



Subject: Agenda for the 83rd meeting of the AUASB
Venue: CA ANZ offices in Sydney
Level 1, 33 Erskine Street, Sydney
Time: Tuesday, 26 July 2016 from 9.00 a.m. to 4.45 p.m.

Note: Agenda papers marked

P	Distributed Previously
E	Enclosed
F	To Follow
T	To be Tabled at Meeting
V	Verbal Report

Time	Agenda Item No.	Type	Resp.
9.00 a.m.	1. Preliminary Session* (closed sessions (a) – (c))		
	(a) Welcome*	V	MK
	(b) Introduction to Robert Buchanan, NZAuASB Chairman*	V	MK
	(c) Restructuring in the AASB/AUASB*	V	MK
9.30 a.m.	(d) AUASB Declarations of Interest	E	MK
	(e) Minutes of Previous AUASB Meeting	E	MK/All
	(f) Matters Arising from Previous Meetings and Action List	E	MK/All
10.00 a.m.	2. Presentation by IIA-Australia		
	Presentation on Thought Leadership Projects by Peter Jones, CEO and Tony Rasman, Public Affairs Manager.	E/V	
10.45 a.m.	Break		
11.00 a.m.	3. International		
	(a) IAASB-NSS Meeting 16-17 June – feedback	V	MK
	(b) IAASB Meeting 21-24 June – feedback	V	MK
	(c) NOCLAR – revision of ISA 250 and consequential changes	V	RH
	(d) Integrated Reporting – update	V	MK/MM
	(e) Priorities and impact on AUASB work program	V	MK/All
	(f) Other	V	All
12.00 p.m.	4. AUASB Work Program for 2016-17 and Process for Adopting IAASB Standards as AUASB Standards		
	(a) Consider and approve proposed AUASB work program for 2016-17	E	MK/All

* Closed sessions



Time	Agenda Item No.	Type	Resp.
12.30 p.m.	Lunch		
1.30 p.m.	Work Program for 2016-17 and Process for Adopting IAASB Standards as AUASB Standards (continued)		
	(b) Consider possible changes to the process for adopting IAASB standards as AUASB standards going forward	E	MK/RH/MM
2.15 p.m.	5. ASAE 3100 Compliance Engagements		
	Consider and approve final draft ED.	E	JM/MM
3.00 p.m.	6. Auditor Reporting Implementation		
	General discussion in relation to potential issues for FAQ's as considered at recent PAG meeting.	F	AW/MD
3.30 p.m.	Break		
3.45 p.m.	7. Other Matters		
	(a) ED ASA 800/805 – consider preliminary feedback	E	RH
	(b) Proposed revision of Audit Committees Guide – update	E	RH
	(c) Report on AUASB Chairman's Activities – for noting	F	MK
	(d) Report from NZAuASB Chairman	V	RB
	(e) AUASB PAG Memberships – for noting	E	All
	(f) Query on ASA 700 – Signature of the Auditor	V	RH
	(g) Proposed 2017 AUASB meeting dates	E	MK
	(h) Correspondence – for noting	E/V	MK
4.45 p.m.	Close		

Thought Leadership Projects

Peter Jones
Chief Executive Officer &
Tony Rasman
Public Affairs Manager
IIA-Australia

Outline

- About us
- Our Mission
- Our Current Activities
- Thought Leadership Projects
- Next steps

About Us

- Institute of Internal Auditors is the global professional Association for internal auditors.
- Established in 1941, the Institute has 188,000 members in 190 countries worldwide.
- IIA-Australia has around 3,000 members.
- IIA's – International Professional Practices Framework (IPPF)[®], a collection of guidance that includes 'The International Standards for the Professional Practice of Internal Auditing' and code of ethics for Internal Auditors.
- The IPPF is the global standard that internal audit members abide by.

Our Mission

- To advance the profession and practice of internal auditing through advocacy campaigns, and provide education and training for our members.
- IIA-Australia provides a higher education equivalent certificate in internal auditing, and through the IIA Global - Certified Internal Auditor (CIA) qualification.
- IIA-Australia also provides audit committee training for private and public sector organisations.

Our Current Activities

- To mandate Internal Audit function where possible, and ensure IPPF standards are included in regulations.
- Currently, the Federal Government and States have or are mandating audit committees. NSW, Queensland, Victoria, and Tasmania have also mandated the internal audit function and are promoting the IPPF standards in regulations and guidelines.
- NSW, Victoria, Tasmania are currently reviewing the Local Government Acts and in NSW, audit committees and the internal audit function, and IPPF are under serious consideration.
- In private sector – ASX Corporate Governance Principles 7.3 – internal audit function. If not, why not?

Thought Leadership – Audit Committee Publication

- Update this narrative to reflect important regulatory changes since 2012, such as:
- Risk and audit changes contained in the ASX Corporate Governance Principles and Recommendations (3rd edition, 2014) issued by the Corporate Governance Council.
- Altered audit committee membership requirements within the public sector, including NSW (solely independent members – NSW Treasury Policy TPP15-03) and the Federal sphere (Public Governance, Performance and Accountability Act 2013 (PGPA Act) and in particular PGPA Rule – Section 17).
- Revised IPPF due for release early 2017.
- Publication should be supported by public launch for the new edition.

Thought Leadership – Audit Culture

- In the UK, the Finance Reporting Council (FRC) has formed the ‘Culture Coalition’, which includes Chartered Institute of Internal Auditors (UK), Chartered Institute of Personnel and Development, Chartered Institute of Management Accountants, The Institute of Business Ethic and City Values Forum.
- The aims of the ‘Culture Coalition’ is to deliver practical, market-led observations to help boards achieve their desired culture.
- IIA-Australia believes internal auditors should broaden their scope and conduct audits on corporate culture working with the company’s HR managers as a key aspect of their audit process.
- Poor organisational culture has been identified as the root cause of many scandals – eg VW, FIFA and Toshiba’s accounting scandal. Locally, CBA’s financial planning fiasco.

Thought Leadership – Audit Culture

Our proposal;

- Joint Working Group with AICD and AUASB (and regulatory authorities such as APRA, ASIC and FRC), to develop a framework for auditing of corporate culture.
- The Chartered Institute in the UK would assist in providing their lessons learnt – as part of a ‘Culture Coalition’.
- The working group would develop a draft framework based on global best practice, and liaise with other professional bodies.

Thought Leadership – Integrated Thinking / Reporting

- FRC argued in 2013 that IR Framework is too theoretical and would increase reporting burdens. In particular, the ‘six capitals’, they argue, would add volume and complexity to reporting.
- They argued a simpler more concise practical framework could be developed around Regulatory Guide 247, which would drive market-led adoption.
- King IV Integrated Reporting is expected to be released this year.

Thought Leadership – Integrated Thinking / Reporting

Our Proposal;

- IIA-Australia recommends IIA, AICD and AUASB should create a working group in conjunction with FRC to create a framework for Integrated Thinking and Reporting.

Next steps – Q & A

- Audit Publication
- Audit Culture
- Integrated Thinking and Integrated Reporting

****DRAFT** AUASB Technical Work Program for 2016-17**

Agenda Item 4(a).1
AUASB Meeting 26 July 2016

Updated 18 July 2016

Project Strategies/ Initiatives	Responsibility /Status	2016						2017					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
1. Improve Audit Quality and confidence in assurance on external reporting by contributing to the development of and convergence with one set of robust international auditing standards and consistent application of AUASB pronouncements and harmonisation with New Zealand													
1.1 Contribute to scheduled IAASB meetings and annual NSS meeting. AUASB Chairman to participate in these meetings (Decision to be made)	MK Attend IAASB meetings (until December 2016)			IAASB mtg 19-23 Sep			IAASB mtg 5-9 Dec			IAASB mtg 14-18 Mar			IAASB – NSS mtg 15-16 June IAASB mtg 19-23 June
1.2 Provide comment on IAASB discussion papers and exposure drafts as necessary	All	→	→	→	→	→	→	→	→	→	→	→	→
1.3 Develop and revise AUASB Standards to conform with IAASB standards. Consider the implications of new/revised IAASB standards on AUASB standards	All	→	→	→	→	→	→	→	→	→	→	→	→
1.4 Work on: - Harmonisation between Australia and New Zealand. - Jointly influence policy and international standard setting - Work jointly on various projects	All Attend NZAuASB meetings	→ 28 July	→	→ 8 Sept	→ 27 Oct	→	→ 1 Dec	→	→ TBD	→	→ TBD	→	→ TBD

Project Strategies/ Initiatives	Responsibility /Status	2016						2017					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
IAASB projects and related Australian standards:													
a) NOCLAR Project (ISA 250)	RH/MD	IAASB ED	→	→	→	→	→	→	→	→	→	→	→
b) ISA 540 – Accounting Estimates - Consider establishment of a PAG (including impact of IFRS 9 - financial instruments) - Conduct roundtables	(Timing TBC) AW / MM	→	→	→	→	→	IAASB ED	→	AUASB respond to ED	→	→	→	→
c) ISA 315 – Identify and Assess Risk of Material Misstatement	(Timing TBC) RH / MD	→	→	→	→	→	→	→	→	→	→	→	→
d) Revisions to ISAs arising from ITC and post impl. review: - ISQC 1 and ISA 220 Quality Control - Professional scepticism - ISA 600 Group Audits	(Timing TBC) AW AW RH	→	→	→	→	→	→	→	→	→	→	→	→
e) Agreed upon procedures	RH	→	→	→	→	→	→	→	→	AUASB respond to DP	→	→	→
f) Enhanced External Reporting - Integrated reporting	(Timing TBC) AW	→	→	→	→	→	→	→	AUASB respond to DP	→	→	→	→
g) Data Analytics Cross standards approach	(Timing TBC) AW	→	→	→	→	→	→	→	AUASB respond to DP	→	→	→	→
h) Survey on IAASB work plan	MD	→	→	→	→	→	AUASB response	→	→	→	→	→	→

Project Strategies/ Initiatives	Responsibility /Status	2016						2017					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2. Be recognised as the auditing and assurance standard-setting body in Australia to formulate and maintain Auditing and Assurance Standards and guidance pronouncements to address local issues													
2.1 Monitoring and implementation													
• Monitor implications of the Auditing Standards and seek ongoing stakeholder feedback	All On going	→	→	→	→	→	→	→	→	→	→	→	→
• Participate in public debate, conferences, seminars on topics relevant to AUASB	All On going	→	→	→	→	→	→	→	→	→	→	→	→
2.2 Formulate and maintain other auditing and assurance standards													
Issue new and revised standards													
a) ASA 800 series (800, 805,810)	RH	Issue 800 & 805 standard 810 ED											
b) Auditor reporting • Responsibilities statements (RS) on website • FAQ's / Implementation guidance	AW/MD	Status update Publish RS on website	Publish Q&A on website	→	→	Update Q&A based on feedback	→	→	→	→	→	→	→
c) ASAE 3100 Compliance Engagements	MM	Consider project update and draft ED	→	ED exposure	ED exposure	ED comments received	→	→	→	→	→	→	→
d) ASAE 3500 Performance Engagements	MM/MD (on hold)	→	→	→	→	→	→	→	→	→	→	→	→
e) ASAE on Service Performance Information	MD (Joint project with NZ)	→	→	→	→	→	→	→	→	→	→	→	→

Project Strategies/ Initiatives	Responsibility /Status	2016						2017					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
2.3 Formulate and maintain guidance statements													
Issue new and revised guidance statements													
a) Audit Committee Guide with AICD	(Timing TBC)	→	→	→	→	→	→	→	→	→	→	→	→
b) GS 010 <i>Responding to Questions at an Annual General Meeting</i>	AW	→	→	→	→	Update post reporting season	→	→	→	→	→	→	→
c) Crowd funding	(Timing TBC) MD	→	→	→	→	→	→	→	→	→	→	→	→
d) Review currency of all guidance statements (including GS 013)	All	→	→	→	→	→	→	→	→	→	→	→	→
3. Undertake thought leadership and respond to emerging issues													
3.1 Identify and respond to significant emerging auditing and assurance issues of public interest on a timely basis													
• Jim Sylph visit 21 and 22 November	MD	Save the date email	→	→	→	Jim visiting 21 & 22 Nov	→	→	→	→	→	→	→
3.1 Monitor international developments on auditing and assurance													
Monitor the activities of: • other NSS incl. Canada, France, Germany, Netherlands, UK, US and South Africa. • IOSCO, PCAOB and IFIAR, AICPA	MD	→	→	→	→	→	→	→	→	→	→	→	→
Prepare quarterly AUASB <i>International Update</i>	MD	→	→	→	→	→	→	→	→	→	→	→	→

Project Strategies/ Initiatives	Responsibility /Status	2016						2017					
		Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
4. Communicate and engage with stakeholders to promote Audit Quality													
4.1 Actively engage with Australian regulatory bodies, professional accounting bodies, practitioners, preparers, users and other stakeholders													
a) Promote Audit Quality through liaison and working with regulatory bodies (including ASIC, APRA, ATO, ACNC and CER/DoE), professional accounting bodies, practitioners, Aust. Treasury, FRC and other govt depts	All		Present to ACNC on changes to auditor reporting. Assist ACNC with update to audit report templates	APRA and ASIC and emerging issues group qtlly meetings	→	→	APRA and ASIC and emerging issues group qtlly meetings	→	→	APRA and ASIC and emerging issues group qtlly meetings			APRA and ASIC and emerging issues group qtlly meetings
b) Annual Consultative Meeting with stakeholders to discuss significant projects and to obtain input on the AUASB's priorities over the next three-year period	(Timing TBC) All	→	→	→	→	→	→	→	→	→	→	→	→
c) Work with AASB on key projects (including materiality and disclosures)	MD	→	→	→	→	→	→	→	→	→	→	→	→
d) SharePoint roll-out	RH	→	→	Testing	Testing	Testing	Roll-out	→	→	→	→	→	→
e) Prepare AUASB Annual Report	RH	Prepare report	Prepare report	→	→	→	→	→	→	→	→	→	→
f) Respond to stakeholder queries	ALL	Update process (per AASB approach)	→	→	→	→	→	→	→	→	→	→	→
g) Planning and outreach survey	MD	Timing TBC	→	→	→	→	→	→	→	→	→	→	→



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 4(a)
Meeting Date: 26 July 2016
Subject: AUASB Technical Work Program for year ending 30 June 2017
Date Prepared: 18 July 2016

☐ Action Required	☒ For Information Purposes Only
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Agenda Item Objectives

To provide to the AUASB with a draft AUASB Technical Work Program for the financial year ending 30 June 2017.

Material Presented

Agenda Item 4(a) AUASB Board Meeting Summary Paper
Agenda Item 4(a).1 Draft AUASB Technical Work Program for year ending 30 June 2017



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4(b)**

Meeting Date: 26 July 2016

Subject: Initial Discussion Paper: Standard Setting Process

Date Prepared: 11 July 2016

☒ Action Required

☐ For Information Purposes Only

Purpose of Agenda Item:

1. For the AUASB to discuss the current standard setting process, including how International Auditing Standards become Australian Auditing Standards; and
2. Consideration of options in the adoption of international auditing standards (ISAs) on a go-forward basis, with short and medium/longer term options.
3. Paper goes through:
 - Background – the problem we are trying to address
 - Current process
 - Main changes currently made ISA – ASA
 - Short term option
 - Medium/longer term option
 - Steps to be taken
 - Advantages
 - Disadvantages

Background:

Compared with 2004, the AUASB currently has greater confidence in the efficacy and robustness of IAASB standards setting processes and oversight.

There are two main areas that are extremely time consuming for the Technical Group with the current process:

1. Amendments to the ISAs that are essential and pass a “true compelling reasons” test **are appropriate** and there are **no** concerns in relation to such amendments. However, amendments that are “nice to have” and do not meet a “true compelling reasons test” are time consuming to process and uses valuable highly skilled staff resources. An example of this “nice to have” is the Corporations Act references. The impact of this effort is really felt when multiple standards are impacted for example the auditor reporting project, NOCLAR, ASA 530, ASA 315, Audit Quality etc.
2. The drafting of Australian compiled standards is an extremely time consuming process, that is inefficient and uses valuable highly skilled staff 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.

Current Process:

1. IAASB Discussion/Position/ITC Paper for comment – AUASB consultation (may include roundtables) and AUASB response/submission;
2. IAASB ED – AUASB consultation with Australian stakeholders may include roundtables and AUASB response/submission;
3. IAASB issues Standard;
4. Australia converts to an Australian ED (eg: spelling, ISA/ASA; financial statement/report); and proposes changes subject to compelling reasons test. ED issued for a comment period. Further consultation may be required;
5. Australian stakeholder further feedback analysis/disposition, changes to ED as required; and
6. Australian standard issued (new, revised or compiled (via amending standard)).

Reasons AUASB do not expose International ED:

1. May end up exposing multiple times – could be two international exposures and then one Australian;
2. Do not believe many local practices will respond to Australia locally as central teams provide worldwide response to IAASB
3. We have a track-record of influencing international ED through our outreach and submissions.
4. Long development period at IAASB may result in changes from initial IAASB ED (e.g. ISA 610, ISA 250)

Main changes that are currently made to ISAs when converting into an Australian Standard:

1. Application Paragraphs;
2. Operative/Effective Date;
3. Corporations Act references;
4. Definitions e.g. Financial Statements vs Financial Report;
5. References to Ethics – ASA 102;
6. Appendices – Australian Specific Examples;
7. Specific to Standards e.g.:
 - a. ASA 570 - Going Concern – relevant period
 - b. ASA 570 - Going Concern Diagram
 - c. ASA 600 - Prohibition of Direct Assistance

Short-medium term approach to setting standards:

1. Compelling reasons test is implemented in the true sense – that is: no cherry picking/no nice to have;
2. Introduce a new “ASA 103” – this will cover off on some items from the list above – for example application paragraph;
3. Any Australian specific appendices/examples – not within the standard, but by way of Guidance;
4. Essentially the Technical Group has come to the view that we need to keep any changes from ISAs to an absolute minimum
5. Consider issuing a complete revised standard rather than the amending standard/compiled standard process – case by case basis taking staff time versus FRLI costs into account. Currently we are preparing the compiled standards in-house ahead of the IAASB.

Longer term approach to setting standards:

1. Australian Legislative Instrument (Standard) issued that effectively lists all ISA's and a comment that for Corporations Act engagements auditors need to follow the ISA's. This would need to be regularly updated.

2. Australian Legislative Instrument (Standard) issued that effectively lists the current “AUS” paragraphs (eg Going concern relevant period; prohibition direct assistance).
3. Guidance Statements to deal with issues for Australian specific nuances/appendices/examples.
4. Australian local standards for the local agenda (eg controls, compliance, performance)

Steps to be taken to before any changes:

1. AUASB discussion and agreement on both approaches and preference;
2. Discussion with AASB as to their processes;
3. Further consultation with Treasury / legal (OPC) ; and
4. Stakeholder consultation.

Advantages to change:

1. Greater confidence in the efficacy and robustness of IAASB standards setting processes and oversight in 2016 compared to 2004.
2. Efficiency
3. Australian Standards = International Standards
4. Meets regulatory reform agenda
5. FRLI cost savings
6. Appropriate use of limited resources

Disadvantages/Potential Issues with Change:

1. Loss of “One stop shop” for users. That is, will need steps 1+2+3 (from medium term) to amount to what is currently 1 Australian standard. However this could be bridged through the professional bodies handbook and some sort of combined resource on the AUASB website.
2. Potential copyright issues/costs with IAASB for end users/publishers
3. International Compilation timetable needs to be improved
4. Australian Guidance (including Australian examples) will sit outside of the legislative instrument but possibly rightly so.
5. Will have international standards with some areas/examples that are not applicable /relevant to the Australian market – may complicate/confuse users
6. Potential timing gap for the stakeholders between issuance of international standard and Australian Guidance – dependent on the timing of the issuance/acceptance of the international standard by the AUASB.

Material Presented

Agenda Item	AUASB Board Meeting Summary Paper
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Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consideration of BMSP	None – For Discussion	AUASB	26 July 2016	O/S

EXPOSURE DRAFT

ED XX/16
(July 2016)

Proposed Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*

Issued for Comment by the **Auditing and Assurance Standards Board**

Draft

DISCLAIMER

This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



Australian Government
Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than 30 September 2016. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

[mailto:](mailto:enquiries@auasb.gov.au) Formal Submissions

Submissions should be lodged online via the 'Work in Progress-Open for Comment' page of the AUASB website (www.auasb.gov.au/Work-In-Progress/Open-for-Comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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ISSN 1030-603X

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON ASSURANCE ENGAGEMENTS

	<i>Paragraphs</i>
Application	1
Operative Date	2
Introduction	
Scope of this Standard on Assurance Engagements	3-14
Objectives	15-16
Definitions	17
Requirements	
Applicability of ASAE 3000	18
Ethical Requirements	19
Acceptance and Continuance	20-27
Quality Control	28
Professional Scepticism, Professional Judgement and Assurance Skills and Techniques	29
Planning and Performing the Engagement	30-1
Obtaining Evidence	38-46
Work Performed by an Assurance Practitioner's Expert	47
Work Performed by Another Assurance Practitioner or a Responsible Party's or Evaluator's Expert	48
Evaluation of Evidence and Communication of Non-Compliance	49-52
Written Representations	53
Subsequent Events	54
Forming the Assurance Conclusion	55-56
Preparing the Assurance Report	57-63
Other Communication Responsibilities	64-67
Documentation	68-69
Application and Other Explanatory Material	
Application	A1
Introduction	A2-A5
Ethical Requirements	A6
Acceptance and Continuance	A7-A21
Planning and Performing the Engagement	A22-A36
Obtaining Evidence	A37-A39

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Work Performed by an Assurance Practitioner’s Expert.....	A40
Work Performed by Another Assurance Practitioner or a Responsible Party’s or Evaluator’s Expert	A41-A43
Evaluation of Evidence and Communication of Non-Compliance	A44-A45
Written Representations	A46-A47
Subsequent Events.....	A48-A49
Preparing the Assurance Report.....	A50-A61
Other Communication Responsibilities.....	A62-A63
Documentation	A64
Appendix 1: Roles and Responsibilities – Direct and Attestation Compliance Engagements	
Appendix 2: Terminology Table – ASAE 3000 and ASAE 3100	
Appendix 3: Example : Nature of Assurance Engagements on Compliance	
Appendix 4: Standards Applicable to Example Engagements on Compliance	
Appendix 5: Example Engagement Letters	
Appendix 6: Example Assurance Reports on Compliance	
Appendix 7: Example Modified Assurance Reports on Compliance	

PREFACE

Reasons for Issuing ED XX/16

The AUASB issues exposure draft ED XX/16 of proposed Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* pursuant to the requirements of the legislative provisions explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 227B of the ASIC Act, the AUASB may formulate assurance standards for other purposes.

Main Proposals

This proposed Standard on Assurance Engagements establishes requirements and provides application and other explanatory material regarding the conduct of and reporting on assurance engagements on compliance. The standard replaces Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*, issued by the AUASB in July 2008 and last revised in October 2008.

This proposed Standard on Assurance Engagements facilitates conformity with current AUASB Standards and revised ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* issued in June 2014. The standard reflects best practice in compliance engagements and clarifies how to scope, conduct and report on an assurance engagement on compliance, to ensure that assurance engagement quality is maintained and where necessary improved.

Proposed Operative Date

It is intended that this proposed Standard on Assurance Engagements will be operative for assurance engagements commencing on or after -with early adoption permitted.

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASAE 3100 *Compliance Engagements* by no later than 30 September 2016. The AUASB is seeking comments from respondents on the following questions:

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?
5. Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?
6. What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of compliance engagements?
7. Are there any other significant public interest matters that constituents wish to raise?

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

The AUASB prefers that respondents express a clear opinion on whether the proposed Standard on Assurance Engagements, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Standard on Assurance Engagements.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates this Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

This Standard on Assurance Engagements is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the AUASB Standards are to be understood, interpreted and applied and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, which provides the overarching requirements for all assurance engagements other than those engagements relating to historical financial information.

Draft

Conformity with International Standards on Assurance Engagements

This Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* has been formulated for Australian public interest purposes and there is no equivalent International Standard on Assurance Engagements (ISAE), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

This Standard does, however, reflect certain aspects of other Australian ASAEs, which reproduce substantial parts of the equivalent ISAEs issued by the IAASB and published by IFAC, including ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

Draft

STANDARD ON ASSURANCE ENGAGEMENTS ASAE 3100

Compliance Engagements

Application

1. This Standard on Assurance Engagements applies to limited and reasonable assurance engagements to provide an assurance report on an entity's compliance with the compliance requirements as evaluated by the suitable criteria. (Ref: Para. A1)

Operative Date

2. This Standard on Assurance Engagements is operative for assurance engagements commencing on or after XX XXX, with early adoption permitted prior to this date.

Introduction

Scope of this Standard on Assurance Engagements

3. This Standard on Assurance Engagements (ASAE) deals with assurance engagements to provide an assurance report on whether the entity has complied in all material respects with the compliance requirements, throughout the specified period or as at a specified date, using the criteria.
4. This ASAE addresses assurance engagements on compliance: (Ref: Para. A2-A5)
 - (a) With the compliance requirements;
 - (b) Providing a limited or reasonable assurance conclusion;
 - (c) For either restricted use, by those charged with governance of the entity or specified third parties, or to be publicly available; and
 - (d) Either based on an attestation engagement or a direct engagement. (Ref: Para. 17(a), 17(h), A4).
5. Agreed-upon procedures engagements, where procedures are conducted and factual findings are reported but no conclusion is provided, and consulting engagements, for the purpose of providing advice, on compliance are not assurance engagements and are not dealt with in this ASAE. Agreed-upon procedures engagements are addressed under Standard on Related Services, ASRS 4400.¹

Nature of a Compliance Engagement

6. Compliance engagements are conducted in both the private and public sector, in either case the engaging party will usually be the entity responsible for meeting the compliance requirements which are subject to the compliance engagement. In these circumstances terms of engagement are agreed with the engaging party.
7. An entity may have an obligation to comply with externally and/or internally established compliance requirements. These compliance requirements may be established through law and regulation, contractual arrangements or internally established requirements, for example company policies. A table showing the nature of assurance engagements on compliance is contained in Appendix 3.

