



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4**
Meeting Date: 25 November 2014
Subject: Assurance Engagements on Controls
Date Prepared: 13 November 2014

Action Required

For Information Purposes Only

Agenda Item Objectives

1. To present an amended AUASB Comments Received and Disposition Paper for Exposure Draft ED 01/14 for the AUASB's consideration.
2. To present a final draft of proposed ASAE 34XX *Assurance Engagements on Controls*, for approval to issue.

Background

The AUASB's project on controls to develop a standard to replace AUS 810 *Special Purpose Reports on the Effectiveness of Control Procedures* (2002) has been conducted in conjunction with NZAuASB and with the advice of a Project Advisory Group comprising stakeholders from both Australia and New Zealand. The exposure draft ED 01/14 had a 60 day exposure period in Australia, which closed on 25 August 2014 eliciting 9 submissions. During the exposure period, a roundtable discussion was held to obtain direct informal feedback from stakeholders and encourage discussion of the proposed standard.

The Office of Best Practice Regulation (OBPR) provided clearance for the proposed standard in August, as they consider that the regulatory impacts of the proposed revised standard are likely to be minor and consequently no regulatory impact statement is required.

A disposition of the ED comments received and a draft ASAE 34XX were considered at the 21 October meeting and the approach to addressing outstanding comments was discussed.

Matters to Consider

Part A – General

1. Since the 21 October meeting, the AUASB Technical Group:
 - addressed the outstanding matters raised in the disposition (see below & Agenda Item 4.1);
 - addressed matters raised at the October meeting (see below & Appendix 4.2);
 - undertook additional editorials of the draft standard; and

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- consulted with the Project Advisory Group on outstanding matters identified.
2. Internal quality assurance is still to be completed following any final amendments and a Basis of Preparation will be prepared for the release of the standard.
 3. The detailed comments received on exposure are presented in Agenda Item 4.1 along with a response to each comment, marked-up for changes since the 21 October AUASB meeting, and reference to proposed amendments, if any, in the draft standard, presented at Agenda Item 4.2. Comments also raised at the Australian Roundtable footnoted in the disposition paper, as requested at the 21 October meeting. A summary of the Roundtable feedback is provided in Agenda Item 4.3. Key outstanding matters at the 21 October meeting, which have now been addressed, are:
 - Minimum period for testing operating effectiveness and response to nil population clarified. (Para. 60 & A102)
 - Inclusive and carve-out methods for service organisations incorporated in engagement letters, representation letters and reports. (para.80, 89, Appendices 4, 5 & 6)
 - Further guidance provided on the need to test and conclude on design as a basis for testing description, implementation or operating effectiveness for all engagements, whether included in scope of the engagement or not. (Para.A31)
 - Assurance report conclusion can be expressed in terms of the responsible party’s statement, addressed by way of footnotes. (Appendix 7)
 - Limited assurance engagement addressed in an example engagement letter. (Appendix 4)
 - Minimum procedures for implementation clarified. (Para. 54R)
 - Ban on direct assistance by internal audit inserted. (Para. 41)
 - Materiality sections redrafted. (Para.35, A49-A57)
 - Long-form report contents clarified. (Appendix 7)
 4. The following matters discussed at the 21 October Board meeting have been addressed:
 - Application paragraph simplified. Board requested insertion of term “stand-alone”, however PAG recommended removal as too restrictive and considered reliance on footnote sufficient clarification. (Para. 1)
 - Clarification of why implementation and operating effectiveness not usually both concluded upon. (Para.5)
 - Confirmed that long-form reports are those containing additional information to short-form reports. List of additional information per definition to be added to example reports. (Appendix 7)
 - Remove definition of “mitigate risk”. (Para.16)
 - Materiality sections to be reworked. (para.35, A49-A57)
 - Components of controls to be considered in limited and reasonable assurance engagements. (para.38)
 - Further procedures for testing design in a reasonable assurance to be developed. (Para.50R)
 - Absence of instances of a control being triggered does not cause a scope limitation. (Para. 60)
 - Meaningful level of assurance guidance to be reworded. (para.A15)
 - Comparative work effort section in table on materiality to be removed as does not reflect risk. (Para. A36)

- Include subject matter in table on the nature of assurance engagements. (Appendix 1)
- Include ASRS 4400 in table on applicable AUASB standards. (Appendix 2)
- Convert engagement letter appendix 4, example 1 on description, design and operating effectiveness to limited assurance. PAG requested that example 2 on design and implementation be used for limited assurance so as not to encourage limited assurance on operating effectiveness. (Appendix 4)
- Limited assurance procedures to be included in example limited assurance report. (Appendix 7, example 1)

Part B – NZ AuASB

In New Zealand, a corresponding exposure draft 2014-3 was issued in July with a 90 day comment period which ended on 7 November 2014. During the exposure period, the NZAuASB also conducted two roundtable discussions on the ED. One ED response was received and has been considered in the redrafting.

Part C – “Compelling Reasons” Assessment

Not applicable as there is no IAASB equivalent standard on controls.

AUASB Technical Group Recommendations

The final standard is presented for approval, subject to final internal quality assurance.

Material Presented

Agenda Item 4	AUASB Board Meeting Summary Paper
Agenda Item 4.1	AUASB Comments Received and Proposed Disposition Paper – ED 01/14 (Marked Up Version) [Confidential]
Agenda Item 4.2	Draft Standard on Assurance Engagements ASAE 34XX <i>Assurance Engagements to Conclude on Controls</i> (Marked Up Version) [Confidential]
Agenda Item 4.3	Draft Standard on Assurance Engagements ASAE 34XX <i>Assurance Engagements to Conclude on Controls</i> (Clean Version) [Confidential]
Agenda Item 4.4	AUASB Roundtable on ED 01/14 – 31 July 2014 – Questions & Responses from Participant Discussion [Confidential]
