australian / NZAuASB specific paragraph inclusions with regard to the issue noted below re: limited assurance engagements and the requirement to perform a risk assessment and obtain an understanding of internal control. On further consideration both the NZAuASB and the AUASB agreed on the matters raised below and in response reverted to the ISAE 3000 (Revised) wording for limited assurance engagements with regard to these matters.
7. ASAE 3000, *Framework for Assurance Engagements* and conforming amendments to ASAE 3402 and ASAE 3410 were subsequently approved for issue on 10 June 2014, with 12 votes in favour. Conforming amendments to ASAE 3420 were also subsequently approved for issue on 10 June 2014, with 11 votes in favour and 1 abstention.

Scope

8. ASAE 3000 applies to reasonable and limited assurance engagements as described in the *Framework for Assurance Engagements*, on information other than historical financial information (for example, providing assurance on sustainability). ASAE 3000 allows for both attest and direct assurance engagements to be undertaken without the need to refer to the Australian Auditing Standards for guidance.

Major Issue raised by Respondents on Exposure

The following summarises the major issue raised by respondents to Exposure Draft ED 05/13 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued on 11 December 2013 and how the AUASB has addressed them.

Limited Assurance – Understanding the Underlying Subject Matter and Other Engagement Circumstances and Obtaining Evidence

9. There were strong views (and reasons) expressed by respondents on the question of whether ED 05/13 should include in respect of limited assurance engagements the additional requirements for assurance practitioners to undertake a risk assessment and obtain an understanding of internal control over the preparation of the subject matter information. Views expressed included the following:
 - (a) The majority of respondents argued that by including these proposed requirements for a limited assurance engagement in ASAE 3000 it became inconsistent with ISAE 3000 (Revised), reduced the differentiation in work effort between a reasonable and limited assurance engagement, and imposed higher requirements on the assurance practitioner in Australia when undertaking a limited assurance engagement which was not the intent of ISAE 3000 (Revised). Further some respondents argued that this approach was not seen as appropriate for a “base” standard which will be applicable to a wide range of subject matters and engagement circumstances and therefore needed to allow sufficient flexibility in its application.
 - (b) The majority of respondents argued that the proposed requirements did not meet the “compelling reasons test” contained in the AUASB’s *Principles of Convergence* paper (issued November 2012), that is used as the test for any amendments proposed to an International standard prior to adoption in Australia.
 - (c) A few respondents argued that the proposed requirements were likely to improve audit quality and were appropriate in the Australian context, and that the requirement to perform a risk assessment and gain an understanding of internal control assisted the

assurance practitioner to adequately design limited assurance procedures to respond to identified material risks.

10. In response, the AUASB considered it appropriate to:
- (a) Revert to the ISAE 3000 (Revised) wording for limited assurance engagements in relation to “Understanding the Underlying Subject Matter and Other Engagement Circumstances” section and “Risk Consideration and Responses to Risk” section, and remove the proposed Australian specific paragraphs in relation to requirements to undertake a risk assessment and obtain an understanding of internal control over the preparation of the subject matter information. This was on the basis that:
 - (i) After further deliberations the AUASB did not consider the “compelling reasons test” contained in the AUASB’s *Principles of Convergence* paper had been met, and as such no amendments to the equivalent International ISAE 3000 (Revised) would be adopted.
 - (ii) Strong support from respondents to ED 05/13 to adopt the International equivalent wording in order to maintain consistency for Australian assurance practitioners when undertaking a limited assurance engagement in accordance with ASAE 3000.

Conclusion

The AUASB voted to approve and issue ASAE 3000, *Framework for Assurance Engagements* and Conforming Amendments to ASAE 3402, ASAE 3410 and ASAE 3420 on 10 June 2014.

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