¹ See ASRS 4400 Agreed upon Procedures Engagements to Report Factual Findings.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Relationship with ASAE 3000, Other Pronouncements and Other Requirements

8. The assurance practitioner is required to comply with ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ASAE 3000) and this ASAE when performing compliance engagements. This ASAE supplements, but does not replace ASAE 3000, and expands on how ASAE 3000 is to be applied in a compliance engagement. This ASAE applies the requirements in ASAE 3000 to attestation engagements and adapts those requirements, as necessary, to direct engagements on compliance. ASAE 3000 includes requirements in relation to such topics as engagement acceptance, planning, obtaining evidence and documentation that apply to all assurance engagements, including engagements conducted in accordance with this ASAE. *Framework for Assurance Engagements*, which defines and describes the elements and objectives of an assurance engagement, provides the context for understanding this ASAE and ASAE 3000.
9. An assurance engagement performed in accordance with ASAE 3000 measures or evaluates the underlying subject matter against suitable criteria. In a compliance engagement the assurance practitioner determines whether compliance requirements have been met by evaluating the subject matter against the compliance requirements, using the criteria. The criteria may be the compliance requirements, or a subset thereof. A table explaining the terminology applied in this ASAE is contained in Appendix 2.
10. This ASAE requires the assurance practitioner to apply the ASAE 3000 requirement to comply with relevant ethical requirements related to assurance engagements. It also requires the lead assurance practitioner to be a member of a firm that applies ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Financial Information, Other Assurance Engagements and Related Services Engagements*.
11. An assurance engagement performed under this ASAE may be part of a larger engagement. In such circumstances, this ASAE is relevant only to the portion of the engagement relating to assurance on compliance.
12. If multiple standards are applicable to the assurance engagement, the assurance practitioner applies, in addition to ASAE 3000, either:
 - (a) If the engagement can be separated into parts, the standard relevant to each part of the engagement, including this ASAE for the part on compliance; or
 - (b) If the engagement cannot be separated into parts, the standard which is most directly relevant to the subject matter.
13. Assurance conclusions on compliance may be required by Regulators, Government or other users in conjunction with assurance conclusions on financial reports, other historical financial information, and compliance with other requirements, controls and/or other subject matters. In these engagements the subject matter and criteria against which that subject matter is evaluated and the level of assurance sought may vary, in which case different standards will apply. Assurance reports can include separate sections for each subject matter, criteria or level of assurance in order that the different matters concluded upon are clearly differentiated.
14. A table showing the AUASB Standards to apply to compliance engagements depending on the subject matter and engagement circumstances is contained in Appendix 4. (Ref: Para. A1)

Objectives

15. In conducting a compliance engagement, the objectives of the assurance practitioner are:
 - (a) To obtain reasonable or limited assurance, about whether the entity has complied in all material respects, with compliance requirements as evaluated by the suitable criteria;

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (b) To express a conclusion² through a written report on the matters in (a) above which expresses either a reasonable or limited assurance conclusion and describes the basis for the conclusion; and/or
 - (c) To communicate further as required by this ASAE and any other relevant ASAEs.
16. In conducting the assurance engagement, the objectives of the assurance practitioner under ASAE 3000³ include: “to obtain either reasonable or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement”. The subject matter information in a compliance engagement is the outcome of the evaluation⁴ of compliance with the compliance requirements, as measured by the criteria. The evaluation is conducted:
- (a) In an attestation engagement, by the responsible party or evaluator, and presented in a Statement⁵, which addresses whether the compliance requirements have been met. The objective of the assurance practitioner is to obtain reasonable or limited assurance about whether the Statement is free from material misstatement, although the assurance practitioner’s conclusion may be expressed in terms of whether the compliance requirements have been met; or
 - (b) In a direct engagement, by the assurance practitioner and presented in the assurance conclusion, therefore, no Statement is prepared by the responsible party. The objective of the assurance practitioner is to obtain reasonable or limited assurance about whether the compliance requirements have been met.

Definitions

17. For the purposes of this Standard on Assurance Engagements, the following terms have the meanings attributed below:
- (a) Attestation engagement on compliance—A reasonable or limited assurance engagement in which a party other than the assurance practitioner, being the responsible party or evaluator evaluates compliance with the compliance requirements. The outcome of that evaluation is provided in a Statement, which may either be available to the intended users or may be presented by the assurance practitioner in the assurance report. In an attestation engagement, the assurance practitioner’s conclusion addresses whether the Statement is free from material misstatement. The assurance practitioner’s conclusion may be phrased in terms of:
(Ref: Para. 4(d), A4)
 - (i) ~~The compliance activity and the criteria and the compliance requirements;~~
 - ~~(i)(ii) The compliance outcome and the criteria;~~ or
 - ~~(ii)(iii) A Statement made by the appropriate party.~~
 - ~~(b) Criteria—The benchmark, framework or legislation used to evaluate whether the compliance requirements have been met. The “applicable criteria” are the criteria used for the particular engagement. (23, A13, Appendix 1)~~
 - ~~(e)(b) Compliance a~~Activity (subject matter or underlying subject matter)—The activity that is undertaken to meet the compliance requirement(s).

² The term conclusion also extends to include an opinion expressed in a reasonable assurance engagement.

³ See ASAE 3000, paragraph 10.

⁴ The term evaluation includes the concept of measurement for quantification aspects of a compliance engagement.

⁵ See ASAE 3100, paragraph 176(z) for definition of the term Statement.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- ~~(d)~~(c) Compliance engagement—An assurance engagement in which an assurance practitioner expresses a conclusion after evaluating an entity’s compliance with the compliance requirements.
- ~~(e)~~(d) Compliance framework—A framework adopted by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures.
- ~~(f)~~(e) Compliance outcome (subject matter information)—The outcome of the evaluation of the underlying subject matter (compliance activity) against the compliance requirements, using the criteria. The compliance outcome is the Statement of the responsible party or evaluator in an attestation compliance engagement, or the assurance practitioner’s conclusion in a direct compliance engagement, providing the outcome of their evaluation.
- ~~(g)~~(f) Compliance requirement(s)—The specific requirements established in law, regulations, other statutory requirements (e.g. ASIC Class Orders and Regulatory Guides and APRA Prudential Standards), contractual arrangements, ministerial directives, industry or professional obligations or internally via entity/company policies, procedures and frameworks. (Ref: Para. Appendix 1)
- ~~(h)~~ Compliance Outcome (subject matter information)—The outcome of the evaluation of the underlying subject matter (compliance activity) against the compliance requirements, using the criteria. The compliance outcome is the Statement of the responsible party or evaluator in an attestation compliance engagement, or the assurance practitioner’s conclusion in a direct compliance engagement, providing the outcome of their evaluation.
- ~~(i)~~ Compliance Activity (subject matter or underlying subject matter)—The activity that is undertaken to meet the compliance requirement(s).
- ~~(j)~~(g) Criteria—The benchmark, framework or legislation used to evaluate whether the compliance requirements have been met. The “applicable criteria” are the criteria used for the particular engagement. (Ref: Para. 23, A13, Appendix 1)
- ~~(k)~~(h) Direct engagement on compliance—A reasonable or limited assurance engagement in which the assurance practitioner evaluates the ~~compliance~~ activities against the compliance requirements. The compliance outcome of the assurance practitioner’s evaluation (the subject matter information) is expressed in the assurance practitioner’s conclusion.
- ~~(l)~~(i) Engaging party—The party(ies) that engages the assurance practitioner to perform the assurance engagement.
- ~~(m)~~(j) Entity—The legal entity, economic entity, or the identifiable portion of a legal or economic entity, or combination of legal or other entities or portions of those entities (for example, a joint venture) to which the compliance requirements relate.
- ~~(n)~~(k) Evaluator—The party(ies) who evaluates the underlying subject matter (compliance activities) against the criteria. The evaluator possesses expertise in the underlying subject matter.
- ~~(o)~~(l) Firm—A sole assurance practitioner, partnership or corporation or other entity of individual assurance practitioners. “Firm” should be read as referring to its public sector equivalents where relevant.
- ~~(p)~~(m) Intended users—The individual(s) or organisation(s), or group(s) thereof that the assurance practitioner expects will use the assurance report. In some cases, there may be intended users other than those to whom the assurance report is addressed.

~~(n)~~ Internal audit function—A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity’s governance, risk management and internal control processes.

~~(o)~~ Limited assurance engagement—An assurance engagement in which the assurance practitioner reduces engagement risk to a level that is acceptable in the circumstances of the engagement, but where that risk is greater than for a reasonable assurance engagement, as the basis for expressing a conclusion in a form that conveys whether, based on the procedures performed and evidence obtained, a matter(s) has come to the assurance practitioner’s attention to cause the assurance practitioner to believe the compliance requirements have not been met, in all material respects. The nature, timing and extent of procedures performed in a limited assurance engagement is limited compared with that necessary in a reasonable assurance engagement but is planned to obtain a level of assurance that is, in the assurance practitioner’s professional judgement, meaningful. To be meaningful, the level of assurance obtained by the assurance practitioner is likely to enhance the intended users’ confidence about the compliance outcome to a degree that is clearly more than inconsequential.

~~(p)~~ Long-form report—Assurance report including other information and explanations that are intended to meet the information needs of users but not to affect the assurance practitioner’s conclusion. In addition to the matters required to be contained in the assurance practitioner’s report, as set out in paragraph ~~586~~, long-form reports may describe in detail matters such as:

- (i) the terms of the engagement;
- (ii) the criteria being used and the specific compliance activities designed to meet each compliance requirement;
- (iii) descriptions of the tests that were performed;
- (iv) findings relating to the tests that were performed or particular aspects of the engagement;
- (v) details of the qualifications and experience of the assurance practitioner and others involved with the engagement;
- (vi) disclosure of materiality levels; or
- (vii) recommendations.

The assurance practitioner may find it helpful to consider the significance of providing such information to meet the needs of the intended users. As required by paragraph ~~60~~, additional information is clearly separated from the assurance practitioner’s conclusion and worded in such a manner as to make it clear that it is not intended to alter or detract from that conclusion.

~~(q)~~ Material in the context of a compliance engagement—

- (i) in relation to potential (for risk assessment purposes) or detected (for evaluation purposes) non-compliance – instance(s) of non-compliance that are significant, individually or collectively, in the context of the entity’s compliance with compliance requirements, and that affect the assurance practitioner’s conclusion; and/or
- (ii) in relation to the compliance framework and controls – instance(s) of deficiency that are significant in the context of the entity’s control

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

environment and that may raise the compliance engagement risk sufficiently to affect the assurance practitioner's conclusion.

- | ~~(u)~~(r) Misstatement—For attestation engagements on compliance, a difference between the compliance outcome and the evaluation of the compliance activity against the compliance requirements. Misstatements can be intentional or unintentional, qualitative or quantitative, and include omissions.
- | ~~(v)~~(s) Non-compliance—For both attestation and direct engagements on compliance, a failure to meet a compliance requirement in whole or in part.
- | ~~(w)~~(t) Professional judgement—The application of relevant training, knowledge and experience, within the context provided by assurance and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the engagement.
- | ~~(x)~~(u) Professional scepticism—An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.
- | ~~(y)~~(v) Reasonable assurance engagement—An assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low level in the circumstances of the engagement as the basis for the assurance practitioner's conclusion. The assurance practitioner's conclusion is expressed in a form that conveys the assurance practitioner's opinion on the outcome of the evaluation of the compliance activities against compliance requirements.
- | ~~(z)~~(w) Representation—Statement by the responsible party, either oral or written, provided to the assurance practitioner to confirm certain matters or to support other evidence. A representation is additional to but may be provided in combination with the responsible party's or evaluator's Statement provided in an attestation engagement, as set out in paragraph 16(a).
- | ~~(aa)~~(x) Responsible party—The party(ies) responsible for the underlying subject matter, being the compliance activity(ies) in a compliance engagement.
- | ~~(bb)~~(y) Short-form report—Assurance report including only the matters required under paragraph 5869 of this ASAE.
- | ~~(cc)~~(z) Statement—The outcome in writing of the responsible party or evaluator's evaluation of the compliance activities against the compliance requirements, provided to the assurance practitioner in an attestation engagement. A Statement is the subject matter information in an attestation engagement on compliance.

Requirements

Applicability of ASAE 3000

18. The assurance practitioner shall not represent compliance with this ASAE unless the assurance practitioner has complied with the requirements of this ASAE and ASAE 3000, adapted as necessary in the case of direct engagements. ASAE 3000 contains requirements and application and other explanatory material specific to attestation assurance engagements but it also applies to direct assurance engagements, adapted as necessary in the engagement circumstances.⁶ If this ASAE makes reference to a requirement in ASAE 3000, that requirement shall be applied to both attestation and direct engagements, unless specified otherwise. (Ref: Para. A1, Appendix 4)

⁶ See ASAE 3000, paragraph 2.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Ethical Requirements

19. As required by ASAE 3000, the assurance practitioner shall comply with relevant ethical requirements related to assurance engagements.⁷ (Ref: Para. A6)

Acceptance and Continuance

Preconditions for the Assurance Engagement

20. The assurance practitioner shall accept or continue a compliance engagement only in the circumstances required by ASAE 3000, including that the preconditions for an assurance engagement are present, unless required to accept the engagement by law or regulation.

Appropriateness of the Subject Matter

21. When establishing whether the preconditions for an assurance engagement as required by ASAE 3000 are present, the assurance practitioner is required to assess the appropriateness of the subject matter.⁸ In doing so, the assurance practitioner shall determine whether the compliance activities which are to be evaluated are appropriate in addressing the needs of users, that is whether the performance of those activities determines whether the compliance requirements have been met. (Ref: Para. A9-A11)
22. If the subject matter is not appropriate, the assurance practitioner shall not accept the engagement or, if this is determined after accepting the engagement, either withdraw from the engagement or issue a modified conclusion.

Assessing the Suitability of the Criteria

23. When establishing whether the preconditions for an assurance engagement as required by ASAE 3000 are present, the assurance practitioner shall determine the suitability of the criteria expected to be applied, whether the criteria are provided by the engaging party, as in an attestation engagement, or are to be identified, selected or developed by the assurance practitioner, as in a direct engagement, including that they exhibit the characteristics set out in ASAE 3000.⁹ (Ref: Para. 17(g)~~17(b)~~~~1(a)~~, A12-A16).

Agreeing on the Terms of the Engagement

24. ASAE 3000¹⁰ requires the parties to the engagement to agree on the terms of the assurance engagement in writing. The assurance practitioner shall obtain the agreement of the responsible party, that it acknowledges and understands its responsibility:
- (a) In an attestation engagement, for evaluating the compliance activity against the compliance requirements and providing a written Statement regarding the outcome of that evaluation and for having a reasonable basis for the written Statement;
 - (b) For identifying suitable compliance requirements and whether they were specified by law, regulation, contract, another party (for example, a user group or a professional body) or developed by the responsible party or assurance practitioner;
 - (c) For providing the assurance practitioner with:
 - (i) Access to all information, such as records, documentation and other matters of which the responsible party is aware are relevant to the compliance outcomes of the activity;

⁷ See ASAE 3000, paragraphs Aus 20.1 and ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other assurance Engagements.

⁸ See ASAE 3000, paragraph 24(b)(i).

⁹ See ASAE 3000, paragraph 24(b).

¹⁰ See ASAE 3000, paragraph 27.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (ii) Additional information that the assurance practitioner may request from the responsible party for the purposes of the assurance engagement; and
- (iii) Unrestricted access to persons within the entity from whom the assurance practitioner determines it necessary to obtain evidence.

25. The terms of engagement shall identify:

- (a) The scope of the engagement;
- (b) Whether the engagement is a reasonable or limited assurance engagement;
- (c) Whether the engagement is an attestation or direct engagement and, in the case of an attestation engagement, the form of the responsible party's or evaluator's evaluation of the compliance activity or Statement and whether that Statement will be available to intended users or only referenced in the assurance report; (Ref: Para. A17, A20)
- (d) ~~Throughout~~ the specified period or ~~as at the~~ specified date to be covered by the engagement; (Ref: Para. A18)
- (e) The compliance requirements against which the compliance activity will be evaluated;
- (f) The intended users of the assurance report;
- (g) The content of the assurance report, including whether it will be a short-form or long form report, including additional information such as the compliance requirements, procedures conducted, detailed findings and recommendations to meet the needs of the intended users; and (Ref: Par. A20)
- (h) Any other matters required by law or regulation (e.g. reporting all matters of non-compliance identified to the regulator¹¹) to be included in the terms of engagement. (Ref: Para. 27)

Acceptance of a Change in the Terms of the Engagement

26. If the engaging party requests a change in the terms of the engagement before the completion of the engagement, the assurance practitioner shall be satisfied that there is a reasonable justification for the change as required by ASAE 3000.¹² (Ref: Para. A16)

Assurance Report Prescribed by Law or Regulation

27. If law or regulation prescribe the compliance requirements for evaluation or the form and content of the assurance report, the assurance practitioner evaluates the compliance requirements and form and content of the assurance report. If the compliance requirements are unsuitable or if intended users might misunderstand the assurance report, the assurance practitioner shall: (Ref: Para. A17, A51)

- (a) Not accept the engagement unless additional explanation in the report mitigates these circumstances; or
- (b) Not include any reference within the assurance report to the engagement having been conducted in accordance with ASAE 3000 or this ASAE, if required to accept the engagement by law or regulation.

¹¹ An example of where this would apply is the compliance component of an AFSL Licensee FS 71 engagement where the Australian Securities and Investments Commission (ASIC) require reporting of all breaches.

¹² See ASAE 3000, paragraph 29.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Quality Control

28. The assurance practitioner shall implement quality control procedures as required by ASAE 3000.¹³

Professional Scepticism, Professional Judgement and Assurance Skills and Techniques

29. The assurance practitioner shall apply professional scepticism, exercise professional judgement and apply assurance skills and techniques in planning and performing an assurance engagement on compliance as required by ASAE 3000.¹⁴ In applying professional scepticism, the assurance practitioner shall recognise the possibility that non-compliance due to fraud could exist, notwithstanding the assurance practitioner's past experience of the honesty and integrity of the entity's management and those charged with governance.

Planning and Performing the Engagement

Planning

30. The assurance practitioner shall plan the engagement so that it will be performed in an effective manner as required by ASAE 3000.¹⁵ (Ref: Para. A22)

Materiality

- ~~31. The assurance practitioner shall consider materiality, as required by ASAE 3000,¹⁶ when determining the nature, timing and extent of procedures. (Ref: Para. A24-A29)~~
- ~~32.31. The assurance practitioner shall identify any non-compliance as material if it is significant to the achievement of the compliance requirements to be concluded upon. During the engagement the assurance practitioner shall reassess the materiality of any non-compliance with compliance requirements if matters come to their attention which indicate that the basis on which the materiality was determined has changed.~~
- ~~33. The assurance practitioner shall also consider materiality when evaluating the effect of accumulated deficiencies in the compliance framework or non-compliance with the compliance requirements. Material deficiencies or non-compliance are those which could significantly impact the compliance requirements being met and reasonably be expected to influence relevant decisions of the intended users. (Ref: Para. A43)~~

Obtaining an Understanding of the Compliance Framework and Compliance Requirements

Limited Assurance	Reasonable Assurance
32L. The assurance practitioner shall obtain an understanding of the entity's compliance framework and its key elements, the compliance requirements which are included in the scope of the engagement, and other engagement circumstances, and on the basis of that understanding, the assurance practitioner shall: (Ref: Para. A30-A32) (a) For a direct engagement, consider whether the identification, selection	32R. The assurance practitioner shall obtain an understanding of the entity's compliance framework and its key elements, the compliance requirements which are included in the scope of the engagement, and other engagement circumstances, and on the basis of that understanding, the assurance practitioner shall: (Ref: Para. A30-A32) (a) For a direct engagement, consider whether the identification, selection

¹³ See ASAE 3000, paragraphs 31-36.

¹⁴ See ASAE 3000, paragraphs 37-39.

¹⁵ See ASAE 3000, paragraph 40.

¹⁶ See ASAE 3000, paragraph 44.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Limited Assurance	Reasonable Assurance
or development of criteria<u>compliance requirements</u> is appropriate, and/or select or develop further suitable criteria; (b) For both attestation and direct engagements: (i) Identify areas where material<u>the risks that may cause</u> non-compliance with each of the compliance requirements to be concluded upon are likely to arise; and (ii) Use as a basis for designing and performing assurance procedures to<u>Respond to the</u> areas<u>risks</u> identified in paragraph 324<u>L(b)(i) and use as a basis for designing and performing assurance procedures.</u>	or development of criteria<u>compliance requirements</u> is appropriate, and/or select or develop further suitable criteria; (b) For both attestation and direct engagements: (i) Identify and assess the risks that may cause non-compliance with each of the compliance requirements to be concluded upon; and (ii) Use as a basis for designing and performing assurance procedures to<u>Respond to the risks identified in paragraph 32</u>4<u>R(b)(i) and use as a basis for designing and performing assurance procedures;</u> and (c) Obtain an understanding of the relevant internal controls over the compliance activity to meet the compliance requirements, evaluating<u>the design of those controls and determining</u> whether they have been implemented.

Identifying Risks of Fraud

~~35-33.~~ When performing risk assessment procedures and related activities to obtain an understanding of the compliance framework and other engagement circumstances, the assurance practitioner shall obtain sufficient information for use in identifying the risks of the compliance requirements not being met due to fraud. (Ref: Para. A33-A34)

~~Determining Whether and to What extent to use the Work of the Internal Audit Function~~Obtaining an Understanding of the Internal Audit Function

34. The assurance practitioner ~~shall~~determines whether the entity has an internal audit function and, if so, makes further enquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the compliance outcomes. (Ref: Para. A35)

35. If the assurance practitioner plans to use the work of the internal audit function in accordance with paragraph 36, the assurance practitioner shall evaluate it as required by ASAE 3000.¹⁷

Using the Work of the Internal Audit Function

36. If the assurance practitioner's evaluation of the internal audit function confirms that the work of the internal audit function can be used for purposes of the compliance engagement, then the

¹⁷ See ASAE 3000, paragraph 55.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

assurance practitioner shall determine the planned effect of the work of the internal audit function on the nature, timing or extent of the assurance practitioner's procedures and in doing so, shall consider: (Ref: Para. A36, A42-A43)

- (a) The nature and scope of work performed, or to be performed, on the compliance framework by the internal audit function;
- (b) The significance of that work to the assurance practitioner's conclusions; and
- (c) The degree of subjectivity involved in the evaluation of the evidence obtained in support of those conclusions.
- (d) Re-performing some of the work of the internal audit function that is planned to be used.

~~37. If the assurance practitioner plans to use the work of the internal audit function, in accordance with paragraph 37, the assurance practitioner shall evaluate it as required by ASAE 3000. (Ref: Para. A35)~~

~~38-37.~~ The use of internal auditors to provide direct assistance is prohibited in an assurance engagement conducted in accordance with this ASAE. Direct assistance is the performance of assurance procedures under the direction, supervision and review of the assurance practitioner.¹⁸ This prohibition does not preclude reliance on the work of the internal audit function to modify the nature or timing, or reduce the extent, of assurance procedures to be performed directly by the assurance practitioner. (Ref: Para. A36)

Obtaining Evidence

~~39-38.~~ Based on the assurance practitioner's understanding obtained under paragraph 324L and 324R, the assurance practitioner shall perform assurance procedures to respond to identified or assessed risks in paragraph 324L(b) to obtain limited or 324R(b) to obtain reasonable assurance to support the assurance practitioner's conclusion. (Ref: Para. A37-A38)

~~40-39.~~ The assurance practitioner shall design and perform additional procedures, the nature, timing and extent of which are responsive to the risks of material deficiency in the compliance framework or non-compliance with compliance requirements, having regard to the level of assurance required, reasonable or limited, as appropriate. (Ref: Para. A39)

Responses to Assessed Risks of Fraud

~~41-40.~~ The assurance practitioner shall treat those assessed risks of compliance requirements not being met due to fraud as significant risks. ~~and a~~ Accordingly, the assurance practitioner shall design and perform further assurance procedures, on controls designed to mitigate such risks, ~~and~~ whose nature, timing and extent are responsive to those assessed risks. ~~In doing this the assurance practitioner shall have~~ regard to the level of assurance required, reasonable or limited, as appropriate. (Ref: Para. A34A32)

Obtaining Evidence Regarding the Compliance Activity

~~42-41.~~ When reporting on compliance throughout the specified period or as at a specified date, the assurance practitioner shall evaluate those compliance activities that the assurance practitioner has determined are necessary to meet the compliance requirements identified, and assess their compliance throughout the specified period or as at a specified date. (Ref: Para. A37)

Limited Assurance	Reasonable Assurance
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¹⁸ See ASAE 3000, paragraphs 3 and Aus 20.1.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Limited Assurance	Reasonable Assurance
42L. The nature, timing and extent of evaluation of compliance activities, shall ordinarily be limited to discussion with entity personnel, observation of the system in operation and walk-through for an appropriate number of instances of material compliance activities to identify any non-compliance. Alternatively, the results of exception reporting, monitoring or other management controls may be examined to provide evidence about the operation of the compliance activity rather than directly testing it. (Ref: Para. A37)	42R. The nature, timing and extent of testing and evaluation of compliance activities, shall ordinarily include, in addition to discussion with entity personnel and observation of the activity in operation for non-compliance, re-performance of a sample of compliance activities, or other examination and follow up of the application of compliance activities, on a test basis to provide sufficient appropriate evidence on which to base a conclusion. The results of exception reporting, monitoring or other management controls may be examined to reduce the extent of direct testing and evaluation of the operation of the compliance activity but shall not eliminate it entirely. (Ref: Para. A37)
43L. The assurance practitioner shall apply professional judgement in determining the specific nature, timing and extent of procedures to be conducted, which will depend on the <u>identified areas assessed risks</u> of material non-compliance with the compliance requirements <u>which are likely to arise</u>. If the assurance practitioner determines that additional assurance procedures are required to dispel or confirm a suspicion that a material non-compliance exists, the performance of such additional procedures shall not convert the engagement to a reasonable assurance engagement as they relate to the reduction of risk to an acceptable level with respect to that matter alone. (Ref: Para. A38-A39)	43R. The assurance practitioner shall apply professional judgement in determining the specific nature, timing and extent of procedures to be conducted, which will depend on the assessed risks of material non-compliance with the compliance requirements. (Ref: Para. A38)
	44R. When determining the extent of testing and evaluation of compliance activities, the assurance practitioner shall consider matters including the characteristics of the population to be tested and evaluated, which includes the nature of the compliance activity, the frequency of their occurrence (for example, monthly, daily, a number of times per day), and the expected rate of non-compliance. Some compliance activities operate continuously, while others operate only at particular times, so the testing and evaluation of compliance shall be performed throughout the specified period of time that is sufficient to allow the practitioner to conclude. (Ref: Para. A39)

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Limited Assurance	Reasonable Assurance

Sampling

~~46-45.~~ When the assurance practitioner uses sampling to test compliance, the assurance practitioner shall: (Ref: Para. 44R)

- (a) Consider the purpose of the procedure and the characteristics of the compliance activity from which the sample will be drawn when designing the sample;
- (b) Determine a sample size sufficient to reduce sampling risk to an acceptably low level;
- (c) Select items for the sample in such a way that each sampling unit in the population has a chance of selection and the sample is representative of the population; and
- (d) If unable to apply the designed procedures, or suitable alternative procedures, to a selected item, treat that item as a deviation.

