



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **12(a)**
Meeting Date: 25 November 2014
Subject: ATO – ECAP
Date Prepared: 3 November 2014

Action Required

For Information Purposes Only

Agenda Item Objectives

To update the AUASB on the ATO's External Compliance Assurance Process (ECAP) program.

Background

The ATO announced its intent to pilot the External Compliance Assurance Process (ECAP) in June 2014.

The objective of ECAP is to provide certainty more quickly to large public corporate taxpayers on a particular ATO matter, by offering them a choice of nominating their statutory auditor (or another registered company auditor in the event of independence considerations) to undertake agreed upon procedures leveraging their existing knowledge and understanding of the business or opt for the ATO to undertake the said procedures.

The ATO will determine based on a favourable ECAP review that the tax payer was meeting their tax obligations in relation to the identified ATO matter and the ATO will accept the ECAP review as a final position (there will be random ATO audits undertaken).

The ECAP pilot program that is currently underway will test the effectiveness and viability of taxpayers using existing registered company auditors (for the pilot program preference is for existing company auditors to be used – independence preconditions will need to have been met) to conduct agreed upon procedure engagements on factual matters identified by the ATO.

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.

Scope of ECAP

ECAP will be offered to selected public groups¹ that:

- Have a turnover between \$100 million and \$5 billion
- Exhibit factual matters that are suitable for an ECAP
- Have an ATO risk rating of medium or lower

ECAP will focus on factual matters and will not take the place of the Commissioner's determination and application of the law.

ECAP will be registered company auditors which may be the taxpayer's existing statutory auditors (subject to independence requirements) and will be conducted as agreed upon procedures.

Proposed Form of Report

The ATO has based their example report on ASRS 4400 *Agreed-Upon Procedures Engagements to Report Factual Findings*

AUASB's consultation/input to date

- Initial briefing session – February 2014 ATO and AUASB
- Initial design discussion meeting – March 2014: ATO, ASIC, AUASB, APESB
- ECAP information sessions – July 2014 and November 2014
- Feedback provided by AUASB in July 2014 on the ATO's *Guidelines for auditors on how the Auditing Standards apply for ECAP work*

Matters to Consider

The ECAP name suggests assurance provided, the technical group of the AUASB have brought this to the attention of the ATO. The ATO has a longer term view that the program will become assurance based.

Material Presented

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¹ Defined by the ATO as either listed on a stock exchange, is registered as a public enterprise with ASIC or is defined as public according to s103A of the Income Tax Assessment Act.