Non-compliance with Other Laws or Regulations

~~47-46.~~ If the assurance practitioner becomes aware of information concerning an instance of non-compliance or suspected non-compliance with respect to other laws and regulations, the assurance practitioner shall:

- (a) Obtain an understanding of the nature of the act and the circumstances in which it occurred and if the assurance practitioner suspects there may be non-compliance;
- (b) Discuss the matter with management and where appropriate, if those matters are intentional or material, those charged with governance unless such communication is prohibited by law or regulation, or unless management or those charged with governance are suspected of involvement in the non-compliance, in which case a level of authority above those suspected of involvement;
- (c) Determine whether the assurance practitioner has a responsibility under law or regulation, ethical requirements or other right to report the identified or suspected non-compliance to parties outside of the entity and, if necessary, seek legal advice;
- (d) If sufficient information regarding suspected non-compliance cannot be obtained, evaluate the effect of insufficient evidence on the assurance conclusion;
- (e) Evaluate the implications of non-compliance in relation to other aspects of the engagement, including the risk assessment and the reliability of written representations; and

Comment [MM1]: Noclar not included in ASAE 3000 as issued in June 2014. This Noclar paragraph was included and is consistent with ASAE 3150 as ASAE 3000 is silent and presents a gap on this issue. The updated markups use wording in proposed Noclar std which is yet to be approved. The other alternative is that this para is not required as para 19 is a cover-all. **Board need to advise what approach they want to take re: Noclar?**

Work Performed by an Assurance Practitioner's Expert

~~48-47.~~ When the assurance practitioner plans to use the work of an assurance practitioner's expert, the assurance practitioner shall comply with the requirements in ASAE 3000.¹⁹ (Ref: Para. A40)

Work Performed by Another Assurance Practitioner or a Responsible Party's or Evaluator's Expert, ~~or an Internal Auditor~~

~~49-48.~~ If the assurance practitioner plans to use information prepared using the work of another assurance practitioner or a responsible party's or evaluator's expert ~~or an internal auditor~~, as

¹⁹ See ASAE 3000, paragraph 52.

Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements

evidence, the assurance practitioner shall comply with the requirements of ASAE 3000.²⁰
(Ref: Para. A41-A42)

Evaluation ~~and Communication~~ of Evidence ~~and Communication~~ of Non-Compliance

~~50-49.~~ ASAE 3000²¹ requires the assurance practitioner to accumulate uncorrected misstatements identified during the engagement other than those that are clearly trivial. Misstatements in a compliance engagement are instances of non-compliance with the compliance requirements.

~~51-50.~~ Evaluation of evidence obtained by the assurance practitioner shall include any impact of corrected misstatements identified during the compliance engagement.

~~52-51.~~ The assurance practitioner evaluates individually and in aggregate, whether non-compliance with the compliance requirements is material. (Ref: Para. A44)

~~53-52.~~ The assurance practitioner communicates these material non-compliances with the compliance requirements to the responsible party or those charged with governance as soon as practicable.

Comment [MM2]: This requirement is consistent with the extant. If we are going to require "all" to be communicated even if not required by law or regulation this will increase the current requirement. PAG discussion felt the material override should be retained and the assurance practitioner can apply professional judgement if they believe anything 'significant' but not trivial needs to be reported. **Board need to advise if they want this changed?**

Written Representations

~~54-53.~~ The assurance practitioner shall request the responsible party, or other relevant person(s) within the entity to provide written representations, in addition to those required by ASAE 3000,²² that the responsible party: (Ref: Para. A45)

- (a) In the case of an attestation engagement, reaffirms their Statement regarding the outcome of the responsible party's evaluation of the compliance activity against the compliance requirements throughout the specified period or as at a specified date;
- (b) Acknowledges its responsibility for the compliance activity, including identifying the risks that threaten ~~achievement of~~ the compliance requirements ~~being met~~, and designing, implementing and maintaining internal controls to mitigate those risks, including the risk of fraud, so that those risks will not prevent achievement of the compliance requirements;
- (c) Has provided the assurance practitioner with all relevant information and access agreed to, as set out in paragraph ~~243~~(c)(i);
- (d) Has disclosed to the assurance practitioner any of the following of which it is aware may be relevant to the engagement:
 - (i) Instances of non-compliance with the compliance requirements; or
 - (ii) Any events subsequent to the specified period or as at the specified date covered by the assurance practitioner's conclusion up to the date of the assurance report that could have a significant effect on the assurance practitioner's conclusion.

The assurance practitioner shall evaluate written representations in accordance with ASAE 3000. (Ref: Para. A46)

Subsequent Events

~~55-54.~~ When relevant to the compliance engagement, the assurance practitioner shall consider the effect on the compliance outcome of events up to the date of the assurance report, and shall respond appropriately to facts that become known to the assurance practitioner after the date

²⁰ See ASAE 3000, paragraphs 53-54.

²¹ See ASAE 3000, paragraph 51.

²² See ASAE 3000, paragraph 56.

Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements

of the assurance conclusion, that had they been known to the assurance practitioner at that date, may have caused the assurance practitioner to amend the assurance conclusion. The extent of consideration of subsequent events depends on the potential for such events to impact the assurance practitioner's conclusion. The assurance practitioner has no responsibility to perform any procedures regarding the compliance outcome after the date of the assurance report. (Ref: Para. A48-A49)

Forming the Assurance Conclusion

- | ~~56-55.~~ The assurance practitioner shall evaluate the sufficiency and appropriateness of the evidence obtained in the context of the engagement and, if necessary, attempt to obtain further evidence. If the assurance practitioner is unable to obtain necessary further evidence, the assurance practitioner shall consider the implications for the assurance practitioner's conclusion in accordance with ASAE 3000.²³ The assurance practitioner shall qualify their conclusion if the possible effects of undetected non-compliance with the compliance requirements due to an inability to obtain sufficient appropriate evidence could be material, and shall disclaim their conclusion if the possible effects could be both material and pervasive.
- | ~~57-56.~~ When the assurance practitioner forms a conclusion in accordance with ASAE 3000,²⁴ the assurance practitioner shall evaluate the materiality, individually and in aggregate whether due to fraud or error, of any non-compliance with the compliance requirements. If the non-compliances identified are: (Ref: Para. A44-A45)
 - (a) Material but not pervasive, the assurance practitioner shall qualify their assurance conclusion with respect to the relevant matter; or
 - (b) Material and pervasive, the assurance practitioner shall issue an adverse conclusion.

Preparing the Assurance Report

- | ~~58-57.~~ The assurance practitioner shall prepare the assurance report in accordance with ASAE 3000²⁵ for attestation engagements and shall also apply those requirements for direct engagements.

Assurance Report Content

- | ~~59-58.~~ For both attestation and direct engagements, the assurance practitioner shall include in the assurance report the basic elements required by ASAE 3000,²⁶ which are at a minimum:
 - (a) A title, indicating that it is an independent assurance report;
 - (b) An addressee;
 - (c) An identification of whether reasonable or limited assurance has been obtained by the assurance practitioner;
 - (d) Identification of the compliance requirements;
 - (e) Whether the assurance practitioner is reporting on compliance throughout the specified period or as at a specified date;
 - (f) In the case of an attestation engagement, reference to the responsible party's Statement as required by paragraph 243(a) and whether that Statement is available to intended users by accompanying the assurance report, reproduction in the assurance report or another identified source;

²³ See ASAE 3000, paragraph 66.

²⁴ See ASAE 3000, paragraphs 64-65.

²⁵ See ASAE 3000, paragraphs 67-69.

²⁶ See ASAE 3000, paragraph 69.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (g) Identification of the overall and/or specific criteria used for evaluating the compliance of the activity ~~and the party specifying those criteria~~;
- (h) If appropriate, a description of any significant inherent limitations associated with the evaluation of the compliance activity against the compliance requirements;
- (i) A statement that the responsible party or evaluator is responsible for:
 - (i) In an attestation engagement:
 - a. Providing a Statement with respect to the outcome of the evaluation of the compliance activity against the compliance requirements;
 - b. Identifying the compliance requirements (where not identified by Parliament, the Government, law or regulation, or another party, for example, a user group or a professional body); and
 - (ii) In both an attestation and a direct engagement:
 - a. The compliance activity covered by the assurance practitioner's report;
 - b. ~~Identifying, d~~Designing and implementing controls to enable the compliance requirements to be met and to monitor ongoing compliance;
- (j) A statement that the assurance practitioner's responsibility is to express a conclusion on whether the compliance requirements have, in all material respects, been met;
- (k) A statement that the engagement was performed in accordance with ASAE 3100 *Compliance Engagements*;
- (l) A statement that the ~~-~~firm of which the assurance practitioner is a member applies ASQC 1;
- (m) A statement that the assurance practitioner complies with the independence and other relevant ethical requirements related to assurance engagements;
- (n) An informative summary of the work performed as a basis for the assurance practitioner's conclusion. In the case of a limited assurance engagement, an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance practitioner's conclusion. In a limited assurance engagement, the summary of the work performed shall state that: (Ref: Para. A52-A56)
 - (i) The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement; and
 - (ii) Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed;
- (o) When the criteria used to evaluate the compliance requirements are available only to specific intended users, or are relevant only for a specific purpose, a statement restricting the use of the assurance report to those intended users or that purpose; (Ref: Para. A57)
- (p) Either, the assurance practitioner's opinion for a reasonable assurance engagement or the assurance practitioner's conclusion for a limited assurance engagement about

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

whether, in all material respects the entity complied with the compliance requirements throughout the specified period or as at a specified date;

- (q) When the assurance practitioner expresses a modified conclusion, the assurance report shall contain:
 - (i) A section (entitled: Basis for Qualified/Adverse/Disclaimer of Conclusion/Opinion) that provides a description of the matter(s) giving rise to the modification; and
 - (ii) A section that contains the assurance practitioner's modified conclusion;
- (r) The assurance practitioner's signature, the date of the assurance report and the location in the jurisdiction where the assurance practitioner practices.

- | ~~60-59.~~ If the assurance practitioner provides a long-form assurance report to meet the information needs of users, as agreed in the terms of engagement, or as required by law or regulation, the assurance practitioner's report shall include a separate section, or an attachment, containing any other information and explanations that are not intended to affect the assurance practitioner's conclusion and are clearly identified as such. (Ref: Para. A50)
- | ~~61-60.~~ If the assurance practitioner is required to conclude on other subject matters under different AUASB standards in conjunction with an engagement to report under this ASAE, the assurance report shall include a separate section for each subject matter in the assurance report, clearly differentiated by appropriate section headings.

Emphasis of Matter and Other Matter Paragraphs

- | ~~62-61.~~ The assurance practitioner shall include an Emphasis of Matter or Other Matter paragraph in the circumstances provided for in ASAE 3000²⁷ for an attestation engagement. In a direct engagement, if the assurance practitioner considers it necessary to communicate a matter that, in the assurance practitioner's judgement, is relevant to intended users' understanding of the engagement, the assurance practitioner's responsibilities or the assurance report, the assurance practitioner shall include in the assurance report an Other Matter paragraph, with an appropriate heading, that clearly indicates the assurance practitioner's conclusion is not modified in respect of the matter.

Modified Conclusions

- | ~~63-62.~~ If the assurance practitioner concludes that the compliance activity has not met the compliance requirements throughout the specified period or as at a specified date; or the assurance practitioner is unable to obtain sufficient appropriate evidence, the assurance practitioner's conclusion shall be modified, and the assurance practitioner's report shall include a section with a clear description of all the reasons for the modification. (Ref: Para. A58-A60)

Scope Limitation

- | ~~64-63.~~ When a scope limitation is imposed by the circumstances of the particular engagement, the assurance practitioner shall attempt to perform alternative procedures to overcome the limitation. When a scope limitation exists and remains unresolved, the wording of the assurance practitioner's conclusion shall indicate that it is qualified as to the effects of any instances of non-compliance with the compliance requirements, which might have been identified had the limitation not existed. If the effect of the unresolved scope limitation is both material and pervasive, the assurance practitioner shall express a disclaimer of conclusion. (Ref: Para. A61)

²⁷ See ASAE 3000, paragraph 73.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Other Communication Responsibilities

- ~~65-64.~~ The assurance practitioner shall consider whether, pursuant to the terms of the engagement, if applicable, and other engagement circumstances, any matter has come to the attention of the assurance practitioner that is to be communicated with the responsible party, the evaluator, the engaging party, those charged with governance or others, as required by ASAE 3000.²⁸ If during the course of the engagement the assurance practitioner identifies any non-compliance with the entity's compliance requirements other than those which are clearly trivial, the assurance practitioner shall report to an appropriate level of management or those charged with governance on a timely basis those matters of non-compliance. (Ref: Para. A63)
- ~~66-65.~~ In limited circumstances the assurance practitioner may be required by law or regulation and under the terms of the engagement to report all instances of non-compliance with the compliance requirements to the regulator²⁹.
- ~~67-66.~~ If the assurance practitioner has identified a fraud or has obtained information that indicates that a fraud may exist, the assurance practitioner shall communicate these matters on a timely basis to the appropriate level of management or those charged with governance in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. The assurance practitioner shall determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. (Ref: Para. A62)
- ~~68-67.~~ The assurance practitioner shall design engagement procedures to gather sufficient appropriate evidence to form a conclusion in accordance with the terms of the engagement. In the absence of a specific requirement in the terms of engagement the assurance practitioner does not have a responsibility to design procedures to identify matters outside the scope of the engagement that may be appropriate to report to management or those charged with governance.

Documentation

- ~~69-68.~~ The assurance practitioner shall prepare documentation in accordance with ASAE 3000.³⁰ In documenting the nature, timing and extent of procedures performed as required by ASAE 3000, the assurance practitioner shall record (Ref: Para. A64):
- (a) The identifying characteristics of the compliance activity being tested;
 - (b) Who performed the work and the date such work was completed; and
 - (c) Who reviewed the work performed and the date and extent of such review.
- ~~70-69.~~ If the assurance practitioner uses specific work of the internal audit function, the assurance practitioner shall document the conclusions reached regarding the evaluation of the adequacy of the work of the internal audit function, and the procedures performed by the assurance practitioner on that work.

* * *

²⁸ See ASAE 3000, paragraph 78.

²⁹ As an example where this would apply is the compliance component of an AFSL Licensee FS 71 engagement where ASIC require reporting of all breaches.

³⁰ See ASAE 3000, paragraphs 79-83.

Application and Other Explanatory Material

Application (Ref: Para. 1)

- A1. Engagements which are covered by this ASAE and those that are covered by other subject matter specific ASAEs have been further illustrated at Appendix 4.

Introduction (Ref: Para. 3-14¹³)

- A2. The primary purpose of an assurance engagement is the conduct of assurance procedures to provide an assurance conclusion. However, the assurance practitioner is not precluded from providing recommendations for improvements to the compliance framework or compliance activities in conjunction with or as a result of conducting an assurance engagement to report on compliance.
- A3. The risks, compliance requirements and related controls addressed in an engagement under this ASAE may relate to a broad range of any subject matter relevant to the entity. The subject matter can be any activity of the entity, such as: compliance with legislation or regulation; contractual arrangements or policy and procedures.
- A4. The primary practical difference for the assurance practitioner between an attestation and a direct engagement is the additional work effort for a direct engagement when planning the engagement and understanding the compliance framework and other engagement circumstances e.g. criteria to be applied. In a direct engagement the assurance practitioner identifies or selects, or has imposed on them, the criteria~~compliance requirements~~ which address the purpose or overall objective of the compliance engagement. This difference affects the assurance practitioner's work effort in planning a direct engagement if the compliance requirements have not been identified or documented and in understanding the entity's compliance framework where a description is not available.
- A5. In a three party relationship, which is an element of an assurance engagement,³¹ the responsible party may or may not be the engaging party, but is responsible for the compliance activities which are the underlying subject matter of the engagement and is a separate party from the intended users. The responsible party and the intended users may both be internal to the entity, for example if the responsible party is at an operational level of management and the intended users are at the level of those charged with governance, such as the Board or Audit Committee. See Appendix 1 for a discussion of how each of these roles relate to an assurance engagement on compliance.

Ethical Requirements (Ref: Para. 19)

- A6. In accepting an assurance engagement on compliance, the assurance practitioner, in order to comply with relevant ethical requirements, considers whether the assurance practitioner has provided internal audit or consulting services with respect to the compliance framework or implementation of controls at the entity, as any such past or current engagements are likely to impact on the assurance practitioner's independence and are likely to preclude acceptance of the engagement.

³¹ See Framework for Assurance Engagements.

Acceptance and Continuance

Competence and Capabilities to Perform the Engagement

- A7. Relevant competence and capabilities to perform the compliance engagement, as required by ASAE 3000³² by persons who are to perform the engagement, include matters such as the following:
- Knowledge of the relevant industry, compliance frameworks, the nature of the overall compliance requirements (for example: emissions quantification or regulatory compliance).
 - An understanding of controls, IT and systems.
 - Experience in evaluating risks as they relate to the compliance requirements.
 - Experience in the design and execution of tests of compliance and the evaluation of the results.

Rational Purpose

- A8. When considering the acceptance of a limited assurance engagement on compliance, ASAE 3000 requires the assurance practitioner to determine whether a meaningful level of assurance is expected to be able to be obtained,³³ which may include whether a limited assurance engagement is likely to be meaningful to users. In making this assessment, the assurance practitioner considers the intended users of the assurance report and whether they are likely to understand the limitations of a limited assurance engagement, including the need to read the assurance report in detail to understand the assurance procedures performed and the assurance obtained.

Assessing the Appropriateness of the Subject Matter (Ref: Para. 21)

- A9. An appropriate subject matter is:
- (a) Identifiable, and capable of consistent evaluation against the identified criteria; and
 - (b) Such that the information about it can be subjected to procedures for gathering sufficient appropriate evidence to support a reasonable assurance or limited assurance conclusion, as appropriate.
- A10. Examples of subject matters that may be appropriate for a compliance engagement include compliance with the following:
- General Insurers and Insurance Groups - Risk Management Strategy & Reinsurance Management Strategy (RMS/REMS).
 - Treasurer's Instructions.
 - Managed Investment Schemes – Compliance Plan.
 - Registered Superannuation Entity – SIS Act requirements (SPS 310).
 - Financial Services Licensee – Corporations Act 2001 requirements.

³² See ASAE 3000, paragraph 32.

³³ See ASAE 3000, paragraph 24(b)(vi).

Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements

- A11. For further guidance on assessing the appropriateness of the subject matter refer to Appendix 3 and ASAE 3000³⁴.

Assessing the Suitability of the Criteria (Ref: Para. 23)

- A12. Where the criteria are prescribed by legislation or regulation the criteria will ordinarily be deemed to be suitable for the purposes of the compliance engagement. In limited circumstances where this is not the case, the assurance practitioner needs to assess the suitability of the criteria.
- A13. In the context of a compliance engagement, examples of criteria include:
- Externally imposed criteria under law or directives, including:
 - o Legislation.
 - o Regulation.
 - o Other statutory requirements (e.g. ASIC Regulatory Guides and Practice Notes or APRA Prudential Standards).
 - o Ministerial directives.
 - o Industry or professional obligations (professional standards or guidance, codes of practice or conduct).
 - o Enforceable contractual obligations.
 - o Enforceable undertakings.
 - Internally imposed criteria, as determined by management, including:
 - o Organisational policies and procedures.
 - o Frameworks, for example, compliance framework based on ISO 19600 – Compliance Management Systems
- A14. Criteria need to be identified by the parties to the engagement and agreed by the engaging party and the assurance practitioner. The assurance practitioner may need to discuss the criteria to be used with those charged with governance, management and the intended users of the report. Criteria can be either established or specifically developed. The assurance practitioner normally concludes that established criteria embodied in laws or regulations or issued by professional bodies, associations or other recognised authorities that follow due process are suitable when the criteria are consistent with the objective. Other criteria may be agreed to by the intended users of the assurance practitioner's report, or a party entitled to act on their behalf, and may also be specifically developed for the engagement.
- A15. In situations where the criteria have been specifically developed for the engagement, including where the assurance practitioner develops or assists in developing criteria, the assurance practitioner obtains from the intended users or a party entitled to act on their behalf, acknowledgment that the specifically developed criteria are sufficient for the user's purposes. (Ref: Para. 23²⁶)
- A16. The criteria may need to be amended during the engagement, if for example more information becomes available or the circumstances of the entity change. Any changes in the criteria are discussed with the engaging party and, if appropriate the intended users.

³⁴ See ASAE 3000, paragraph 24(b)(i).

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Agreeing on the Terms of the Engagement (Ref: Para. 24-25)

- A17. When agreeing whether the engagement is to be conducted as an attestation or direct engagement, the assurance practitioner considers factors such as whether:
- (a) There is a regulatory requirement or users need an evaluation of the compliance activity by the responsible party or evaluator (Ref: Para. 27);
 - (b) The entity has the resources and expertise to prepare a suitable description or documentation of the compliance activity, compliance requirements and related controls and conduct a meaningful evaluation of the compliance outcome; or
 - (c) It is more cost effective for the entity to identify the specific compliance activities, requirements and related controls, evaluate the compliance outcome as the basis for an attestation engagement, rather than it being necessary for the assurance practitioner to do so in a direct engagement.
- A18. The assurance practitioner considers the needs of users and the period in which the compliance activity has been in place in agreeing the specified date or the specified period to be covered by the assurance engagement, so that the report is not likely to be misleading.
- A19. If the criteria are available when agreeing the terms of engagement, they may be listed or attached to the engagement letter or other written terms.
- A20. When agreeing whether the report will be in long-form, including matters such as evaluation of compliance procedures and detailed findings, the assurance practitioner considers both the needs of users and the risks of users misunderstanding the context of the procedures conducted or the findings reported. Reporting evaluation of compliance procedures and findings may be appropriate where the users are knowledgeable with respect to assurance and the compliance requirements and, therefore, not likely to misinterpret those findings.
- A21. An example engagement letter is contained in Appendix 5.

Planning and Performing the Engagement

Planning (Ref: Para. 30)

- A22. The nature and extent of planning activities will vary with the compliance engagement circumstances, for example the size and complexity of the compliance activity and requirements, the assurance practitioner's previous experience with this area and the entity as a whole. Examples of the main matters to be considered when developing the engagement plan include:
- (a) Matters affecting the industry in which the entity operates, for example economic conditions, laws and regulations, and technology;
 - (b) Risks to which the entity is exposed that are relevant to the compliance activity being examined;
 - (c) The quality of the control environment within the entity and the role of the governing body, audit committee and internal audit function;
 - (d) Knowledge of the entity's internal control structure obtained during other engagements;
 - (e) The extent of recent changes if any, in the entity, its operations or its compliance framework;
 - (f) Methods adopted by management to evaluate the effectiveness of the compliance framework;

- (g) Preliminary judgements about significant risk;
- (h) The nature and extent of evidence likely to be available;
- (i) The nature of control procedures relevant to the compliance activity and their relationship to the compliance framework taken as a whole;
- (j) The assurance practitioner's preliminary judgement about the effectiveness of the compliance framework taken as a whole and of the control procedures within the framework;
- (k) The terms of the compliance engagement;
- (l) The characteristics of the compliance activity and the identified criteria;
- (m) Identification of intended users and their needs, and consideration of materiality and the components of compliance engagement risk; and
- (n) Personnel and expertise requirements, including the nature and extent of involvement by experts.

A23. The assurance practitioner may decide to discuss elements of planning with management or other appropriate party when determining the scope of the engagement or to facilitate the conduct and management of the engagement (for example, to co-ordinate some of the planned procedures with the work of the entity's personnel). Although these discussions often occur, the overall engagement strategy and the engagement plan remain the assurance practitioner's responsibility. When discussing matters included in the overall engagement strategy or engagement plan, care is required in order not to compromise the effectiveness of the engagement. For example, discussing the nature and timing of detailed procedures with the entity may compromise the effectiveness of the engagement by making the procedures too predictable.

Materiality (Ref: Para. 31-1)

A24. The assurance practitioner applies the same considerations in both limited and reasonable assurance engagements regarding what represents a material compliance requirement, since such judgements are not affected by the level of assurance being obtained.

A25. The assurance practitioner considers materiality of the compliance requirements at the planning stage, reassesses materiality during the engagement based on the findings, and considers the materiality of any identified deficiencies in the compliance framework and/or non-compliance with compliance requirements.

A26. The assurance practitioner needs to consider materiality when determining the nature, timing and extent of evidence-gathering procedures, and when evaluating whether a non-compliance is material. In considering materiality, the assurance practitioner ordinarily understands and assesses what factors might influence the decisions of the intended users.

~~A25-A27.~~ The assurance practitioner shall also consider materiality when evaluating the effect of accumulated deficiencies in the compliance framework or non-compliance with the compliance requirements. Material deficiencies or non-compliance are those which could significantly impact the compliance requirements being met and reasonably be expected to influence relevant decisions of the intended users.

~~A26-A28.~~ The assurance practitioner considers materiality in the context of quantitative and qualitative factors, such as relative magnitude of instances of detected or suspected non-compliance, the nature and extent of the effect of these factors on the evaluation of compliance with the compliance requirements, and the interests of the intended users. The assessment of materiality and the relative importance of quantitative and qualitative factors in

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

a particular engagement are matters for the assurance practitioner's professional judgement, taking into account specific regulatory reporting requirements.

- | ~~A27.~~~~A29.~~ Quantitative and qualitative factors which the assurance practitioner considers when assessing materiality includes:
- The magnitude of the instances of detected or suspected non-compliance with the compliance requirements.
 - The financial impact of the non-compliance on the entity as a whole.
 - The nature of the non-compliance – one off or systemic.
 - Evidence of a robust compliance framework in place to detect, rectify and report non-compliance.
 - Commonly accepted practices within the relevant industry.
 - The nature of relevant transactions, whether they involve high volumes, large dollar values and complex transactions relative to the compliance activity as a whole.
 - The extent of interest shown in particular aspects of the compliance activity by, for example, governing body, regulatory authorities and agencies or the public.

Obtaining an Understanding of the Compliance Framework and Compliance Requirements
(Ref: Para. 32)

- | ~~A28.~~~~A30.~~ The assurance practitioner's understanding of the compliance framework and compliance requirements, ordinarily, has a lesser depth for a limited assurance engagement than for a reasonable assurance engagement. The assurance practitioner's procedures to obtain this understanding may include:
- Review and understand the relevant compliance requirements.
 - Enquiring of those within the entity who, in the assurance practitioner's judgement, may have relevant information.
 - Observing operations.
 - Inspecting documents, reports, printed and electronic records.
 - Re-performing compliance procedures.
- | ~~A29.~~~~A31.~~ The nature and extent of procedures to gain this understanding are a matter for the assurance practitioner's professional judgement and will depend on factors such as:
- (a) The entity's size and complexity;
 - (b) The nature of the activity to be examined, including the compliance requirement(s) to which the compliance procedures are directed and the risk that those compliance requirements will not be met;
 - (c) The extent to which IT is used; and
 - (d) The documentation available.
- | ~~A30.~~~~A32.~~ The nature and extent of planning and subsequent evidence-gathering procedures will vary with the engagement circumstances, and the maturity of the entity's compliance framework.

Elements of an entity's compliance framework ordinarily include the following:

- Procedures for identifying and updating compliance requirements.
- Staff training and awareness programs.
- Procedures for assessing the impact of compliance obligations on the entity's key business activities.
- Controls embedded within key business processes designed to ensure compliance with obligations.
- Processes to identify and monitor the implementation of further mitigating actions required to ensure that compliance obligations are met.
- A monitoring plan to test key compliance controls on a periodic basis and report exceptions.
- Procedures for identifying, assessing, rectifying and reporting non-compliance.
- Periodic sign off by management and/or external third party outsourced service providers as to compliance with obligations.
- A compliance governance structure that establishes responsibility for the oversight of compliance control activities with those charged with governance, typically a Board Audit, Risk Management or Compliance Committee.

Identifying Risks of Fraud (Ref: Para. 33,-40⁴²)

~~A31-A33.~~ Management is in a unique position to perpetrate fraud because of their ability to manipulate the entity's records or prepare fraudulent reports by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk is nevertheless present in all entities. Due to the unpredictable way in which such override could occur, it is a risk that compliance requirements will not be met due to fraud and thus is a significant risk.

~~A32-A34.~~ The assurance practitioner may consider undertaking the following procedures to obtain sufficient appropriate evidence of the risk of fraud in relation to the compliance requirements:-

- (a) Make enquiries of management regarding:
 - (i) Management's assessment of the risk that controls may be circumvented due to fraud, including the nature, extent and frequency of such assessment;
 - (ii) Management's process for identifying and responding to the risks of fraud;
 - (iii) Management's communication, if any, to those charged with governance regarding its processes for identifying and responding to the risks of fraud; and
 - (iv) Management's communication, if any, to employees regarding its views on corrupt or fraudulent business practices and unethical behaviour;
- (b) Make enquiries of those charged with governance, management, and others within the entity as appropriate, to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity;
- (c) Make enquiries of the internal audit function, where it exists, to determine whether it has knowledge of any actual, suspected or alleged fraud affecting the entity, and to obtain its views about the risks of fraud;

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (d) Obtain an understanding of how those charged with governance exercise oversight of management's processes for identifying and responding to the risks of fraud in the entity and the internal control that management has established to mitigate these risks as far as they relate to the compliance requirements;
- (e) Consider whether other information obtained by the assurance practitioner indicates risks of compliance requirements not being met due to fraud, for which mitigating controls are necessary;
- (f) Evaluate whether the information obtained from the other risk assessment procedures and related activities performed indicates that one or more fraud risk factors are present; and
- (g) Identify controls over matters for which decisions or actions are not routine, such as adjustments to records, development of estimates and activities outside the normal course of business.

Obtaining an Understanding of the Internal Audit Function (Ref: Para. 34-37)

- | ~~A33-A35.~~ In obtaining an understanding of the compliance framework, including controls, the assurance practitioner determines whether the entity has an internal audit function and its effect on the controls within the compliance framework. The internal audit function ordinarily forms part of the entity's internal control and governance structures. The responsibilities of the internal audit function may include, for example, monitoring of internal control, risk management, and review of compliance with laws and regulations, and is considered as part of the assurance practitioner's assessment of risk.
- | ~~A34-A36.~~ An effective internal audit function may enable the assurance practitioner to modify the nature and/or timing, and/or reduce the extent of assurance procedures performed, but cannot eliminate them entirely.

Obtaining Evidence

- | ~~A35-A37.~~ Compliance engagements require the application of assurance skills and techniques to gather sufficient appropriate evidence as part of an iterative, systematic assurance engagement process. As the assurance practitioner performs planned procedures, the evidence obtained may differ significantly from that on which the planned procedures were based and cause the assurance practitioner to perform additional procedures. In the case of an attestation engagement, such procedures may include asking the responsible party to examine the matter identified by the assurance practitioner, and to make amendments to the description or Statement, if appropriate.
- | ~~A36-A38.~~ The assurance practitioner may become aware of a matter(s) that causes the assurance practitioner to believe that there are deficiencies in the compliance framework or the compliance activity is not compliant with the compliance requirements. In such cases, the assurance practitioner may investigate such differences by, for example, inquiring of the appropriate party(ies) or performing other procedures as appropriate in the circumstances.

Limited and Reasonable Assurance Engagements (Ref: Para. 42~~40~~)

- | ~~A37-A39.~~ The level of assurance obtained in a limited assurance engagement is lower than in a reasonable assurance engagement, therefore the procedures the assurance practitioner performs in a limited assurance engagement are different in nature and timing from, and are less in extent than for, a reasonable assurance engagement. The primary differences between the assurance practitioner's overall responses to assessed risks and further procedures conducted in a reasonable assurance engagement and a limited assurance engagement on compliance include:

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (a) The emphasis placed on the nature of various procedures as a source of evidence will likely differ, depending on the engagement circumstances. For example, the assurance practitioner may judge it to be appropriate in the circumstances of a particular limited assurance engagement to place relatively greater emphasis on indirect evaluation of compliance activities, such as enquiries of the entity's personnel, and relatively less emphasis, on evaluation of compliance activities, such as observation, re-performance or inspection, than may be the case for a reasonable assurance engagement.
- (b) In a limited assurance engagement, the further procedures performed are less in extent than in a reasonable assurance engagement in that those procedures may involve:
 - (i) Selecting fewer items for examination;
 - (ii) Performing fewer types of procedures; or
 - (iii) Performing procedures at fewer locations.

Work Performed by an Assurance Practitioner's Expert (Ref: Para. 47)

~~A38.~~~~A40.~~ ASAE 3000³⁵ provides application material for the circumstances where an assurance practitioner's expert is involved in the engagement. This material may also be used as guidance when using the work of another assurance practitioner or a responsible party's or evaluator's expert.

Work Performed by Another Assurance Practitioner or a Responsible Party's or Evaluator's Expert, ~~or an Internal Auditor~~ (Ref: Para. 48)

~~A39.~~~~A41.~~ When information on compliance activities to be used as evidence has been prepared using the work of a responsible party's or evaluator's expert, the nature, timing and extent of procedures with respect to the work of the responsible party's or evaluator's expert may be affected by such matters as:

- (a) The nature and complexity of the compliance activity to which the expert's work relates;
- (b) The risks of a material deficiency in the compliance framework or non-compliance with the compliance requirements throughout the specified period or as at a specified date;
- (c) The availability of alternative sources of evidence or mitigating controls;
- (d) The nature, scope and objectives of the expert's work;
- (e) Whether the expert is employed by the entity, or is a party engaged by it to provide relevant services;
- (f) The extent to which the responsible party or evaluator can exercise control or influence over the work of the expert;
- (g) Whether the expert is subject to technical performance standards or other professional or industry requirements;
- (h) The nature and extent of any controls within the entity over the expert's work;
- (i) The assurance practitioner's knowledge and experience of the expert's field of expertise; and

³⁵ See ASAE 3000, paragraphs A120-A134.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (j) The assurance practitioner's previous experience of the work of that expert.

Work Performed by the Internal Audit Function (Ref: Para. 3437-3740)

~~A40-~~~~A42.~~ The nature, timing and extent of the assurance practitioner's procedures on specific work of the internal auditors will depend on the assurance practitioner's assessment of the significance of that work to the assurance practitioner's conclusions, the evaluation of the internal audit function and the evaluation of the specific work of the internal auditors. Such procedures may include:

- (a) Examination of evidence of the operation of the compliance activity already examined by the internal auditors;
- (b) Examination of evidence of the operation of other instances of the same compliance activity;
- (c) Examination of the outcomes of monitoring of controls by internal auditors; and
- (d) Observation of procedures performed by the internal auditors.

~~A41-~~~~A43.~~ Irrespective of the degree of autonomy and objectivity of the internal audit function, such a function is not independent of the entity as is required of the assurance practitioner when performing the compliance engagement. The assurance practitioner has sole responsibility for the conclusion expressed in the assurance report, and that responsibility is not reduced by the assurance practitioner's use of the work of the internal auditors.

Evaluation of Evidence and Communication of Non-Compliance

~~A42-~~~~A44.~~ In evaluating any non-compliance (corrected or un-corrected) with the compliance requirements the assurance practitioner ~~ordinarily~~ considers materiality as specified in the terms of the engagement where relevant, any relevant legislative, regulatory or other (e.g. contractual) requirements which may apply and the effect on the decisions of the intended users of the assurance report and the assurance practitioner's conclusion. (Ref: Para. 1,49-52 ~~Error! Reference source not found.-Error! Reference source not found.~~)

~~A43-~~~~A45.~~ For both reasonable and limited assurance engagements, if the assurance practitioner becomes aware of a matter that leads the assurance practitioner to question whether a material non-compliance exists, the assurance practitioner would ordinarily pursue the matter by performing other evidence gathering procedures sufficient to enable the assurance practitioner to form a conclusion. (Ref: Para. 43)

Written Representations (Ref: Para. 53)

~~A44-~~~~A46.~~ For application material on using written representations refer to ASAE 3000.³⁶

~~A45-~~~~A47.~~ The person(s) from whom the assurance practitioner requests written representations will ordinarily be a member of senior management or those charged with governance. However, because management and governance structures vary by entity, reflecting influences such as different cultural and legal backgrounds, and size and ownership characteristics, it is not possible for this ASAE to specify for all engagements the appropriate person(s) from whom to request written representations. The process to identify the appropriate person(s) from whom to request written representations requires the exercise of professional judgement.

Subsequent Events (Ref: Para 54)

~~A46-~~~~A48.~~ Assurance procedures with respect to the identification of subsequent events after period end are limited to examination of relevant reports, for example reports on compliance

³⁶ See ASAE 3000, paragraphs A136-A139.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

procedures, minutes of relevant committees and enquiry of management or other personnel as to significant non-compliance with compliance requirements.

- | ~~A47.~~~~A49.~~ The assurance practitioner does not have any responsibility to perform procedures or make any enquiry after the date of the report. If however, after the date of the report, the assurance practitioner becomes aware of a matter identified, the assurance practitioner considers re-issuing the report. In an attestation engagement where the report has already been issued, the new report includes an Emphasis of Matter discussing the reason for the new report. In a direct engagement, the new report discusses the reason for the new report under a heading “Subsequent Events”.

Preparing the Assurance Report (Ref: Para. 57-60)

Assurance Report Content

- | ~~A48.~~~~A50.~~ The assurance practitioner may expand the report to include other information not intended as a qualification of the assurance practitioner’s conclusion. If the report includes other information it is a long-form report as the information is additional to the basic elements required in paragraph ~~5860~~ for a short-form report. This additional information may be required by regulation or agreed in the terms of the engagement to meet the needs of users. When considering whether to include any such information the assurance practitioner assesses the materiality of that information in the context of the objectives of the engagement. Other information is not to be worded in such a manner that it may be regarded as a qualification of the assurance practitioner’s conclusion and may include for example:
- Relevant background information and historical context.
 - The assurance approach.
 - Underlying facts and criteria applied.
 - Disclosure of materiality levels.
 - Findings relating to particular aspects of the compliance engagement.
 - Analysis of the causes of non-compliance with the compliance requirements.
 - Recommendations for improvements to address identified compliance framework deficiencies.
- | ~~A49.~~~~A51.~~ In some circumstances, the form and/or content of the assurance report is prescribed by law or regulation. In such cases, the assurance practitioner compares the prescribed report with the reporting requirements under this ASAE to ensure the minimum basic elements have been met. (Ref: Para. 27)
- | *Summary of the Work Performed (Ref: Para 58(n)~~61(f)~~)*
- | ~~A50.~~~~A52.~~ The summary of the work performed helps the intended users understand the nature of the assurance conveyed by the assurance report. For many assurance engagements, infinite variations in procedures are possible in theory. It may be appropriate to include in the summary a statement that the work performed included evaluating the suitability of the criteria and the compliance requirements and the risks that threaten those compliance requirements not being met. ASAE 3000 provides application material on reporting on the applicable criteria.
- | ~~A51.~~~~A53.~~ In a limited assurance engagement an appreciation of the nature, timing, and extent of procedures performed is essential to understanding the assurance conveyed by the conclusion, therefore the summary of the work performed is ordinarily more detailed than for a reasonable assurance engagement and identifies the limitations on the nature, timing, and extent of procedures. It also may be appropriate to indicate certain procedures that were not performed

that would ordinarily be performed in a reasonable assurance engagement. However, a complete identification of all such procedures may not be possible because the assurance practitioner's required understanding and consideration of engagement risk is less than in a reasonable assurance engagement.

~~A52.~~~~A54.~~ Factors to consider in determining the level of detail to be provided in the summary of the work performed include:

- (a) Circumstances specific to the entity (e.g. the maturity of the entity's compliance framework compared to those typical in the industry sector);
- (b) Specific engagement circumstances affecting the nature and extent of the procedures performed; and
- (c) The intended users' expectations of the level of detail to be provided in the report, based on market practice, or applicable law or regulation.

~~A53.~~~~A55.~~ It is important that the summary be written in an objective way that allows intended users to understand the work done as the basis for the assurance practitioner's conclusion. In most cases this will not involve relating the entire work plan, but on the other hand it is important for it not to be so summarised as to be ambiguous, nor written in a way that is overstated or embellished.

~~A54.~~~~A56.~~ Illustrative examples of assurance practitioner's reports are contained in Appendix 6.

Intended Users and Specific Purpose of the Assurance Report (Ref: Para. 58(o)~~61(f)~~)

~~A55.~~~~A57.~~ If the assurance practitioner's report on compliance has been prepared for a specific purpose and is only relevant to the intended users, this is stated in the assurance practitioner's report. In addition, the assurance practitioner may consider it appropriate to include wording that specifically restricts distribution of the assurance report other than to intended users, its use by others, or its use for other purposes.

Modified Conclusions (Ref: Para. 62-63)

~~A56.~~~~A58.~~ Modifications to the assurance report may be made in the following circumstances:

- (a) A qualified conclusion may be issued if the following matters are material but not pervasive:
 - (i) Unsuitable criteria mandated by legislation or regulation [where the assurance practitioner is unable to resign from the engagement](#);
 - (ii) Scope limitation;
 - (iii) Non-compliance with the compliance requirements;
 - (iv) Misstatement in the Statement;
- (b) An adverse conclusion may be issued if the following matters are both material and pervasive:
 - (i) Unsuitable criteria mandated by legislation or regulation [where the assurance practitioner is unable to resign from the engagement](#);
 - (ii) Non-compliance with the compliance requirements;
 - (iii) Systemic deficiency in the compliance framework;
 - (iv) Misstatement in the Statement;

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (c) A disclaimer may be issued if there is a limitation of scope which is both material and pervasive.

- | ~~A57-A59.~~ Illustrative examples of elements of modified assurance practitioner's reports are contained in Appendix 7.
- | ~~A58-A60.~~ Even if the assurance practitioner has expressed an adverse conclusion or a disclaimer of conclusion, it may be appropriate to describe in the basis for modification paragraph the reasons for any other matters of which the assurance practitioner is aware that would have required a modification to the conclusion, and the effects thereof.
- | ~~A59-A61.~~ When expressing a disclaimer of conclusion, because of a scope limitation, it is not ordinarily appropriate to identify the procedures that were performed nor include statements describing the characteristics of the assurance practitioner's engagement; to do so might overshadow the disclaimer of conclusion.

Other Communication Responsibilities (Ref: Para. 64-67)

- | ~~A60-A62.~~ Appropriate actions to respond to the circumstances identified in paragraph 65~~8~~ may include:
- Obtaining legal advice about the consequences of different courses of action.
 - Communicating with those charged with governance of the entity.
 - Communicating with third parties (for example, a regulator) when required to do so.
 - Modifying the assurance practitioner's conclusion, or adding an Other Matter paragraph.
 - Withdrawing from the engagement.
- | ~~A61-A63.~~ Certain matters identified during the course of the engagement may be of such importance that they would be communicated to those charged with governance. Unless stated otherwise in the terms of engagement, less important matters would be reported to a level of management that has the authority to take appropriate action.

Documentation (Ref: Para. 68-69)

- | ~~A62-A64.~~ For application material on preparing and maintaining documentation refer ASAE 3000.³⁷

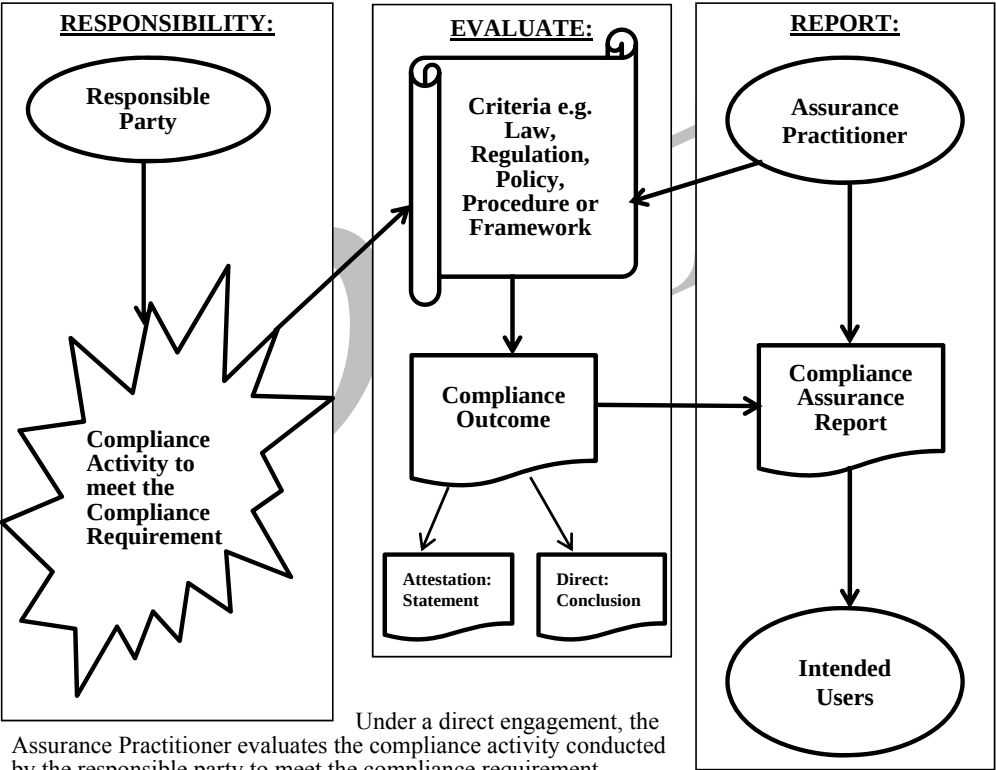
³⁷ See ASAE 3000, paragraphs A193-A200.

Appendix 1

(Ref: Para. A5)

ROLES AND RESPONSIBILITIES – DIRECT AND ATTESTATION COMPLIANCE ENGAGEMENTS

The diagram below illustrates the relationships in a direct and attestation compliance engagement conducted by an Assurance Practitioner.



Under a direct engagement, the Assurance Practitioner evaluates the compliance activity conducted by the responsible party to meet the compliance requirement.

Under an attestation engagement, the Responsible Party evaluates the compliance activity against the compliance requirements and provides a statement on the compliance outcome.

In both attestation and direct engagements the Assurance Practitioner evaluates the compliance activity against the compliance requirement(s) using the criteria, and obtains assurance on which to base their assurance conclusion. The compliance assurance report is provided to the intended users.

Appendix 2

(Ref: Para. 9)

TERMINOLOGY TABLE - ASAE 3000 AND ASAE 3100

Terminology as applied in ASAEs	ASAE 3000	ASAE 3100
Objective (a)	To obtain either reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement.....;	To obtain reasonable or limited assurance, about whether the entity has complied in all material respects, with compliance requirements as evaluated by the suitable criteria.
Criteria	The benchmarks used to measure or evaluate the underlying subject matter. The “applicable criteria” are the criteria used for the particular engagement.	The benchmark, framework or legislation used to evaluate whether the compliance requirements have been met. The “applicable criteria” are the criteria used for the particular engagement.
Compliance Requirement(s)	No equivalent term.	The specific requirements established in law, regulations, other statutory requirements (e.g. ASIC Class Orders and Regulatory Guides and APRA Prudential Standards), contractual arrangements, ministerial directives, industry or professional obligations or internally via company policies, procedures and frameworks.
Subject Matter Information vs Compliance Outcome	The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter.	The outcome of the evaluation of the compliance activity (underlying subject matter) against the compliance requirements, using the criteria. The compliance outcome is the Statement of the responsible party or evaluator in an attestation compliance engagement, or the assurance practitioner’s conclusion in a direct compliance engagement, providing the outcome of their evaluation.
Underlying Subject Matter vs Compliance Activity	The phenomenon that is measured or evaluated by applying criteria.	The activity that is undertaken to meet the compliance requirement(s)

EXAMPLES: NATURE OF ASSURANCE ENGAGEMENTS ON COMPLIANCE

Scope of the Engagement

Example A summary of the scopes of assurance engagements which may be conducted with respect to compliance is set out in the following table:

Scope of Engagement	Compliance Requirement	Criteria for Evaluating Compliance Activity	Subject Matter / Compliance Activity	Compliance Outcome of the Evaluation (Subject Matter Information)	Assurance Conclusion
Compliance of the Real Estate Trust with the requirements of s407 of the <i>Property Agents and Motor dealers Act 2000</i> (the “Act”)	s407 of the <i>Property Agents and Motor Dealers Act 2000</i>	Applicable criteria as specified under s407 of the Act. As an example: maintenance and controls over the Trustee Bank Account.	Trustee Account procedures: Trustee Bank Account and cash book procedures.	Evaluator’s Statement or assurance practitioner’s conclusion whether the Trust has complied in all material respects with s407 of the Act.	Reasonable Assurance – complied in all material respects with s407 of the Act.
Compliance of the Registered Superannuation Entity (RSE) with the applicable provisions of the <i>Superannuation Industry (Supervision) Act 1993</i> (SIS Act), <i>Superannuation Industry (Supervision) Regulations</i> , <i>FSCODA Reporting Standards</i> , <i>Corporations Act 2001</i> (Corporations Act) and <i>Corporations Regulation 2001</i> (Corporation Regulations)	Applicable sections of: SIS Act; SIS Regulations; Corporations Act; Corporation Regulations; FSCODA Reporting Standards; and Conditions C1, C5 ³⁸ , E1, F1 and G1 imposed under s29EA of the SIS Act.	Example: Conditions imposed under C5 ³⁴ of SIS Act: all assets of RSE, including all bank accounts are ‘custodially held’ as defined in trustee’s RSE licence	As an example: RSE procedures and controls covering: - bank accounts - other assets	Evaluator’s Statement or assurance practitioner’s conclusion whether the RSE has complied in all material respects with the requirements of the applicable SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations, conditions imposed under s29EA of the SIS Act.	Reasonable Assurance – complied in all material respects with Condition C5 imposed under s 29EA of the SIS Act.and the applicable provisions of the SIS Act, SIS Regulations, FSCODA Reporting Standards, Corporations Act and Corporations Regulations, other conditions imposed under s29EA of the SIS Act.

³⁸ Condition C5 under s29EA of the SIS Act has been selected as one example of a compliance requirement.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Scope of Engagement	Compliance Requirement	Criteria for Evaluating Compliance Activity	Subject Matter / Compliance Activity	Compliance Outcome of the Evaluation (Subject Matter Information)	Assurance Conclusion
Compliance of a General Insurer or Insurance Group with the requirements of Prudential Standard GPS 220 <i>Risk Management</i> to maintain a Risk Management Strategy (RMS) and Prudential Standard GPS 230 <i>Reinsurance Management</i> to maintain a Reinsurance Management Strategy (REMS)	GPS 220 <i>Risk Management</i> (RMS) and GPS 230 <i>Reinsurance Management</i> (REMS)	Applicable criteria as specified in GPS 220 and GPS 230. Example: GPS 220 General Insurer must have a documented Risk Management Strategy (RMS) which includes specified elements	General Insurers or Insurance Groups maintenance of an RMS and a REMS.	Evaluator's Statement or assurance practitioner's conclusion whether the General Insurer or Insurance Group has complied in all material respects with its RMS and REMS.	Limited Assurance – nothing has come to our attention that causes us to believe that [throughout the specified period] the General Insurer or Insurance Group did not comply in all material respects with its RMS and REMS.

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STANDARDS APPLICABLE TO EXAMPLE ENGAGEMENTS ON COMPLIANCE

		APPLICABLE AUASB STANDARDS				
		ASAE 3000 Assurance Engagements (not Historical Financial Info)	ASAE 3100 Assurance Engagements on Compliance (This ASAE)	ASAE 3402 Controls at a Service Organisation	ASAE 3150 Controls Engagements	ASRS 4400 Agreed-upon Procedures
Subject Matter of Compliance Assurance Engagement	1. Entity's compliance with:					
	- Laws and regulation	✓	✓			
	- Contractual obligations	✓	✓			
	- Policies and procedures	✓	✓			
	2. Entity's controls ³⁹ over compliance with requirements ⁴⁰	✓			✓	
	3. Entity's compliance ³⁹ with requirements specifying controls	✓	✓			
	4. Service Organisation's controls:					
	- Relevant to user entities' non-financial reporting, services or functions	✓			✓	
	- Relevant to user entities' financial reporting	✓		✓		
	5. Controls over economy, efficiency or effectiveness	✓			✓	
	6. Procedures restricted to those specified by engaging party					✓

³⁹ The subject matter of the assurance engagement determines which ASAE to apply.

⁴⁰ Where controls not specified in law, regulation or quasi-regulation.

Appendix 5

(Ref: Para. A21)

EXAMPLE ENGAGEMENT LETTERS

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on ABC's Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria]

Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on ABC's Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria]

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on ABC's compliance with the [compliance requirements] as evaluated by the [suitable criteria]

The following examples of assurance practitioner's engagement letters are for guidance only and are not intended to be exhaustive or applicable to all situations.

Example 1: Engagement Letter for an Attestation Engagement for Limited Assurance on ABC's Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria]

To [the appropriate representative of management or those charged with governance of ABC or the engaging party]:

[Objective and scope of the engagement]

You have requested that we undertake a limited assurance engagement on ABC's Statement [which will accompany our report] ~~of regarding~~ compliance with the [compliance requirements], in all material respects, as evaluated by the [suitable criteria], which you will provide and which will accompany our report, [throughout the specified period or as at a specified date] for the purpose of reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this limited assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of reaching a conclusion on [ABC's Statement ~~regarding~~⁴¹ of compliance with the [compliance requirements], in all material respects, as evaluated by the [suitable criteria] [throughout the specified period or as at a specified date].

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain limited assurance about whether anything has come to our attention that causes us to believe that [ABC's Statement is ~~materially misstated/fairly presented~~] in that the compliance with the [compliance requirements] as evaluated by the [suitable criteria] have not been met/fair, in all material respects.

An assurance engagement involves performing procedures to obtain evidence about the compliance with the [compliance requirements] as measured by the [suitable criteria]. The procedures selected depend on the assurance practitioner's professional judgement, including identifying areas where the risk of material deficiencies in the compliance framework or misstatements in ABC's Statement are likely to arise. We will perform procedures primarily consisting of making enquiries of management and others within the entity, as appropriate, examination of documentation and evaluation of the evidence obtained about compliance with the [compliance requirements] as evaluated by the [suitable

⁴¹ Insert if the assurance report is expressed in terms of the responsible party's or evaluator's Statement rather than the underlying subject matter.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

criteria] as provided in ABC's Statement. We will also perform additional procedures if we become aware of matters that cause us to believe there are deficiencies in the compliance framework or misstatements in ABC's Statement. The procedures selected depend on what we consider necessary applying our professional judgement, including the assessment of risks of material deficiencies in the compliance framework or misstatements in ABC's Statement.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in the compliance framework or misstatements in ABC's Statement may not be detected, even though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements. Therefore no opinion will be expressed as to the effectiveness of the system of internal control as a whole.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Therefore there is a higher risk than there would be in a reasonable assurance engagement, that any material deficiencies in the compliance framework and relevant controls that exist may not be revealed by the engagement, even though the engagement is properly performed in accordance with ASAE 3100. In expressing our conclusion, our report on ABC's Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria] will expressly disclaim any reasonable assurance conclusion on the compliance framework and relevant controls.

[Responsibilities of management]

Our assurance engagement will be conducted on the basis that [the responsible party/ management/ those charged with governance] acknowledge and understand that they have responsibility:

- (a) For the preparation of a written Statement [which will be attached to our report] that ABC has complied [throughout the specified period or at a specified date], in all material respects, with the [compliance requirements] as evaluated by the [suitable criteria];
- ~~(a)~~(b) For identification of the [compliance requirements] if not identified by law or regulation.
- ~~(b)~~(c) For the identification of risks that threaten the [compliance requirements] identified above not being met;
- ~~(c)~~(d) For the identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent ~~achievement of~~ the [compliance requirements] being met and to monitor ongoing compliance; and
- ~~(d)~~(e) To provide us with:
 - (i) Access to all information of which those charged with governance and management are aware that is relevant to ABC's Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria];
 - (ii) Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

[Assurance Report]

The format of the report will be in accordance with ASAE 3100 with respect to limited assurance engagements [and will be in long-form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Our report will be issued [frequency] and will cover [throughout the specified period or as at a specified date reported on].⁴²

The limited assurance report will be attached to [ABC's Statement] and our conclusion will be phrased in terms of whether anything has come to our attention that causes us to believe that [ABC's Statement ~~is not fairly presented~~ is materially misstated and compliance with the [compliance requirements] as evaluated by the [suitable criteria] have not been met ~~fairly stated~~ is not fairly stated, in all material respects [throughout the specified period or as at specified date].

[Use of the Assurance Report]⁴³

[Our report is prepared for the use of ABC and [intended users] for [purpose] and may not be suitable for any other purpose].

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

We look forward to full cooperation from your staff during our assurance engagement.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on ABC's Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria], including our respective responsibilities.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [engaging party]

(signed)

.....

Name and Title

Date

⁴² Insert this sentence for recurring engagements.

⁴³ Insert this section if the report is to be for restricted use only.

**Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements**

**Example 2: Engagement Letter for an Attestation Engagement for Reasonable Assurance on
ABC's Statement of compliance with the [compliance requirements] as evaluated by the
[suitable criteria]**

To [the appropriate representative of management or those charged with governance of ABC or the
engaging party]:

[Objective and scope of the engagement]

You have requested that we undertake a reasonable assurance engagement on ABC's Statement
[which will accompany our report] ~~of regarding the~~ compliance with the [compliance requirements] as
evaluated by the [suitable criteria], in all material respects, which you will provide and which will
accompany our report, ~~[throughout the specified period or as at a specified date]~~ for the purpose of
reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this reasonable assurance
engagement by means of this letter. Our assurance engagement will be conducted with the objective
of expressing an opinion on [ABC's Statement ~~regarding~~⁴⁴ being fairly stated compliance with the
[compliance requirements], in all material respects, as evaluated by the suitable criteria [throughout
the specified period or as at a specified date], ~~in all material respects~~.

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements
ASAE 3100 *Compliance Engagements*. That standard requires that we comply with ethical
requirements applicable to assurance engagements and plan and perform procedures to obtain
reasonable assurance about whether, [ABC's Statement] is fairly stated, ~~in that the compliance with
the [compliance requirements] as evaluated by the suitable criteria have been fairly stated~~, in all
material respects.

An assurance engagement involves performing procedures to obtain evidence about ABC's Statement
of compliance with the [compliance requirements] as measured by the [suitable criteria]. We will
perform procedures to obtain evidence about compliance activities and controls implemented to meet
the [compliance requirements]. The procedures selected depend on the assurance practitioner's
professional judgement, including the identification and assessment of risks of material deficiencies in
the compliance framework or misstatements in ABC's Statement.

Because of the inherent limitations of an assurance engagement, together with the inherent limitations
of any system of internal control there is an unavoidable risk that some deficiencies in the compliance
framework or misstatements in ABC's Statement may not be detected, even though the engagement is
properly planned and performed in accordance with Standards on Assurance Engagements. Therefore
no opinion will be expressed as to the effectiveness of the system of internal control as a whole.

[Responsibilities of management]

Our assurance engagement will be conducted on the basis that [the responsible
party/management/those charged with governance] acknowledge and understand that they have
responsibility:

(a) For the preparation of a written Statement [which will be attached to our report] that
ABC has complied [throughout the specified period or as at a specified date], in all
material respects, with the [compliance requirements] as evaluated by the [suitable
criteria].

~~(a)~~(b) Identification of the [compliance requirements] if not identified by law or regulation.

⁴⁴ Insert if the assurance report is expressed in terms of the responsible party's or evaluator's Statement rather than the underlying subject
matter.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

- (c) For the identification of risks that threaten the [compliance requirements] identified above being met;
- (d) For the identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent ~~achievement of the~~ [compliance requirements] being met and to monitor ongoing compliance; and
- (e) To provide us with:
- (i) Access to all information of which those charged with governance and management are aware that is relevant to ABC's Statement of compliance with the [compliance requirements] as measured by the [suitable criteria];
 - (ii) Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with ASAE 3100 with respect to reasonable assurance engagements [and will be in long-form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Our report will be issued [frequency] and will cover [throughout the specified period or as at a specified date].⁴⁵

The reasonable assurance report will be attached to [ABC's Statement] and our opinion will be phrased in terms of [ABC's Statement ~~regarding~~ of compliance being fairly stated with the [compliance requirements] as evaluated by the suitable criteria], in all material respects [throughout the specified period or as at a specified date].

[Use of the Assurance Report]⁴⁶

[Our report is prepared for the use of ABC and [intended users] for [purpose] and may not be suitable for any other purpose].

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

We look forward to full cooperation from your staff during our assurance engagement.

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on ABC's Statement of

⁴⁵ Insert this sentence for recurring engagements.

⁴⁶ Insert this section if the report is to be for restricted use only.

**Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements**

compliance with the [compliance requirements] as evaluated by the [suitable criteria], including our respective responsibilities.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [ABC/engaging party]

(signed)

.....

Name and Title

Date

Example 3: Engagement Letter for a Direct Engagement for Reasonable Assurance on ABC's compliance with the [compliance requirements] as evaluated by the [suitable criteria]

To [the appropriate addressee]:

[Objective and scope of the engagement]

You have requested that we undertake a reasonable assurance engagement to report on ABC's compliance with the [compliance requirements] as evaluated by the [suitable criteria], in all material respects, [throughout the specified period or as at a specified date] for the purpose of reporting to [identify intended users: the Board of Directors/Regulator/Customers of ABC].

We are pleased to confirm our acceptance and our understanding of this reasonable assurance engagement by means of this letter. Our assurance engagement will be conducted with the objective of expressing an opinion on ABC's compliance with the [compliance requirements], in all material respects, as evaluated by the [suitable criteria] as at [throughout the specified period or as at a specified date], ~~in all material respects~~.

[Responsibilities of the assurance practitioner]

We will conduct our assurance engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements*. That standard requires that we comply with ethical requirements applicable to assurance engagements and plan and perform procedures to obtain reasonable assurance about whether, ~~in all material respects~~, ABC has complied with the [compliance requirements], in all material respects, as evaluated by the [suitable criteria].

An assurance engagement involves performing procedures to obtain evidence about ABC's compliance with the [compliance requirements] as measured by the [suitable criteria]. We will perform procedures to obtain evidence about compliance activities and controls implemented to meet the [compliance requirements]. The procedures selected depend on the assurance practitioner's professional judgement, including the identification and assessment of risks of material deficiencies in the compliance framework or material non-compliance with the [compliance requirements] as evaluated by the [suitable criteria].

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any system of internal control there is an unavoidable risk that some deficiencies in the compliance framework or non-compliance by ABC with the [compliance requirements] may not be detected, even

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

though the engagement is properly planned and performed in accordance with Standards on Assurance Engagements. Therefore no opinion will be expressed as to the effectiveness of the system of internal control as a whole.

[Responsibilities of management]

Our assurance engagement will be conducted on the basis that [the responsible party/management/those charged with governance] acknowledge and understand that they have responsibility:

- (a) For compliance with the [compliance requirements] as evaluated by the [suitable criteria] [throughout the specified period or as at a specified date].
- ~~(a)~~(b) For the identification of risks that threaten the [compliance requirements] identified above being met;
- ~~(b)~~(c) For the identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent ~~achievement of the~~ [compliance requirements] being met and to monitor ongoing compliance; and
- ~~(c)~~(d) To provide us with:
 - (i) Access to all information of which those charged with governance and management are aware that is relevant to ABC's compliance with the [compliance requirements] as measured by the [suitable criteria];
 - (ii) Additional information that we may request from those charged with governance and management for the purposes of this assurance engagement; and
 - (iii) Unrestricted access to persons within the entity from whom we determine it necessary to obtain evidence.

As part of our engagement, we will request from [the responsible party/ management/ those charged with governance] written confirmation concerning representations made to us in connection with the engagement.

[Assurance Report]

The format of the report will be in accordance with ASAE 3100 with respect to reasonable assurance engagements [and will be in long-form, including assurance procedures, findings and recommendations]. An example of the proposed report is contained in the appendix to this letter.

[Use of the Assurance Report]⁴⁷

[Our report is prepared for the use of ABC and [intended users] for [purpose], and may not be suitable for any other purpose].

The assurance report will be prepared for this purpose only and we disclaim any assumption of responsibility for any reliance on our report to any person other than ABC and [intended users], or for any purpose other than that for which it was prepared.]

We look forward to full cooperation from your staff during our assurance engagement.

⁴⁷ Insert this section if the report is to be for restricted use only.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

[Other relevant information]

[Insert other information, such as fee arrangements, billings and other specific terms, as appropriate.]

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our assurance engagement to report on [ABC's](#) compliance with the [\[compliance requirements\]](#) as evaluated by the [\[suitable criteria\]](#), including our respective responsibilities.

Yours faithfully,

(signed)

.....

Name and Title

Date

Acknowledged on behalf of [engaging party]

(signed).....

Name and Title

Date

Draft

Appendix 6

(Ref: Para. A56)

EXAMPLE ASSURANCE REPORTS ON COMPLIANCE

Example 1: Limited Assurance Report on compliance with the [compliance requirements] as evaluated by the [suitable criteria] [\(Direct engagement\)](#)

Example 2: Reasonable Assurance Report on compliance with the [compliance requirements] as evaluated by the [suitable criteria] [\(Direct engagement\)](#)

[Example 3: Reasonable Assurance Report on ABC's Statement of Compliance with the \[compliance requirements\] as evaluated by the \[suitable criteria\] \(Attestation engagement\)](#)

The following examples of reports are for guidance only and are not intended to be exhaustive or applicable to all situations. They can be applied to both attestation and direct engagements. These examples are short-form reports but may be converted to long-form reports by inclusion of additional information as indicated.

Example 1: Limited Assurance Report on compliance with the [compliance requirements] as evaluated by the suitable criteria [\(Direct engagement\)](#)

Independent Assurance Practitioner's Report

[Appropriate Addressee]

Conclusion

~~Our limited assurance conclusion has been formed on the basis of the matters outlined in this report.~~ We have undertaken a limited assurance engagement on ABC's compliance, in all material respects, with the [compliance requirements] as evaluated by the [suitable criteria], [throughout the specified period or as at a specified date].

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that [ABC, has not complied](#) in all material respects, ~~with ABC's Statement is not fairly stated regarding~~⁴⁵ compliance with the [compliance requirements] as evaluated by the [suitable criteria] [throughout the specified period or as at a specified date].

[For a long-form report include a separate section, under an appropriate heading, or reference to an attachment for any additional information agreed in the terms of engagement to be provided to users, for example:

- Terms of the engagement.
- Criteria and compliance requirements being used.
- Descriptions of the tests of compliance that were performed.
- Findings relating to the tests of compliance that were performed or particular aspects of the engagement.
- Details of the qualifications and experience of the assurance practitioner and others involved with the engagement.

⁴⁵ Insert for attestation engagements if the conclusion is phrased in terms of ABC's Statement.

Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements

- Disclosure of materiality levels.
- Recommendations for improvements to the compliance framework or processes around particular compliance activities].

Scope

We have undertaken a limited assurance engagement on ABC's compliance, in all material respects, with the [compliance requirements] as evaluated by the suitable criteria, [throughout the specified period or as at a specified date].

ABC's Responsibilities

ABC is responsible for:

- (a) ~~The compliance activity undertaken to meet the [compliance requirements]. Compliance with the [compliance requirements] as evaluated by the suitable criteria [throughout the specified period or as at a specified date].~~
- (a) Identification of risks that threaten the [compliance requirements] identified above being met; and
- (b) Identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent the [compliance requirements] being met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, ~~and apply which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.~~

~~In accordance with Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements in undertaking this assurance engagement, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.~~

Assurance Practitioner's Responsibilities

Our responsibility is to express a limited assurance conclusion on ~~[ABC's Statement regarding]~~¹⁴⁹ compliance with the [compliance requirements] as evaluated by the [suitable criteria], in all material respects, [throughout the specified period or as at a specified date]. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain limited assurance about whether anything has come to our attention that, ~~in all material respects,~~ ABC has not complied with the [compliance requirements], in all material respects, as evaluated by the [suitable criteria], [throughout the specified period or as at a specified date].

In a limited assurance engagement, the assurance practitioner performs procedures, primarily consisting of making enquiries of management and others within the entity, as appropriate, and examination of documentation, and evaluates the evidence obtained. The procedures selected depend on our judgement, including identifying areas where the risk of -material ~~deficiencies in the~~

¹⁴⁹ ~~Insert for attestation engagements if the conclusion is phrased in terms of the Statement.~~

Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements

~~compliance framework or misstatements in [ABC's Statement]~~⁵⁰ or non-compliance with the [compliance requirements] ~~is~~⁵¹ are likely to arise.

*[Insert an informative summary of the nature, timing and extent of procedures performed that, in the assurance practitioner's judgement, provides additional information that may be relevant to the users' understanding of the basis for the assurance practitioner's conclusion. The following section has been provided as guidance, and the example procedures are not an exhaustive list of either the type, or extent, of the procedures which may be important for the users' understanding of the work performed].*⁵¹

Given the circumstances of the engagement, in performing the procedures listed above we:

- Through enquiries ~~and observation~~, obtained an understanding of ABC's compliance framework and internal control environment to meet the [compliance requirements], as evaluated by the [suitable criteria].
- Through enquiries ~~and~~ inspection ~~and walk-throughs~~, obtained an understanding of relevant [compliance activities] that are undertaken to meet the [compliance requirements], as evaluated by the [suitable criteria].

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and consequently the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed. Accordingly, we do not express a reasonable assurance opinion on ~~the compliance~~ with the [compliance requirements] framework and relevant controls.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

A limited assurance engagement on ~~ABC's~~ the compliance with the [compliance requirements] as evaluated by the [suitable criteria], in all material respects, at a specified date⁵² does not provide assurance on whether compliance with the [compliance requirements] will continue in the future.

*[Restricted Use]*⁵³

[This report has been prepared for use by [intended users] for the purpose of [explain purpose]. We disclaim any assumption of responsibility for any reliance on this report to any person other than [intended users], or for any other purpose other than that for which it was prepared.]

*[Assurance practitioner's signature]*⁵⁴

[Date of the assurance practitioner's assurance report]

*[Assurance practitioner's locationaddress]*⁵⁵

⁵⁰ ~~Insert for attestation engagements if the conclusion is phrased in terms of the Statement.~~

⁵¹ The procedures are to be summarised but not to the extent that they are ambiguous, nor described in a way that is overstated or embellished or that implies that reasonable assurance has been obtained. It is important that the description of the procedures does not give the impression that an agreed-upon procedures engagement has been undertaken, and in most cases will not detail the entire work plan.

⁵² Insert only for compliance engagements performed at a date in time.

⁵³ Insert section if the report is restricted use.

⁵⁴ The assurance practitioner's report needs to be signed in one or more of the following ways: name of the assurance practitioner's firm, name of the assurance practitioner's company or the personal name of the assurance practitioner as appropriate.

⁵⁵ The assurance practitioner's address includes the location in the jurisdiction where the assurance practitioner practices.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

Example 2: Reasonable Assurance Report on compliance with the [compliance requirements] as evaluated by the [suitable criteria] (Direct engagement)

Independent Assurance ~~Practitioner's~~ Report

[Appropriate Addressee]

Opinion

~~Our opinion has been formed on the basis of the matters outlined in this report.~~

We have undertaken a reasonable assurance engagement on ABC's compliance, in all material respects, with the [compliance requirements] as evaluated by the [suitable criteria], [throughout the specified period or as at a specified date].

In our opinion, ~~in all material respects~~ [ABC's] ~~Statement is fairly stated regarding~~⁵⁶ ~~compliance~~, in all material respects ~~and~~ with the [compliance requirements] as evaluated by the [suitable criteria] [throughout the specified period or as at a specified date].

[For a long-form report, include a separate section, under an appropriate heading, or reference to an attachment for any additional information agreed in the terms of engagement to be provided to users, for example:

- Terms of the engagement.
- Criteria and compliance requirements being used.
- Descriptions of the tests of compliance that were performed.
- Findings relating to the tests of compliance that were performed or particular aspects of the engagement.
- Details of the qualifications and experience of the assurance practitioner and others involved with the engagement.
- Disclosure of materiality levels.
- Recommendations for improvements to the compliance framework or processes around particular compliance activities].

Scope

~~We have undertaken a reasonable assurance engagement on ABC's compliance, in all material respects, with the [compliance requirements] as evaluated by the suitable criteria, [throughout the specified period or as at a specified date].~~

ABC's Responsibilities

ABC is responsible for:

- ~~(a) — The compliance activity undertaken to meet the [compliance requirements] [Compliance with the [compliance requirements] as evaluated by the suitable criteria [throughout the specified period or as at a specified date].~~
- (a) Identification of risks that threaten the [compliance requirements] identified above not being met, and

⁵⁶ ~~Insert for attestation engagements if the opinion is phrased in terms of ABC's Statement.~~

Proposed Standard on Assurance Engagements ASAE 3100 Compliance Engagements

- (b) Identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent the [compliance requirements] being met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.
Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion, in all material respects on ABC's Statement regarding⁵⁷ compliance with the [compliance requirements] as evaluated by the [suitable criteria] [throughout the specified period or as at a specified date]. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, in all material respects, ABC has complied with the [compliance requirements] as evaluated by the [suitable criteria], [throughout the specified period or as at a specified date].

An assurance engagement to report on ABC's~~the~~ compliance with the [compliance requirements] involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the [compliance requirements]. The procedures selected depend on our judgement, including the identification and assessment of risks of material deficiencies in the compliance framework, misstatements in ABC's Statement⁵⁷ ~~or material~~ non-compliance with the [compliance requirements], as evaluated by the [suitable criteria].

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

A reasonable assurance engagement on ABC's~~the~~ compliance with the [compliance requirements] as evaluated by the [suitable criteria], in all material respects, at a specified date⁵⁸ does not provide assurance on whether compliance with the [compliance requirements] will continue in the future.

*[Restricted Use]*⁵⁹

[This report has been prepared for use by [intended users] for the purpose of [explain purpose]. We disclaim any assumption of responsibility for any reliance on this report to any person other than [intended users], or for any other purpose other than that for which it was prepared.]

⁵⁷ Insert for attestation engagements if the opinion is phrased in terms of the Statement.

⁵⁸ Insert only for compliance engagements performed at a date in time.

⁵⁹ Insert section if the report is restricted use.

Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements

| [Assurance practitioner's signature]⁶⁰

| [Date of the assurance practitioner's assurance report]

| [Assurance practitioner's ~~location~~address]⁶¹

Draft

⁶⁰ The assurance practitioner's report needs to be signed in one or more of the following ways: name of the assurance practitioner's firm, name of the assurance practitioner's company or the personal name of the assurance practitioner as appropriate.

⁶¹ The assurance practitioner's address includes the location in the jurisdiction where the assurance practitioner practices.

Example 32: Reasonable Assurance Report on ABC's Statement of Compliance with the [compliance requirements] as evaluated by the [suitable criteria] (Attestation engagement)

Independent Assurance ~~Practitioner's~~ Report

[Appropriate Addressee]

Opinion

We have undertaken a reasonable assurance engagement on ABC's Statement of compliance with the [compliance requirements], in all material respects, as evaluated by the [suitable criteria], [throughout the specified period or as at a specified date]. This Statement will accompany our report, for the purpose of reporting to [identify intended users].

In our opinion, ABC's Statement ~~is fairly stated of compliance is prepared~~, in all material respects, ~~with regard to the [compliance requirements] as evaluated by the suitable criteria~~ [throughout the specified period or as at a specified date].

[For a long-form report, include a separate section, under an appropriate heading, or reference to an attachment for any additional information agreed in the terms of engagement to be provided to users, for example:

- Terms of the engagement.
- Criteria and compliance requirements being used.
- Descriptions of the tests of compliance that were performed.
- Findings relating to the tests of compliance that were performed or particular aspects of the engagement.
- Details of the qualifications and experience of the assurance practitioner and others involved with the engagement.
- Disclosure of materiality levels.
- Recommendations for improvements to the compliance framework or processes around particular compliance activities].

ABC's Responsibilities

ABC is responsible for:

- (a) Providing a Statement with respect to the outcome of the evaluation of the compliance activity against the [compliance requirements].
- (b) Identification of the [compliance requirements] if not identified by law and regulation.
- ~~(b) — Compliance with the [compliance requirements] as evaluated by the suitable criteria [throughout the specified period or as at a specified date]. The compliance activity undertaken to meet the [compliance requirements].~~
- (c) Identification of risks that threaten the [compliance requirements] identified above not being met; and
- (d) Identification, design and implementation of controls which will mitigate those risks so that those risks will not prevent the [compliance requirements] being met and to monitor ongoing compliance.

Our Independence and Quality Control

We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

In accordance with Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* in undertaking this assurance engagement.
Assurance Practitioner's Responsibilities

Our responsibility is to express an opinion, on ABC's Statement of compliance with the [compliance requirements], in all material respects as evaluated by the [suitable criteria] [throughout the specified period or as at a specified date]. We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 *Compliance Engagements* issued by the Auditing and Assurance Standards Board. That standard requires that we comply with relevant ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether, ABC's Statement of compliance with the [compliance requirements], is fairly stated, in all material respects, as evaluated by the suitable criteria, [throughout the specified period or as at a specified date] is materially stated.

An assurance engagement to report on ABC'sthe Statement of compliance with the [compliance requirements] involves performing procedures to obtain evidence about the compliance activity and controls implemented to meet the [compliance requirements]. The procedures selected depend on our judgement, including the identification and assessment of risks of material deficiencies in the compliance framework, misstatements in ABC's Statement or material non-compliance with the [compliance requirements], as evaluated by the suitable criteria are likely to arise.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the internal control structure it is possible that fraud, error, or non-compliance with laws and regulations may occur and not be detected.

A reasonable assurance engagement on ABC'sthe Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria], in all material respects, at a [specified date]⁶² does not provide assurance on whether compliance with the [compliance requirements] will continue in the future.

[Restricted Use]⁶³

[This report has been prepared for use by [intended users] for the purpose of [explain purpose]. We disclaim any assumption of responsibility for any reliance on this report to any person other than [intended users], or for any other purpose other than that for which it was prepared.]

[*Assurance practitioner's signature*]⁶⁴

[*Date of the assurance practitioner's assurance report*]

[*Assurance practitioner's locationaddress*]⁶⁵

⁶² Insert only for compliance engagements performed at a date in time.

⁶³ Insert section if the report is restricted use.

⁶⁴ The assurance practitioner's report needs to be signed in one or more of the following ways: name of the assurance practitioner's firm, name of the assurance practitioner's company or the personal name of the assurance practitioner as appropriate.

⁶⁵ The assurance practitioner's address includes the location in the jurisdiction where the assurance practitioner practices.

Appendix 7

(Ref: Para. A59)

EXAMPLE MODIFIED ASSURANCE REPORTS ON COMPLIANCE

- Example 1: Qualified reasonable assurance opinion – ABC’s Statement ~~of on the~~ compliance with the [compliance requirements] is materially misstated (Attestation engagement)~~not fairly stated in all material respects~~
- Example 2: Adverse reasonable assurance opinion – the [compliance requirements] were non-compliant throughout the specified period (Direct engagement)
- Example 3: Disclaimer of reasonable assurance opinion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements] (Direct engagement)
- Example 4: Qualified limited assurance conclusion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements] (Direct engagement)

The following examples of modified reasonable and limited assurance reports are for guidance only and are not intended to be exhaustive or applicable to all situations. They are based on the example reports in Appendix 65 and may be adapted as appropriate to the engagement circumstances.

Example 1: Qualified reasonable assurance opinion – ABC’s Statement on the compliance with the [compliance requirements] is materially misstated (Attestation engagement)~~not fairly stated in all material respects~~

...

Qualified Opinion

~~Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were the compliance requirements identified in ABC’s Statement.~~

In our opinion, ~~in all material respects~~, except for the matter(s) described in the Basis for Qualified Opinion paragraph, the Statement by ABC is fairly stated, in all material respects, ~~fairly stated~~ [as at [date]/ throughout the specified period from [date] to [date]].

...

Basis for Qualified Opinion

We identified a material matter in ABC’s Statement in relation to [non-compliance with sXX of Act/Regulation XX]. This has the effect of the [Trustee bank account and cash book procedures not being completed throughout the specified period] as required. We were unable to satisfy ourselves by alternate procedures, therefore qualify our opinion in this regard.

~~The accompanying Statement⁶⁶ that ABC is compliant, in all material respects with the [list specific compliance requirements], as evaluated by the suitable criteria. Based on our procedures, which included enquiries of staff personnel and observation of compliance activities, we have determined that compliance with the [list specific compliance requirements], in all material respects, was not fairly stated in ABC’s Statement due to [reason].~~

...

⁶⁶—Insert for attestation engagements if the opinion is phrased in terms of the Statement.

Assurance Practitioner's Responsibilities

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Example 2: Adverse reasonable assurance opinion – the compliance requirements were non-compliant throughout the specified period (Direct engagement)

...

Adverse Opinion

~~Our opinion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our opinion were the compliance requirements as described above in this report.~~ In our opinion, ABC has not complied ~~in all material respects,~~ with the [compliance requirements], as evaluated by the [suitable criteria]. ~~in all material respects,~~ throughout the specified period from [date] to [date].

...

Basis for Adverse Opinion

~~We have identified a material matter in relation to [sXX of Act/Regulation XX that the procedures and controls regarding RSE bank accounts and other assets were not completed and effective throughout the specified period [date] to [date]. This has the effect of the RSE not meeting the [conditions imposed under sXX of Act/Regulation XX] and being non-compliant in this regard.~~

~~The compliance activity undertaken by ABC has not complied with the [compliance requirements] as evaluated by the suitable criteria, in all material respects, throughout the specified period from [date] to [date] due to [reason]. This resulted in insufficient assurance that ABC had complied with the [compliance requirements], in all material respects, throughout the specified period from [date] to [date].~~

...

Assurance Practitioner's Responsibilities

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

...

Example 3: Disclaimer of reasonable assurance opinion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements] (Direct engagement)

...

Disclaimer of Opinion ~~on Compliance with the Compliance Requirements~~

Because of the significance of the matter described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate evidence to provide the basis for an opinion on ~~ABC's~~ the compliance with ~~[list specific compliance requirements]~~, ~~as evaluated by the [suitable criteria]~~ throughout the specified period.

...

Basis for Disclaimer of Opinion

ABC's computer systems were subject to a cyber-attack on [date] in which a substantial amount of ABC's data was destroyed and no back up data retrievable, throughout the ~~specified~~ period from [date]

to [date]. Due to this event we were unable to conduct testing of compliance activities or walk-throughs relevant to [list specific compliance requirements] throughout the specified period, which would be necessary to form an opinion on whether ABC was compliant with [list specific compliance requirements] throughout the ~~specified~~ period.

...

Assurance Practitioner's Responsibilities

Because of the matters described in the Basis for Disclaimer of Opinion paragraph, ~~however~~, we are not able to obtain sufficient appropriate evidence to provide a basis for a reasonable assurance opinion on ABC's compliance with the [list specific compliance requirements], as evaluated by the [suitable criteria].

...

Example 4: Qualified limited assurance conclusion – the assurance practitioner is unable to obtain sufficient appropriate evidence of compliance with the [compliance requirements] (Direct engagement)

...

Qualified Conclusion

~~Our conclusion has been formed on the basis of the matters outlined in this report. The criteria we used in forming our conclusion were the compliance requirements as described above in this report.~~ Based on the procedures we have performed and the evidence we have obtained, except for the matter described in the Basis for Qualified Conclusion paragraph, nothing has come to our attention that causes us to believe that, ABC has not complied, in all material respects, with the [compliance requirements] as evaluated by the [suitable criteria], ~~in all material respects~~, throughout the specified period from [date] to [date].

...

Basis for Qualified Conclusion

Insufficient records were available from [date] to [date] due to [reason], and we were therefore unable to perform procedures on the [compliance activity] undertaken to meet the [specific compliance requirement] evaluate ABC's compliance, in all material respects with [list specific compliance requirements] as evaluated by the suitable criteria, throughout the specified period ~~from [date] to [date]~~. This has the effect of [restricting our ability to document, observe and walk through procedures undertaken as part of the compliance activity] which are necessary to form a conclusion on ABC's compliance with the [specific compliance requirements].

...

Assurance Practitioner's Responsibilities

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our qualified conclusion.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 5

Meeting Date: 26 July 2016

Subject: ASAE 3100 *Compliance Engagements*

Date Prepared: 18 July 2016

☒ Action Required

☐ For Information Purposes Only

Agenda Item Objectives

AUASB to consider the final draft ED XX ASAE 3100 *Compliance Engagements* for comment prior to finalisation for exposure.

Background

1. ASAE 3100 was issued in 2008 and a post-implementation survey was conducted in 2012. The results of that survey identified some matters to be addressed in any future revisions to ASAE 3100.
2. The NZAuASB also completed a post-implementation survey for SAE 3100 in April 2015 and any matters raised will be addressed by the NZAuASB in their revision of SAE 3100 and considered by the AUASB in the revision of ASAE 3100 to ensure consistency.
3. The AUASB approved a project plan to revise ASAE 3100 at the AUASB meeting in February 2015.
4. A project advisory group (PAG) was formed in March 2015 to advise the AUASB Technical Group specifically on the subject matter and issues encountered in practice with compliance engagements. Four project advisory (PAG) meetings were held in the 2015 calendar year.
5. A PAG meeting was held on 22 March 2016 to discuss with the PAG suggested changes made by the AUASB to ED ASAE 3100 at the December 2015 and February 2016 meetings.
6. A PAG meeting was held on 14 July 2016 to discuss the outcomes of the June AUASB board meeting and to seek input on the final draft of the ED XX ASAE 3100. The feedback from this PAG meeting is reflected in the final draft ED.

Matters to Consider

Part A – General

1. Areas for Board consideration:

1.1 Definition of Attestation Engagement on Compliance (paragraph 17(a))

The addition of (ii) is to make this definition consistent with the options given under ASAE 3000.

Board to advise if they agree with the suggested changes?

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.

1.2 Limited vs Reasonable Tables (paragraphs 32L(b)(i) and (ii) and 43L)

The PAG have suggested changes to the use of the term 'risk' in these paragraphs for limited assurance engagements as this term is not used in ASAE 3000. This term is however used for reasonable assurance engagements thus making a distinction between the two levels of assurance. The term 'risk' has been used in both ASAE 3150 *Controls* and the extant ASAE 3100.

Board to advise whether they agree with the suggested changes by the PAG or want to retain the current wording?

1.3 NOCLAR (paragraph 46)

Noclar not included in ASAE 3000 as issued in June 2014. This Noclar paragraph was included and is consistent with ASAE 3150 as ASAE 3000 is currently silent and presents a gap on this issue. The updated markups use wording in proposed Noclar standard which is yet to be approved. There will be some consequential changes to ISAE 3000 from the Noclar standard which will flow through to ASAE 3000. The other alternative is that this requirement may not be required as para 19 is a cover-all.

Board to advise what approach they want to take re: Noclar?

1.4 Communicating material non-compliance (paragraph 52)

The requirement to report all material non-compliance is consistent with the extant ASAE 3100. If we are going to require "all" non-compliance to be communicated even if not required by law or regulation this will increase the current requirement. The PAG discussion reflected that the material override should be retained and the assurance practitioner can apply professional judgement if they believe anything 'significant' but not trivial needs to be reported.

Board to advise if they want this changed?

2. General consideration of all other marked up changes in the ED which stem from comments at the 14 June AUASB meeting.

In Progress

3. The OBPR process and clearance is yet to be completed.

Part B – NZAuASB

1. This is a joint project with NZAuASB, as they currently have SAE 3100 *Compliance Engagements* (August 2011) which is in clarity format however needs to be revised to remain consistent with ISAE 3000 (revised) and ASAE 3100 (revised).
2. The NZAuASB technical group provided a second draft of the ED (as provided to the AUASB at its 15 September meeting) to the NZAuASB for consideration at their 21 October meeting.
3. The NZAuASB also considered a draft of an ITC and ED SAE 3100 (Revised) *Compliance Engagements* for approval to expose at its December meeting on 9 December. This was subject to the approval of the AUASB's exposure draft earlier in December. Draft ED SAE 3100 (Revised) is similar to draft AUASB ED, with amendments for New Zealand examples and ethical references. The New Zealand exposure draft will not include the equivalent of para 38 prohibiting direct assistance (this is consistent with harmonisation differences across the suite of New Zealand and Australian standards).
4. The AUASB has liaised with the NZAuASB who have completed the Quality Assurance process for ED XX ASAE 3100. No substantive technical points were raised. Points raised were primarily format and editorial in nature and these changes are now reflected in the final draft ED XX ASAE 3100.

AUASB Technical Group Recommendations

The AUASB to approve the final draft ED XX ASAE 3100 *Compliance Engagements* for exposure.

Material Presented

Agenda Item 5 AUASB Board Meeting Summary Paper

Agenda Item 5.1 ED XX ASAE 3100 *Compliance Engagements* (marked up)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and approve the ED XX ASAE 3100 for exposure.	Feedback and approval of ED XX ASAE 3100.	AUASB	26 July 2016	Pending

ASA 800
(July 2016)

Auditing Standard ASA 800 ***Special Considerations—Audits of*** ***Financial Reports Prepared in Accordance*** ***with Special Purpose Frameworks***

Issued by the **Auditing and Assurance Standards Board**

Draft

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Australian Government

Auditing and Assurance Standards Board

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ISSN 1833-4393

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	Aus 0.1-Aus 0.2
Operative Date	Aus 0.3
Introduction	
Scope of this Auditing Standard	1-3
Effective Date	4
Objective	5
Definitions	6-7
Requirements	
Considerations When Accepting the Engagement	8
Considerations When Planning and Performing the Audit	9-10
Forming an Opinion and Reporting Considerations	11-14
Application and Other Explanatory Material	
Definition of Special Purpose Framework	A1-A4
Considerations When Accepting the Engagement	A5-A8
Considerations When Planning and Performing the Audit	A9-A12
Forming an Opinion and Reporting Considerations	A13-A21
Appendix 1: Illustrations of Independent Auditor's Reports on a Special Purpose Financial Report	

PREFACE

Reasons for Issuing ASA 800

The AUASB issues Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard represents the Australian equivalent of revised ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and will replace the current ASA 800 issued by the AUASB in October 2009 (as amended).

This Auditing Standard contains differences from the revised ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: <TypeHere>

M H Kelsall
Chairman - AUASB

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent) are identified with the prefix “Aus”.

The equivalent requirements and related application and other explanatory material included in ISA 800 in respect of “relevant ethical requirements”, have been included in Auditing Standard, ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. There is no international equivalent to ASA 102.

Compliance with this Auditing Standard enables compliance with ISA 800.

Draft

AUDITING STANDARD ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Application

- Aus 1.1 This Auditing Standard applies to:
- (a) an audit of a special purpose financial report for a financial year, or an audit of a special purpose financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a special purpose financial report, or a complete set of financial statements, for any other purpose.
- Aus 1.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 1.3 This Auditing Standard is operative for financial reporting periods ending on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a financial report prepared in accordance with a special purpose framework.
2. This Auditing Standard is written in the context of a financial report prepared in accordance with a special purpose framework. ASA 805¹ deals with special considerations relevant to an audit of a single financial statement or of a specific element, account or item of a financial statement.
3. This Auditing Standard does not override the requirements of the other Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. [Deleted by the AUASB. Refer Aus 0.3]

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a financial report prepared in accordance with a special purpose framework, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;
 - (b) The planning and performance of that engagement; and

¹ ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.

- (c) Forming an opinion and reporting on the financial report.

Definitions

- 6. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
 - (a) Special purpose financial statements – Financial statements prepared in accordance with a special purpose framework. (Ref: Para.A4)
 - (b) Special purpose framework – A financial reporting framework designed to meet the financial information needs of specific users. The financial reporting framework may be a fair presentation framework or a compliance framework.² (Ref: Para. A1–A4)
- Aus 6.1 Special purpose financial report means a complete set of financial statements^{*}, including an assertion statement[#] by those responsible for the financial report, prepared in accordance with a special purpose framework. (Ref: Para. A1–A4)
- 7. Reference to “financial statements” in this Auditing Standard means “a complete set of special purpose financial statements”. The requirements of the applicable financial reporting framework determine the presentation, structure, and content of the financial statements, and what constitutes a complete set of financial statements. Reference to “special purpose financial statements” includes the related disclosures.

Requirements

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework

- 8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.³ In an audit of a special purpose financial report, the auditor shall obtain an understanding of: (Ref: Para. A5–A8)
 - (a) The purpose for which the financial report is prepared;
 - (b) The intended users; and
 - (c) The steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.

Considerations When Planning and Performing the Audit

- 9. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.⁴ In planning and performing an audit of a special purpose financial report, the auditor shall determine whether application of the Australian Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. A9–A12)
- 10. ASA 315 requires the auditor to obtain an understanding of the entity’s selection and application of accounting policies.⁵ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall obtain an understanding of any significant interpretations of the contract that management made in the preparation of that financial

² ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 13(a).

^{*} ASA 200, paragraph Aus 13.1.

[#] Where considered applicable.

³ ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁴ See ASA 200, paragraph 18.

⁵ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*, paragraph 11(c).

report. An interpretation is significant when adoption of another reasonable interpretation would have produced a material difference in the information presented in the financial report.

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a special purpose financial report, the auditor shall apply the requirements in ASA 700.⁶ (Ref: Para. A13–A19)

Description of the Applicable Financial Reporting Framework

12. ASA 700 requires the auditor to evaluate whether the financial report adequately refers to or describes the applicable financial reporting framework.⁷ In the case of a financial report prepared in accordance with the provisions of a contract, the auditor shall evaluate whether the financial report adequately describes any significant interpretations of the contract on which the financial report is based.
13. ASA 700 deals with the form and content of the auditor's report, including the specific ordering for certain elements. In the case of an auditor's report on a special purpose financial report:
- (a) The auditor's report shall also describe the purpose for which the financial report is prepared and, if necessary, the intended users, or refer to a note in the special purpose financial report that contains that information; and
 - (b) If management has a choice of financial reporting frameworks in the preparation of such a financial report, the explanation of management's⁸ responsibility for the financial report shall also make reference to its responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances.

Alerting Readers that the Financial Report is Prepared in Accordance with a Special Purpose Framework

14. The auditor's report on a special purpose financial report shall include an Emphasis of Matter paragraph alerting users of the auditor's report that the financial report is prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose. (Ref: Para. A20–A21)

* * *

⁶ ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

⁷ See ASA 700, paragraph 15.

⁸ Or other term that is appropriate in the context of the legal framework in the particular jurisdiction.

Application and Other Explanatory Material

Definition of Special Purpose Framework (Ref: Para 6)

A1. Examples of special purpose frameworks are:

- A tax basis of accounting for a financial report that accompanies an entity's tax return;
- The cash receipts and disbursements basis of accounting for cash flow information that an entity may be requested to prepare for creditors;
- The financial reporting provisions established by a regulator to meet the requirements of that regulator; or
- The financial reporting provisions of a contract, such as a bond indenture, a loan agreement, or a project grant.

Aus A1.1 The *Corporations Act 2001*,^{*} Australian Accounting Standards,[#] other applicable law or regulation, or certain parties, may determine whether a financial report is required to be prepared. Under the *Corporations Act 2001*, financial reports are required to be prepared in accordance with Australian Accounting Standards. Accounting Standard AASB 101 *Presentation of Financial Statements* defines a reporting entity and general purpose financial statements. Accounting Standard AASB 1054 *Australian Additional Disclosures* defines special purpose financial statements. Australian Accounting Standards set out requirements for general purpose financial statements. "Reporting entities" are required to prepare general purpose financial statements. "Non-reporting entities" may prepare general purpose financial statements or apply a special purpose framework for their financial reporting.

A2. There may be circumstances where a special purpose framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation or by law or regulation, but does not comply with all the requirements of that framework. An example is a contract that requires a financial report to be prepared in accordance with most, but not all, of the Financial Reporting Standards of Jurisdiction X. When this is acceptable in the circumstances of the engagement, it is inappropriate for the description of the applicable financial reporting framework in the special purpose financial report to imply full compliance with the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation. In the above example of the contract, the description of the applicable financial reporting framework may refer to the financial reporting provisions of the contract, rather than make any reference to the Financial Reporting Standards of Jurisdiction X.

A3. In the circumstances described in paragraph A2, the special purpose framework may not be a fair presentation framework even if the financial reporting framework on which it is based is a fair presentation framework. This is because the special purpose framework may not comply with all the requirements of the financial reporting framework established by the authorised or recognised standards setting organisation or by law or regulation that are necessary to achieve fair presentation of the financial report.

A4. A financial report prepared in accordance with a special purpose framework may be the only financial report an entity prepares. In such circumstances, that financial report may be used by users other than those for whom the financial reporting framework is designed. Despite the broad distribution of the financial report in those circumstances, the financial report is still considered to be a special purpose financial report for purposes of the Australian Auditing Standards. The requirements in paragraphs 13–14 are designed to avoid misunderstandings about the purpose for which the financial report is prepared. Disclosures comprise

^{*} See, for example, Division 1 of Part 2M.3 of the *Corporations Act 2001*.

[#] See, for example, Accounting Standard AASB 101 *Presentation of Financial Statements*.

explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial report, or in the notes, or incorporated therein by cross-reference.⁹

Considerations When Accepting the Engagement

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A5. In the case of a special purpose financial report, the financial information needs of the intended users are a key factor in determining the acceptability of the financial reporting framework applied in the preparation of the financial report.
- A6. The applicable financial reporting framework may encompass the financial reporting standards established by an organisation that is authorised or recognised to promulgate standards for a special purpose financial report. In that case, those standards will be presumed acceptable for that purpose if the organisation follows an established and transparent process involving deliberation and consideration of the views of relevant stakeholders. In some jurisdictions, law or regulation may prescribe the financial reporting framework to be used by management in the preparation of a special purpose financial report for a certain type of entity. For example, a regulator may establish financial reporting provisions to meet the requirements of that regulator. In the absence of indications to the contrary, such a financial reporting framework is presumed acceptable for a special purpose financial report prepared by such entity.
- A7. Where the financial reporting standards referred to in paragraph A6 are supplemented by legislative or regulatory requirements, ASA 210 requires the auditor to determine whether any conflicts between the financial reporting standards and the additional requirements exist, and prescribes actions to be taken by the auditor if such conflicts exist.¹⁰
- A8. The applicable financial reporting framework may encompass the financial reporting provisions of a contract, or sources other than those described in paragraphs A6 and A7. In that case, the acceptability of the financial reporting framework in the circumstances of the engagement is determined by considering whether the framework exhibits attributes normally exhibited by acceptable financial reporting frameworks as described in Appendix 2 of ASA 210. In the case of a special purpose framework, the relative importance to a particular engagement of each of the attributes normally exhibited by acceptable financial reporting frameworks is a matter of professional judgement. For example, for purposes of establishing the value of net assets of an entity at the date of its sale, the vendor and the purchaser may have agreed that very prudent estimates of allowances for uncollectible accounts receivable are appropriate for their needs, even though such financial information is not neutral when compared with financial information prepared in accordance with a general purpose framework.

Considerations When Planning and Performing the Audit (Ref: Para. 9)

A9. [Deleted by the AUASB. Refer Aus A9.1]

- Aus A9.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the

⁹ See ASA 200, paragraph 13(f).

¹⁰ See ASA 210, paragraph 18.

auditor's control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures.¹¹

- A10. Application of some of the requirements of the Auditing Standards in an audit of a special purpose financial report may require special consideration by the auditor. For example, in ASA 320, judgements about matters that are material to users of the financial report are based on a consideration of the common financial information needs of users as a group.¹² In the case of an audit of a special purpose financial report, however, those judgements are based on a consideration of the financial information needs of the intended users.
- A11. In the case of a special purpose financial report, such as those prepared in accordance with the requirements of a contract, management may agree with the intended users on a threshold below which misstatements identified during the audit will not be corrected or otherwise adjusted. The existence of such a threshold does not relieve the auditor from the requirement to determine materiality in accordance with ASA 320 for purposes of planning and performing the audit of the special purpose financial report.
- A12. ASA 260 requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.¹³ ASA 260 notes that, in some cases, all of those charged governance are involved in managing the entity, and the application of the communication requirements is modified to recognise this position.¹⁴ When a general purpose financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the special purpose financial report may not be the same as those charged with governance responsible for the oversight of the preparation of that general purpose financial report.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A13. The Appendix to this Auditing Standard contains illustrations of independent auditors' reports on a special purpose financial report. Other illustrations of auditor's reports may be relevant to reporting on a special purpose financial report (see for example, the Appendices to ASA 700, ASA 705,¹⁵ ASA 570,¹⁶ ASA 720, and ASA 706¹⁷).

Application of ASA 700 When Reporting on a Special Purpose Financial Report

- A14. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply ASA 700 when forming an opinion and reporting on a special purpose financial report. In doing so, the auditor is also required to apply the reporting requirements in other Auditing Standards and may find the special considerations addressed in paragraphs A15–A19 below helpful.

Going Concern

- A15. A special purpose financial report may or may not be prepared in accordance with a financial reporting framework for which the going concern basis of accounting is relevant (e.g., the going concern basis of accounting is not relevant for some financial report prepared on a tax basis in particular jurisdictions).¹⁸ Depending on the applicable financial reporting framework used in the preparation of the special purpose financial report, the description in the auditor's report of management's responsibilities¹⁹ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities²⁰ may also

¹¹ See ASA 200, paragraphs 14, 18 and Aus 23.1.

¹² See ASA 320 *Materiality in Planning and Performing an Audit*, paragraph 2.

¹³ ASA 260 *Communication with Those Charged with Governance*.

¹⁴ See ASA 260, paragraph A8.

¹⁵ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁶ ASA 570 *Going Concern*.

¹⁷ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

¹⁸ See ASA 570 *Going Concern*, paragraph 2.

¹⁹ See ASA 700, paragraphs 34(b) and A48.

²⁰ See ASA 700, paragraph 39(b)(iv).

Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A16. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701²¹ for audits of a general purpose financial report of listed entities. For audits of a special purpose financial report, ASA 701 only applies when communication of key audit matters in the auditor's report on the special purpose financial report is required by law or regulation or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a special purpose financial report, ASA 701 applies in its entirety.²²

Other Information

- A17. ASA 720²³ deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the special purpose financial report—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the special purpose financial report—are considered to be annual reports for the purpose of ASA 720. In the case of a financial report prepared using a special purpose framework, the term “similar stakeholders” includes the specific users whose financial information needs are met by the design of the special purpose framework used to prepare the special purpose financial report. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the special purpose financial report.

Name of the Engagement Partner

- A18. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of a special purpose financial report of listed entities.²⁴ The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a special purpose financial report of entities other than listed entities.

Inclusion of a Reference to the Auditor's Report on the General Purpose Financial Report

- A19. The auditor may deem it appropriate to refer, in an Other Matter paragraph in the auditor's report on the special purpose financial report, to the auditor's report on the general purpose financial report or to matter(s) reported therein (see ASA 706).²⁵ For example, the auditor may consider it appropriate to refer in the auditor's report on the special purpose financial report to a Material Uncertainty Related to Going Concern section included in the auditor's report on the general purpose financial report.

Alerting Readers that the Financial report is Prepared in Accordance with a Special Purpose Framework (Ref: Para. 14)

- A20. The special purpose financial report may be used for purposes other than those for which they were intended. For example, a regulator may require certain entities to place the special purpose financial report on public record. To avoid misunderstandings, the auditor alerts users of the auditor's report by including an Emphasis of Matter paragraph explaining that the financial report is prepared in accordance with a special purpose framework and, therefore, may not be suitable for another purpose. ASA 706 requires this paragraph to be included

²¹ ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.

²² See ASA 700, paragraph 31.

²³ ASA 720 *The Auditor's Responsibilities Relating to Other Information*.

²⁴ See ASA 700, paragraphs 45 and A56–A58.

²⁵ See ASA 706, paragraphs 10–11.

within a separate section of the auditor's report with an appropriate heading that includes the term "Emphasis of Matter".²⁶

Restriction on Distribution or Use (Ref: Para. 14)

- A21. In addition to the alert required by paragraph 14, the auditor may consider it appropriate to indicate that the auditor's report is intended solely for the specific users. Depending on the law or regulation of the particular jurisdiction, this may be achieved by restricting the distribution or use of the auditor's report. In these circumstances, the paragraph referred to in paragraph 14 may be expanded to include these other matters, and the heading modified accordingly (see illustrations in the Appendix to this Auditing Standard).

Draft

²⁶ See ASA 706, paragraph 9(a).

Appendix 1

(Ref: Para.A14)

Illustrations of Independent Auditor's Reports on a Special Purpose Financial Report

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

Illustration 3:[Deleted by the AUASB.]

[Aus] Illustration 4: An auditor's report on a financial report prepared by a non-reporting entity under the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework).

[Aus] Illustration 5: An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework).

Draft

Illustration 1: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the financial reporting provisions of a contract (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- The financial report has been prepared by management of the entity in accordance with the financial reporting provisions of a contract (that is, a special purpose framework). Management does not have a choice of financial reporting frameworks. The financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- An auditor's report on the general purpose financial report was not issued.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report are restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the balance sheet as at 31 December 20X1, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial report, including a summary of significant accounting policies and management's assertion statement*.

In our opinion, the accompanying financial report of the Company for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with the financial reporting

* Or other appropriate term.

provisions of Section Z of the contract dated 1 January 20X1 between the Company and DEF Company (“the contract”).

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the Company in complying with the financial reporting provisions of the contract referred to above. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Company and DEF Company and should not be distributed to or used by parties other than the Company or DEF Company. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report²⁷

Management is responsible for the preparation of the financial report in accordance with the financial reporting provisions of Section Z of the contract and for such internal control as management determines is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor’s report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor’s responsibilities, rather than including this material in the auditor’s report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor’s responsibilities below. When the auditor refers to a description of the auditor’s

²⁷ Throughout these illustrative auditor’s reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditing Standard ASA 800
Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.²⁸
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Signature**

[Date of the auditor's report]

[Auditor's address]

²⁸ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Illustration 2: An auditor's report on a financial report of an entity other than a listed entity prepared in accordance with the tax basis of accounting in Jurisdiction X (for purposes of this illustration, a compliance framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a financial report that has been prepared by management of a partnership in accordance with the tax basis of accounting in Jurisdiction X (that is, a special purpose framework) to assist the partners in preparing their individual income tax returns. Management does not have a choice of financial reporting frameworks. This financial report is *not* prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a compliance framework.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution of the auditor's report is restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial report differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Partnership (the Partnership), which comprises the balance sheet as at 31 December 20X1 and the income statement for the year then ended, and notes to the financial report,* including a summary of significant accounting policies and management's assertion statement.

In our opinion, the accompanying financial report of the Partnership for the year ended 31 December 20X1 is prepared, in all material respects, in accordance with [*describe the applicable income tax law*] of Jurisdiction X.

* Or other term as appropriate.

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial report* section of our report. We are independent of the Partnership in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report is prepared to assist the partners of the Partnership in preparing their individual income tax returns. As a result, the financial report may not be suitable for another purpose. Our report is intended solely for the Partnership and its partners and should not be distributed to parties other than the Partnership or its partners. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report²⁹

Management is responsible for the preparation of the financial report in accordance with the tax basis of accounting in Jurisdiction X and for such internal control as management determines is necessary to enable the preparation of financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Partnership's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report. Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is The Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

²⁹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal control.³⁰
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Partnership to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*[Signature]**

[Date of the auditor's report]

[Auditor's address]

³⁰ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial report.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

[Aus] **Illustration 4:** An auditor's report on a financial report prepared by a non-reporting entity under the *Corporations Act 2001* (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report of a small proprietary company controlled by a foreign company and is required to lodge a financial report with the Australian Securities and Investments Commission (ASIC). The entity is a non-reporting entity.
- The financial report is prepared under the *Corporations Act 2001*.
- The applicable financial reporting framework is a fair presentation framework.
- The terms of the audit engagement reflect the description of the directors' responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained under the *Corporations Act 2001*, accordingly the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company (the Company), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of ABC Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the company's financial position as at 31 December 20X1 and of its performance for the year then ended; and
- complying with Australian Accounting Standards to the extent described in Note X, and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report*.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the *Corporations Act 2001*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note X to the financial report is appropriate to meet the requirements of the *Corporations Act 2001* and is appropriate to meet the needs of the members. The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.]

* Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made. [Section 307C (5A)(d) of the *Corporations Act 2001*].

Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's name and signature]*

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

* The auditor is required, under the *Corporations Act 2001*, to sign the auditor's report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

[Aus] **Illustration 5:** An auditor's report on a financial report prepared by a not-for-profit incorporated association in accordance with the financial reporting provisions of the *applicable legislation* (for purposes of this illustration, a fair presentation framework).

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of the financial report prepared by a not-for-profit incorporated association to meet the financial reporting requirements of the *applicable legislation*. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework.
- The financial report is not prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- Distribution and use of the auditor's report is not restricted.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701.
- No Other Information is expected to be obtained and the auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial reporting process differ from those responsible for the preparation of the financial report.
- The auditor has no other reporting responsibilities required under local law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Entity (the Entity), which comprises the statement of financial position as at 31 December 20X1, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and managements' assertion statement*.

In our opinion, the accompanying financial report presents fairly, in all material respects, (or *gives a true and fair view of*) the financial position of the Entity as at 31 December 20X1, and (of) its financial

* Or other appropriate description.

performance and its cash flows for the year then ended in accordance with [the financial reporting requirements of the *applicable legislation*].

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial report, which describes the basis of accounting. The financial report has been prepared to assist ABC Entity to meet the requirements of the *applicable legislation*. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the financial reporting requirements of the *applicable legislation* and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

Auditing Standard ASA 800

Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Auditor's name and signature]*

[Date of the auditor's report]

[Auditor's address]

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

ASA 805
(July 2016)

Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Issued by the **Auditing and Assurance Standards Board**

Draft

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Australian Government

Auditing and Assurance Standards Board

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ISSN 1833-4393

CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	Aus 0.1-Aus 0.2
Operative Date	Aus 0.3
Introduction	
Scope of this Auditing Standard	1-3
Effective Date	4
Objective	5
Definitions	6
Requirements	
Considerations When Accepting the Engagement	7-9
Considerations When Planning and Performing the Audit	10
Forming an Opinion and Reporting Considerations	11-17
Application and Other Explanatory Material	
Scope of this Auditing Standard	A1-A4
Considerations When Accepting the Engagement	A5-A9
Considerations When Planning and Performing the Audit	A10-A15
Forming an Opinion and Reporting Considerations	A16-A18
Going Concern	A19-A26
Inclusion of a reference to the auditor's report on the financial report	A27
Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report	A28
Appendix 1: Examples of Specific Elements, Accounts or Items of a Financial Statement	
Appendix 2: Illustrations of Independent Auditor's Reports on a Single Financial Statement and on a Specific Element of a Financial Statement	

PREFACE

Reasons for Issuing ASA 805

The AUASB issues Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and will replace the current ASA 805 issued by the AUASB in October 2009 (as amended).

This Auditing Standard contains differences from the revised ISA 805, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: <TypeHere>

M H Kelsall
Chairman - AUASB

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

This Auditing Standard incorporates terminology and definitions used in Australia.

Compliance with this Auditing Standard enables compliance with ISA 805.

Draft

AUDITING STANDARD ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Application

- Aus 1.1 This Auditing Standard applies to an audit of a single financial statement, or a specific element, account, or item of a financial statement.
- Aus 1.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 1.3 This Auditing Standard is operative for financial reporting periods ending on or after 15 December 2016. In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement at a specific date, this auditing standard is effective for audits of such information as at a date on or after 15 December 2016.

Introduction

Scope of this Auditing Standard

1. The Australian Standards on Auditing in the 100–700 series apply to an audit of a financial report and are to be adapted as necessary in the circumstances when applied to audits of other historical financial information. This Auditing Standard deals with special considerations in the application of those Australian Auditing Standards to an audit of a single financial statement or of a specific element, account or item of a financial statement. The single financial statement or the specific element, account or item of a financial statement may be prepared in accordance with a general or special purpose framework. If prepared in accordance with a special purpose framework, ASA 800¹ also applies to the audit.
(Ref: Para. A1–A4)
2. This Auditing Standard does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report (see ASA 600).²
3. This Auditing Standard does not override the requirements of the other Australian Auditing Standards; nor does it purport to deal with all special considerations that may be relevant in the circumstances of the engagement.

Effective Date

4. [Deleted by the AUASB. Refer Aus 0.3]

Objective

5. The objective of the auditor, when applying Australian Auditing Standards in an audit of a single financial statement or of a specific element, account or item of a financial statement, is to address appropriately the special considerations that are relevant to:
 - (a) The acceptance of the engagement;

¹ ASA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

² ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

- (b) The planning and performance of that engagement; and
- (c) Forming an opinion and reporting on the single financial statement or on the specific element, account or item of a financial statement.

Definitions

6. For purposes of this Auditing Standard, reference to:

- (a) “Element of a financial statement” or “element” means an “element, account or item of a financial statement;”
- (b) “Australian Accounting Standards” means the Australian Accounting Standards issued by the Australian Accounting Standards Board; and
- (c) A single financial statement or to a specific element of a financial statement includes the related disclosures. (Ref: Para. A2)

Requirements

Considerations When Accepting the Engagement

Application of Australian Auditing Standards

7. ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit.³ In the case of an audit of a single financial statement or of a specific element of a financial statement, this requirement applies irrespective of whether the auditor is also engaged to audit the entity’s financial report. If the auditor is not also engaged to audit the entity’s financial report, the auditor shall determine whether the audit of a single financial statement or of a specific element of those financial report in accordance with Australian Auditing Standards is practicable. (Ref: Para. A5–A6)

Acceptability of the Financial Reporting Framework

8. ASA 210 requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial report.⁴ In the case of an audit of a single financial statement or of a specific element of a financial statement, this shall include whether application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element. (Ref: Para. A7)

Form of Opinion

9. ASA 210 requires that the agreed terms of the audit engagement include the expected form of any reports to be issued by the auditor.⁵ In the case of an audit of a single financial statement or of a specific element of a financial statement, the auditor shall consider whether the expected form of opinion is appropriate in the circumstances. (Ref: Para. A8–A9)

Considerations When Planning and Performing the Audit

10. ASA 200 states that Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.^{6,7} In planning and performing the audit of a

³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*, paragraph 18.

⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraph 6(a).

⁵ See ASA 210, paragraph 10(e).

⁶ See ASA 200, paragraph 2.

single financial statement or of a specific element of a financial statement, the auditor shall adapt all Australian Auditing Standards relevant to the audit as necessary in the circumstances of the engagement. (Ref: Para. A10–A14)

Forming an Opinion and Reporting Considerations

11. When forming an opinion and reporting on a single financial statement or on a specific element of a financial statement, the auditor shall apply the requirements in ASA 700,⁸ and, when applicable, ASA 800 adapted as necessary in the circumstances of the engagement. (Ref: Para. A16–A22)

Reporting on the Entity's Financial Report and on a Single Financial Statement or on a Specific Element of those Financial Statements

12. If the auditor undertakes an engagement to report on a single financial statement or on a specific element of a financial statement in conjunction with an engagement to audit the entity's financial report, the auditor shall express a separate opinion for each engagement.
13. The audited single financial statement or the audited specific element of a financial statement may be published together with the entity's audited financial report. If the auditor concludes that the presentation of the single financial statement or of the specific element of a financial statement does not differentiate it sufficiently from the financial report, the auditor shall ask management to rectify the situation. Subject to paragraphs 15 and 16, the auditor shall also differentiate the opinion on the single financial statement or on the specific element of a financial statement from the opinion on the financial report. The auditor shall not issue the auditor's report containing the opinion on the single financial statement or on the specific element of a financial statement until satisfied with the differentiation.

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial Report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

14. If the auditor's report on an entity's financial report includes:
- (a) A modified opinion in accordance with ASA 705;⁹
 - (b) An Emphasis of Matter paragraph or an Other Matter paragraph, in accordance with ASA 706;¹⁰
 - (c) A Material Uncertainty Related to Going Concern section in accordance with ASA 570;¹¹
 - (d) Communication of key audit matters in accordance with ASA 701;¹² or
 - (e) A statement that describes an uncorrected material misstatement of the other information in accordance with ASA 720;¹³

the auditor shall consider the implications, if any, that these matters have for the audit of the single financial statement or of the specific element of a financial statement and for the auditor's report thereon. (Ref: Para. A23–A27)

⁷ ASA 200, paragraphs Aus 13.1 and Aus 13.2.

⁸ ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

⁹ ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

¹⁰ ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

¹¹ See ASA 570 *Going Concern*, paragraph 22.

¹² See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 13.

¹³ See ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 22(e)(ii).

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial report

15. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole, ASA 705 does not permit the auditor to include in the same auditor's report an unmodified opinion on a single financial statement that forms part of that financial report or on a specific element of that financial report.¹⁴ This is because such an unmodified opinion would contradict the adverse opinion or disclaimer of opinion on the entity's financial report as a whole. (Ref: Para. A128)
16. If the auditor concludes that it is necessary to express an adverse opinion or disclaim an opinion on the entity's financial report as a whole but, in the context of a separate audit of a specific element of that financial report, the auditor nevertheless considers it appropriate to express an unmodified opinion on that element, the auditor shall only do so if:
 - (a) The auditor is not prohibited by law or regulation from doing so;
 - (b) That opinion is expressed in an auditor's report that is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion; and
 - (c) The element does not constitute a major portion of the entity's financial report.
17. The auditor shall not express an unmodified opinion on a single financial statement of a financial report if the auditor has expressed an adverse opinion or disclaimed an opinion on the financial report as a whole. This is the case even if the auditor's report on the single financial statement is not published together with the auditor's report containing the adverse opinion or disclaimer of opinion. This is because a single financial statement is deemed to constitute a major portion of that financial report.

* * *

¹⁴ See ASA 705, paragraph 15.

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 1, 6(c))

- A1. ASA 200 defines the term “historical financial information” as information expressed in financial terms in relation to a particular entity, derived primarily from that entity’s accounting system, about economic events occurring in past time periods or about economic conditions or circumstances at points in time in the past.¹⁵
- A2. ASA 200 defines the term “financial statements” as a structured representation of historical financial information, including disclosures, intended to communicate an entity’s economic resources or obligations at a point in time or the changes therein for a period of time in accordance with a financial reporting framework. The term “financial statements” ordinarily refers to a complete set of financial statements as determined by the requirements of the applicable financial reporting framework, but can also refer to a single financial statement. Disclosures comprise explanatory or descriptive information, set out as required, expressly permitted or otherwise allowed by the applicable financial reporting framework, on the face of a financial statement, or in the notes, or incorporated therein by cross-reference.¹⁶ As noted in paragraph 6(c), reference to a single financial statement or specific element of a financial statement includes the related disclosures.
- A3. Australian Auditing Standards are written in the context of an audit of a financial report;¹⁷ they are to be adapted as necessary in the circumstances when applied to an audit of other historical financial information, such as a single financial statement or a specific element of a financial statement. This Auditing Standard assists in this regard. (Appendix 1 lists examples of such other historical financial information.)
- A4. A reasonable assurance engagement other than an audit of historical financial information is performed in accordance with Australian Standard on Assurance Engagements (ASAE) 3000.¹⁸

Considerations When Accepting the Engagement

Application of Australian Auditing Standards (Ref: Para. 7)

- A5. [Deleted by the AUASB. Refer Aus A5.1]
- Aus A5.1 ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist, or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor, where possible, performs appropriate alternative audit procedures.¹⁹
- A6. Compliance with the requirements of Australian Auditing Standards relevant to the audit of a single financial statement or of a specific element of a financial statement may not be practicable when the auditor is not also engaged to audit the entity’s financial report. In such cases, the auditor often does not have the same understanding of the entity and its environment, including its internal control, as an auditor who also audits the entity’s financial

¹⁵ See ASA 200, paragraph 13(g).

¹⁶ See ASA 200, paragraph 13(f).

¹⁷ See ASA 200, paragraph 2.

¹⁸ ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁹ See ASA 200, paragraphs 14, 18, 22, 23 and Aus 23.1.

report. The auditor also does not have the audit evidence about the general quality of the accounting records or other accounting information that would be acquired in an audit of the entity's financial report. Accordingly, the auditor may need further evidence to corroborate audit evidence acquired from the accounting records. In the case of an audit of a specific element of a financial statement, certain Australian Auditing Standards require audit work that may be disproportionate to the element being audited. For example, although the requirements of ASA 570 are likely to be relevant in the circumstances of an audit of a schedule of accounts receivable, complying with those requirements may not be practicable because of the audit effort required. If the auditor concludes that an audit of a single financial statement or of a specific element of a financial statement in accordance with Australian Auditing Standards may not be practicable, the auditor may discuss with management whether another type of engagement might be more practicable.

Acceptability of the Financial Reporting Framework (Ref: Para. 8)

- A7. A single financial statement or a specific element of a financial statement may be prepared in accordance with an applicable financial reporting framework that is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial statements (for example, Australian Accounting Standards). If this is the case, determination of the acceptability of the applicable framework may involve considering whether that framework includes all the requirements of the framework on which it is based that are relevant to the presentation of a single financial statement or of a specific element of a financial statement that provides adequate disclosures.

Form of Opinion (Ref: Para. 9)

- A8. The form of opinion to be expressed by the auditor depends on the applicable financial reporting framework and any applicable laws or regulations.²⁰ In accordance with ASA 700:²¹
- (a) When expressing an unmodified opinion on a financial report prepared in accordance with a fair presentation framework, the auditor's opinion, unless otherwise required by law or regulation, uses one of the following phrases:
 - (i) the financial report presents fairly, in all material respects, in accordance with [the applicable financial reporting framework]; or
 - (ii) the financial report gives a true and fair view in accordance with [the applicable financial reporting framework]; and
 - (b) When expressing an unmodified opinion on a financial report prepared in accordance with a compliance framework, the auditor's opinion states that the financial report is prepared, in all material respects, in accordance with [the applicable financial reporting framework].
- A9. In the case of a single financial statement or of a specific element of a financial statement, the applicable financial reporting framework may not explicitly address the presentation of the financial statement or of the specific element of the financial statement. This may be the case when the applicable financial reporting framework is based on a financial reporting framework established by an authorised or recognised standards setting organisation for the preparation of a complete set of financial statements (for example, Australian Accounting Standards). The auditor therefore considers whether the expected form of opinion is appropriate in the light of the applicable financial reporting framework. Factors that may affect the auditor's consideration as to whether to use the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion include:

²⁰ See ASA 200, paragraph 8.

²¹ See ASA 700, paragraphs 25–26.

- Whether the applicable financial reporting framework is explicitly or implicitly restricted to the preparation of a financial report.
- Whether the single financial statement or the specific element of a financial statement will:
 - Comply fully with each of those requirements of the framework relevant to the particular financial statement or the particular element, and the presentation of the financial statement or the specific element of a financial statement include the related disclosures.
 - If necessary to achieve fair presentation, provide disclosures beyond those specifically required by the framework or, in exceptional circumstances, depart from a requirement of the framework.

The auditor's decision as to the expected form of opinion is a matter of professional judgement. It may be affected by whether use of the phrases "presents fairly, in all material respects," or "gives a true and fair view" in the auditor's opinion on a single financial statement or on a specific element of a financial statement prepared in accordance with a fair presentation framework is generally accepted in the particular jurisdiction.

Considerations When Planning and Performing the Audit (Ref: Para. 10)

- A10. The relevance of each of the Australian Auditing Standards requires careful consideration. Even when only a specific element of a financial statement is the subject of the audit, Australian Auditing Standards such as ASA 240,²² ASA 550²³ and ASA 570 are, in principle, relevant. This is because the element could be misstated as a result of fraud, the effect of related party transactions, or the incorrect application of the going concern basis of accounting under the applicable financial reporting framework.
- A11. ASA 260 requires the auditor to determine the appropriate person(s) within the entity's governance structure with whom to communicate.²⁴ ASA 260 notes that, in some cases, all of those charged with governance are involved in managing the entity, and the application of communication requirements is modified to recognise this position.²⁵ When a financial report is also prepared by the entity, those person(s) responsible for the oversight of the preparation of the single financial statement or the element may not be the same as those charged with governance responsible for the oversight of the preparation of the financial report.
- A12. Furthermore, Australian Auditing Standards are written in the context of an audit of a financial report; they are to be adapted as necessary in the circumstances when applied to the audit of a single financial statement²⁶ or of a specific element of a financial statement. For example, written representations from management about the financial report would be replaced by written representations about the presentation of the financial statement or the element in accordance with the applicable financial reporting framework.
- A13. Matters included in the auditor's report on the financial report may have implications for the audit of a single financial statement or of an element of a financial statement (see paragraph 14). When planning and performing an audit of a single financial statement or a specific element of a financial statement in conjunction with the audit of the entity's financial report, the auditor may be able to use audit evidence obtained as part of the audit of the financial report in the audit of the financial statement or the element. Australian Auditing Standards, however, require the auditor to plan and perform the audit of the financial statement or element to obtain sufficient appropriate audit evidence on which to base the opinion on the financial statement or on the element.

²² ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

²³ ASA 550 *Related Parties*.

²⁴ See ASA 260 *Communication with Those Charged with Governance*, paragraph 11.

²⁵ See ASA 260, paragraph 10(b), 13, A1 (third bullet), A2 and A8.

²⁶ See ASA 200, paragraph 2.

- A14. The individual financial statements that comprise a financial report, and many of the specific elements of that financial report, including their related disclosures, are interrelated. Accordingly, when auditing a single financial statement or a specific element of a financial statement, the auditor may not be able to consider the financial statement or the element in isolation. Consequently, the auditor may need to perform procedures in relation to the interrelated items to meet the objective of the audit.
- A15. Furthermore, the materiality determined for a single financial statement or for a specific element of a financial statement may be lower than the materiality determined for the entity's financial report; this will affect the nature, timing and extent of the audit procedures and the evaluation of uncorrected misstatements.

Forming an Opinion and Reporting Considerations (Ref: Para. 11)

- A16. ASA 700 requires the auditor, in forming an opinion, to evaluate whether the financial report provides adequate disclosures to enable the intended users to understand the effect of material transactions and events on the information conveyed in the financial report.²⁷ In the case of a single financial statement or of a specific element of a financial statement, it is important that the financial statement or the element, in view of the requirements of the applicable financial reporting framework, provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the element, and the effect of material transactions and events on the information conveyed in the financial statement or the element.
- A17. Appendix 2 contains illustrations of independent auditor's reports on a single financial statement and on a specific element of a financial statement. Other illustrations of auditor's reports may be relevant to reporting on a single financial statement or on a specific element of a financial statement (see, for example, the Appendices to ASA 700, ASA 705, ASA 570, ASA 720, and ASA 706).

Application of ASA 700 When Reporting on a Single Financial Statement or on a Specific Element of a Financial Statement

- A18. Paragraph 11 of this Auditing Standard explains that the auditor is required to apply the requirements in ASA 700, adapted as necessary in the circumstances of the engagement, when forming an opinion and reporting on a single financial statement or on a specific element of a financial statement. In doing so, the auditor is also required to apply the reporting requirements in other Australian Auditing Standards adapted as necessary in the circumstances of the engagement, and may find the considerations addressed in paragraphs A19–A21 below helpful.

Going Concern

- A19. Depending on the applicable financial reporting framework used in the preparation of the single financial statement or the specific element of a financial statement, the description in the auditor's report of management's responsibilities²⁸ relating to going concern may need to be adapted as necessary. The description in the auditor's report of the auditor's responsibilities²⁹ may also need to be adapted as necessary depending on how ASA 570 applies in the circumstances of the engagement.

Key Audit Matters

- A20. ASA 700 requires the auditor to communicate key audit matters in accordance with ASA 701 for audits of a general purpose financial report of listed entities.³⁰ For audits of a single financial statement or a specific element of a financial statement, ASA 701 only applies when communication of key audit matters in the auditor's report on such financial report or elements

²⁷ See ASA 700, paragraph 13(e).

²⁸ See ASA 700, paragraphs 34(b) and A48.

²⁹ See ASA 700, paragraph 39(b)(iv).

³⁰ See ASA 700, paragraph 30.

is required by law or regulation, or the auditor otherwise decides to communicate key audit matters. When key audit matters are communicated in the auditor's report on a single financial statement or a specific element of a financial statement, ASA 701 applies in its entirety.³¹

Other Information

- A21. ASA 720 deals with the auditor's responsibilities relating to other information. In the context of this Auditing Standard, reports containing or accompanying the single financial statement or specific element of a financial statement—the purpose of which is to provide owners (or similar stakeholders) with information on matters presented in the single financial statement or the specific element of a financial statement—are considered to be annual reports for purposes of ASA 720. When the auditor determines that the entity plans to issue such a report, the requirements in ASA 720 apply to the audit of the single financial statement or the element.

Name of the Engagement Partner

- A22. The requirement in ASA 700 for the auditor to include the name of the engagement partner in the auditor's report also applies to audits of single financial statements of listed entities or specific elements of financial statements of listed entities.³² The auditor may be required by law or regulation to include the name of the engagement partner in the auditor's report or may otherwise decide to do so when reporting on a single financial statement or on an element of a financial statement of entities other than listed entities.

Reporting on the Entity's Financial report and on a Single Financial Statement or on a Specific Element of a Financial Statement (Ref: Para. 14)

Considering the Implications of Certain Matters Included in the Auditor's Report on the Entity's Financial Report for the Audit of the Single Financial Statement or the Specific Element of a Financial Statement and for the Auditor's Report Thereon

- A23. Paragraph 14 requires the auditor to consider the implications, if any, of certain matters included in the auditor's report on the financial report for the audit of the single financial statement or the specific element of a financial statement and for the auditor's report thereon. Considering whether a matter included in the auditor's report on a financial report is relevant in the context of an engagement to report on a single financial statement or a specific element of a financial statement involves professional judgement.
- A24. Factors that may be relevant in considering those implications include:
- The nature of the matter(s) being described in the auditor's report on the financial report and the extent to which it relates to what is included in the single financial statement or a specific element of a financial statement.
 - The pervasiveness of the matter(s) described in the auditor's report on the financial report.
 - The nature and extent of the differences between the applicable financial reporting frameworks.
 - The extent of the difference between the period(s) covered by the financial report compared to the period(s) or dates of the single financial statement or the element of a financial statement.
 - The time elapsed since the date of the auditor's report on the financial report.

³¹ See ASA 700, paragraph 31.

³² See ASA 700, paragraphs 46 and A61–A63.

- A25. For example, in the case when there is a qualification of the auditor's opinion in relation to accounts receivable in the auditor's report on the financial report, and the single financial statement includes accounts receivable, or the specific element of a financial statement relates to accounts receivable, it is likely that there would be implications for the audit. On the other hand, if the qualification of the auditor's opinion on the financial report relates to classification of long-term debt, then it is less likely that there would be implications for an audit of the single financial statement that is the income statement, or if the specific element of the financial statement relates to accounts receivable.
- A26. Key audit matters that are communicated in the auditor's report on the financial report may have implications for an audit of a single financial statement or the specific element of the financial statement. The information included in the Key Audit Matters section about how the matter was addressed in the audit of the financial report may be useful to the auditor's determination of how to address the matter when it is relevant to the audit of the single financial statement or the specific element of the financial statement.

Inclusion of a reference to the auditor's report on the financial report

- A27. Even when certain matters included in the auditor's report on the financial report do not have implications for the audit of, or for the auditor's report on, the single financial statement or the specific element of a financial statement, the auditor may deem it appropriate to refer to the matter(s) in an Other Matter paragraph in an auditor's report on the single financial statement or on the specific element of a financial statement (see ASA 706).³³ For example, the auditor may consider it appropriate to refer in the auditor's report on the single financial statement or a specific element of the financial statement to a Material Uncertainty Related to Going Concern section included in the auditor's report on the financial report.

Adverse Opinion or Disclaimer of Opinion in the Auditor's Report on the Entity's Financial Report (Ref: Para. 15)

- A28. In the auditor's report on an entity's financial report, the expression of a disclaimer of opinion regarding the results of operations and cash flows, where relevant, and an unmodified opinion regarding the financial position is permitted since the disclaimer of opinion is being issued in respect of the results of operations and cash flows only and not in respect of the financial report as a whole.³⁴

³³ See ASA 706, paragraphs 10–11.

³⁴ See ASA 510 *Initial Audit Engagements—Opening Balances*, paragraph A8, and ASA 705, paragraph A16.

Appendix 1

(Ref: Para.A3)

Examples of Specific Elements, Accounts or Items of a Financial Statement

- Accounts receivable, allowance for doubtful accounts receivable, inventory, the liability for accrued benefits of a private superannuation plan, the recorded value of identified intangible assets, or the liability for “incurred but not reported” claims in an insurance portfolio, including related notes.
- A schedule of externally managed assets and income of a private superannuation plan, including related notes.
- A schedule of net tangible assets, including related notes.
- A schedule of disbursements in relation to a lease property, including explanatory notes.
- A schedule of profit participation or employee bonuses, including explanatory notes.

Draft

Appendix 2

(Ref: Para. A17)

Illustrations of Independent Auditor's' Reports on a Single Financial Statement and on a Specific Element of a Financial Statement

- Illustration 1: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a general purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 2: An auditor's report on a single financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a fair presentation framework).
- Illustration 3: [Deleted by the AUASB. Refer [Aus] Illustration 3A.
- [Aus] Illustration 3A: An auditor's report on a specific element of a financial statement of an entity other than a listed entity prepared in accordance with a special purpose framework (for purposes of this illustration, a compliance framework).

Draft

**Example Auditor's Report
General Purpose – Financial Statement – Statement of
Financial Position
(Fair Presentation Framework)**

Illustration 1:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a statement of financial position (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- The statement of financial position has been prepared by management of the entity in accordance with the requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing a statement of financial position.
- The terms of the audit engagement reflect the description of management's responsibility for the financial report in ASA 210.
- The applicable financial reporting framework is a fair presentation framework designed to meet the common financial information needs of a wide range of users.
- The auditor has determined that it is appropriate to use the phrase "presents fairly, in all material respects," in the auditor's opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570. The disclosure of the material uncertainty in the single financial statement is adequate.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of financial position.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Those responsible for oversight of the financial statement differ from those responsible for the preparation of the financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of financial position of ABC Company (the Company) as at 31 December 20X1 and notes to the financial statement, including a summary of significant accounting policies (together "the financial statement").

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as at 31 December 20X1 in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement.

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 6 in the financial statement, which indicates that the Company incurred a net loss of ZZZ during the year ended 31 December 20X1 and, as of that date, the Company's current liabilities exceeded its total assets by YYY. As stated in Note 6, these events or conditions, along with other matters as set forth in Note 6, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Responsibilities of Management and Those Charged with Governance for the Financial Statement³⁵

Management is responsible for the preparation and fair presentation of the financial statement in accordance with those requirements of the Financial Reporting Framework in Jurisdiction X relevant to preparing such a financial statement, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

³⁵ Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the entity's preparation and fair presentation of the financial statement audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.³⁶
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date of the auditor's report]

³⁶ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

**Example Auditor's Report
Special Purpose – Financial Statement – Statement of
Cash Receipts and Disbursements
(Fair Presentation Framework)**

Illustration 2:

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- Audit of a statement of cash receipts and disbursements (that is, a single financial statement) of an entity other than a listed entity. The single financial statement is *not* prepared under the *Corporations Act 2001*.
- An auditor's report on the financial report was not issued.
- The financial statement has been prepared by management of the entity in accordance with the cash receipts and disbursements basis of accounting to respond to a request for cash flow information received from a creditor. Management has a choice of financial reporting frameworks.
- The applicable financial reporting framework is a fair presentation framework designed to meet the financial information needs of specific users.³⁷
- The auditor has concluded an unmodified (i.e., "clean") opinion is appropriate based on the audit evidence obtained.
- The auditor has determined that it is appropriate to use the phrase "presents fairly, in all material respects," in the auditor's opinion.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*.
- Distribution or use of the auditor's report is not restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ASA 701 in the context of the audit of the statement of cash receipts and disbursements.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

³⁷ ASA 800 contains requirements and guidance on the form and content of a financial report prepared in accordance with a special purpose framework.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the statement of cash receipts and disbursements of ABC Company (the Company) for the year ended 31 December 20X1 and notes to the statement of cash receipts and disbursements, including a summary of significant accounting policies (together “the financial statement”).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the cash receipts and disbursements of the Company for the year ended 31 December 20X1 in accordance with the cash receipts and disbursements basis of accounting described in Note X. .

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statement* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial statement in Australia, and we have fulfilled our other ethical responsibilities in accordance with that Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting

We draw attention to Note X to the financial statement, which describes the basis of accounting. The financial statement is prepared to provide information to XYZ Creditor. As a result, the statement may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Financial Statement³⁸

Management is responsible for preparation and fair presentation of the financial statement in accordance with the cash receipts and disbursements basis of accounting described in Note X; this includes determining that the cash receipts and disbursements basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances, and for such internal control as management determines is necessary to enable the preparation of a financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial statement.

³⁸ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction.

Auditing Standard ASA 805
Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.³⁹
- Conclude on the appropriateness of management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statement or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statement, including the disclosures, and whether the financial statement represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date of the auditor's report]

³⁹ This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the financial statement.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.

Example Auditor’s Report
Special Purpose – Financial Statement – Accounts Receivable Schedule
(Compliance Framework)

[Aus] Illustration 3A:

For purposes of this illustrative auditor’s report, the following circumstances are assumed:

- Audit of an accounts receivable schedule (that is, element, account or item of a financial statement) of an entity other than a listed entity. The schedule is *not* prepared under the *Corporations Act 2001*.
- The financial information has been prepared by management of the entity in accordance with the financial reporting provisions established by a regulator to meet the requirements of that regulator. Management does not have a choice of financial reporting frameworks.
- The applicable financial reporting framework is a compliance framework designed to meet the financial information needs of specific users.⁴⁰
- The terms of the audit engagement reflect the description of management’s responsibility for the financial report in ASA 210.
- The auditor has concluded an unmodified (i.e., “clean”) opinion is appropriate based on the audit evidence obtained.
- The relevant ethical requirements that apply to the audit are the Accounting Professional and Ethical Standards Board’s APES 110 *Code of Ethics for Professional Accountants*.
- Distribution of the auditor’s report is restricted.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern in accordance with ASA 570.
- The auditor is not required, and has otherwise not decided to communicate key audit matters in accordance with ASA 701 in the context of the audit of the accounts receivable schedule.
- The auditor has determined that there is no other information (i.e., the requirements of ASA 720 do not apply).
- Management is responsible for the preparation of the financial statement and oversight of the financial reporting process to prepare this financial statement.
- The auditor has no other reporting responsibilities required under law or regulation.

INDEPENDENT AUDITOR’S REPORT

[Appropriate Addressee]

Opinion

We have audited the accounts receivable schedule of ABC Company (the Company) as at 31 December 20X1 (“the schedule”).

⁴⁰ ASA 800 (Revised) contains requirements and guidance on the form and content of a financial report prepared in accordance with a special purpose framework.

In our opinion, the financial information in the schedule of the Company as at 31 December 20X1 is prepared, in all material respects, in accordance with [describe the financial reporting provisions established by the regulator].

Basis for Opinion

We conducted our audit in accordance with Australian Standards on Auditing. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Schedule* section of our report. We are independent of the Company in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the schedule in Australia, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note X to the schedule, which describes the basis of accounting. The schedule is prepared to assist the Company to meet the requirements of Regulator DEF. As a result, the schedule may not be suitable for another purpose. Our report is intended solely for the Company and Regulator DEF and should not be distributed to parties other than the Company or Regulator DEF. Our opinion is not modified in respect of this matter.

Responsibilities of Management for the Schedule⁴¹

Management is responsible for the preparation of the schedule in accordance with [describe the financial reporting provisions established by the regulator], and for such internal control as management determines is necessary to enable the preparation of the schedule that is free from material misstatement, whether due to fraud or error.

In preparing the schedule, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Schedule

Our objectives are to obtain reasonable assurance about whether the schedule is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this schedule.

Paragraph 41(b) of ASA 700 explains that the shaded material below can be located in an Appendix to the auditor's report.

Paragraph 41(c) of ASA 700 explains that when law, regulation or national auditing standards expressly permit, reference can be made to a website of an appropriate authority that contains the description of the auditor's responsibilities, rather than including this material in the auditor's report, provided that the description on the website addresses, and is not inconsistent with, the description of the auditor's responsibilities below. When the auditor refers to a description of the auditor's responsibilities on a website, the appropriate authority is the Auditing and Assurance Standards Board and the website address is <http://www.auasb.gov.au/Home.aspx>

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

⁴¹ Or other terms that are appropriate in the context of the legal framework in the particular jurisdiction

Auditing Standard ASA 805

Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

- Identify and assess the risks of material misstatement of the schedule, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.⁴²
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the schedule or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates, if any, and related disclosures made by management,

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

[Signature]*

[Auditor's address]

[Date]

⁴² This sentence would be modified, as appropriate, in circumstances when the auditor also has responsibility to issue an opinion on the effectiveness of internal control in conjunction with the audit of the schedule.

* The auditor's signature is either in the name of the audit firm, the personal name of the auditor or both, as appropriate.



AUASB Comments Received and Proposed Disposition Paper

AGENDA ITEM NO. **7(a).3**

Meeting Date: 26 July 2016

Subject: Comments Received / Disposition of Comments: ED ASA 800 and ASA 805

Date Prepared: 15 July 2016

Document Type: Exposure Draft

Document Number: ED

Proposed Type & No: ED ASA 800 and ED ASA 805

Proposed Title: ED 01/16 Proposed Auditing Standard ASA 800
Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks and ED 02/16
Proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements,
Accounts or Items of a Financial Statement.*

	Page Number
EXHIBIT 1: KPMG comment	3
EXHIBIT 2: CA ANZ comment	4

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.

LISTING OF RESPONDENTS

Short Form Name	Name	Date Received
KPMG	KPMG	14 July 2016
CAANZ	CAANZ	4 July 2016

EXHIBIT 1: KPMG comment

Item No.	Ref Para No.	Respondent Comment	Commentary	Change to be made to Doc? Y/N	Para No.
1	ED 01/16, ASA 800 Definition SPFR	Definition of SPFR in ASA 800 is not consistent with the Glossary Definition.	The Glossary has not been updated since 2009, so there are inconsistencies throughout. The definition in ASA 800 is consistent with the new definitions of ASA 200 revised in December 2015.	N	
2	ED 01/16, ASA 800 III 4[Aus] and III 5[Aus]	Use of the phrase Note X within the illustrative example– where the reference may be to multiple paragraphs.	The AUASB technical group note that Note X is an illustrative term to reserve a note number and that it does not suggest the same reference point – consistent with extant.	N	
3	ED 01/16, ASA 800 III 5[Aus]	In the management’s responsibility section of the auditor’s report there is no option given to use the words true and fair view.	The wording is consistent with Illustration 3 of ASA 700 <i>Fair Presentation Framework</i> .	N	
4	ED 02/16, ASA 805 Scope	Scope of standard – does not apply to component auditors. No immediate fix suggested – rather an on notice point	We take the point on notice when ASA 600 is eventually revised in line with the international standard to consider having an Australian special purpose example.	N	
5	ED 02/16, ASA 805 III 3A[Aus]	Wording to read Australian Auditing Standards not Australian Standards on Auditing.	Agreed – multiple changes required in both ASA 800 and ASA 805	Y	

* * *

EXHIBIT 2: CA ANZ comment

Item No.	Ref Para No.	Respondent Comment	Commentary	Change to be made to Doc? Y/N	Para No.
		No comments noted		N	

* * *



The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne VIC 8007

Our ref ED Submission 01/16 ASA 800
and 02/16 ASA 805
Contact Juliet Low (02) 9295 3881

Cc: edcomments@auasb.gov.au

14 July 2016

Dear Sirs

AUASB Exposure Drafts (ED), 01/16 on ASA 800 and 02/16 on ASA 805

We are pleased to have the opportunity to respond to the below EDs issued by the Australian Auditing and Assurance Standards Board (AUASB):

- (1) ED 01/16, *ASA 800 Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks (ASA 800)*; and
- (2) ED 02/16, *ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement (ASA 805)*.

This letter represents the views of KPMG Australia.

Overarching comments

Overall, KPMG Australia supports the revised requirements and additional application and other explanatory material related to ASA 800 and ASA 805.

However, we would like to bring to your attention our views on the following minor matters:

Specific comments on ED 01/16, ASA 800

Definitions

We noted inconsistency in the definition paragraph Aus 6.1 compared to the AUASB glossary 'Special purpose financial report'. The fuller definition in the glossary states that its source is ASA 800. We suggest using the fuller definition in ASA 800, or updating the glossary section for consistency purposes. Alternatively if the fuller description is not

included in ASA 800, suggest to delete the reference to ASA 800 as the source of the definition.

Example wording in Illustrations 4[Aus] and 5[Aus]

We noted that the phrase “Note X” is used in a number of different places, yet it may be different notes that contain the information. Instead we suggest referring to different note references.

The relevant sections are:

- Opinion (extract) – *‘complying with Australian Accounting Standards to the extent described in “Note X” and the Corporations Regulations 2001.’*
- Emphasis of Matter – Basis of accounting (extract) – *‘We draw attention to “Note X” to the financial report, which describes the basis of accounting.’*
- Responsibilities of the Directors for the Financial Report (extract) – *‘The directors of the Company.... have determined that the basis of preparation described in “Note X” to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members.’*

For example, in the directors’ responsibilities paragraph, it may be notes (x-z) that refer to types of entities (e.g. reporting or non-reporting entities), basis of preparation and significant accounting policies, whilst in the opinion paragraph it may be only note (y) that includes the basis of accounting.

We propose either to use different “Note references” at each section or add guidance on the notes references to the financial statements.

Example wording for Illustration 5[Aus]

We noted the illustration does not include an option to select the term “*true and fair view*” in the management responsibilities section. We propose the following update for consistency with the opinion section.

“Management is responsible for the preparation and fair presentation of the financial report (or that gives a true and fair view) in accordance with the financial reporting requirements of the applicable legislation...”

Specific comments on ED 02/16, ASA 805

Scope of this Auditing Standard

We recognise that the following comment does not relate to changes made to ASA 805, but include here for completeness and encourage the board to take this point on notice.

We note that paragraph 2 states that ASA 805 does not apply to the report of a component auditor, issued as a result of work performed on the financial information of a component at the request of a group engagement team for purposes of an audit of a group financial report.

We further note that ASA 600 does not include an illustration report on special purpose financial statements that may be used by a component auditor for group reporting purposes.

We encourage the Board to give this point further consideration, when an appropriate opportunity arises, for example in light of any potential revisions to ISA/ASA 600 following the IAASB's recent Invitation To Comment.

Example wording in Illustration 3A [Aus]

We noted a minor correction in the *Basis for Opinion*.

*"We conducted our audit in accordance with Australian Auditing Standards ~~on~~
Auditing."*

Appendix 1 to this letter contains our responses to the specific questions raised in the explanatory memorandum that accompanies the exposure drafts.

Please contact me on (02) 9295 3881 if you wish to discuss any of the issues raised in this letter.

Yours faithfully

Juliet Low
Partner

Appendix 1 – KPMG responses to the specific questions listed in the AUASB Exposure Drafts

1. *Have applicable laws and regulations been appropriately addressed in the proposed standard?*

We believe the applicable laws and regulations have been appropriately addressed.

2. *Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?*

We are not aware of any laws or regulations that may prevent or impede application of the proposed standard or may conflict with the proposed standard.

3. *What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the main changes to the requirements of this proposed standard? If there are significant costs, do these outweigh the benefits to the users of audit services?*

We do not anticipate any significant incremental costs to auditors and the business community arising from compliance with the revised requirements of this proposed standard.

Marginal additional costs are expected in:

- updating revised report templates;
- educating management and those charged with governance as to the changes; and
- training and coaching auditors to apply the changes in requirements.

The more significant costs from applying both extant and the proposed revised ASA 800 and ASA805 continue to be liaising with regulators who prepare “required” reporting templates that frequently do not apply the principles and terminology of ASA 800 and 805. It is challenging for practitioners as they are caught between applying the requirements of the Standards or the requirements of the regulator. On some occasions a report prepared under the requirements of the Standards will be rejected. On other occasions long and costly negotiations occur to achieve compliance with the Standards. We encourage the Board to consider how the changes to these Standards will be communicated to regulatory bodies, such that their templates can be adjusted to comply with the requirements of the revised Standards. We also encourage the Board to provide additional guidance to practitioners on what to do when a prescribed report does not comply with the requirements; for example, where the prescribed report does not give a prominent placement of the auditor’s opinion as the first section of the auditor’s report.

4. *Are there any other significant public interest matters that constituents wish to raise?*

No, there are no other significant public interest matters we wish to raise.

ASA 800
(July 2016)

Explanatory Statement

ASA 800 Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

Postal Address:
PO Box 204, Collins Street West
Melbourne Victoria 8007
AUSTRALIA

Reasons for Issuing Auditing Standard ASA 800

The AUASB issues Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

The Auditing Standard conforms with ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

Purpose of Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

The purpose of the Auditing Standard represents the Australian equivalent of revised ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks* and will replace the current ASA 800 issued by the AUASB in October 2009 (as amended).

Main Features

The revision of ASA 800 reflects recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board.

Operative Date

ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* is operative for financial reporting periods ending on or after 15 December 2016.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing the Auditing Standard. Exposure Draft ED 01/16 Proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* was issued in June 2016 with a 30 day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Regulatory Impact Statement

A Regulatory Impact Statement (RIA) has been prepared in connection with the preparation of *ASA 800 Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*. The RIA has been cleared by the Office of Best Practice Regulation (OBPR).

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: ***Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks****

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of Auditing Standard ASA 800

The purpose of ASA 800 is to conform with the equivalent revised international standard on auditing, ISA 800; and to replace the pre-existing auditing standard.

Main Features

The revision of ASA 800 reflects recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board.

Human Rights Implications

The Auditing Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.

ASA 805
(July 2016)

Explanatory Statement

ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement

Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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PO Box 204, Collins Street West
Melbourne Victoria 8007
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Reasons for Issuing Auditing Standard ASA 805

The AUASB issues Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Purpose of Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*

The purpose of the Auditing Standard represents the Australian equivalent of revised ISA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* and will replace the current ASA 805 issued by the AUASB in October 2009 (as amended).

Main Features

The revision of ASA 805 reflects recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board

Operative Date

ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* is operative for financial reporting periods ending on or after 15 December 2016. In the case of audits of single financial statements or of specific elements, accounts or items of a financial statement at a specific date, this auditing standard is effective for audits of such information as at a date on or after 15 December 2016.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing the Auditing Standard. Exposure Draft ED 02/16 Proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement* was issued in June 2016 with a 30 day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Regulatory Impact Statement

A Regulatory Impact Statement (RIA) has been prepared in connection with the preparation of ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*. The RIA has been cleared by the Office of Best Practice Regulation (OBPR).

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: **Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of Auditing Standard ASA 805

The purpose of ASA 805 is to conform with the equivalent revised international standard on auditing, ISA 805; and to replace the pre-existing auditing standard.

Main Features

The revision of ASA 805 reflects recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board.

Human Rights Implications

The Auditing Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7(a)**
Meeting Date: 26 July 2016
Subject: ASA 800 and ASA 805
Date Prepared: 15 July 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Agenda Item Objectives

1. To present constituents' submissions on ED 01/16 Proposed Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* and ED 02/16 Proposed Auditing Standard ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*.
2. To present the Auditing Standards ASA 800 and ASA 805 for clearance to issue.

Background

1. Exposure drafts ED 01/16 and 02/16 were issued in June for a 30 day period ended 18 July 2016.
2. The AUASB has received two submissions to the EDs from constituents.
3. Agenda Item 7(a).3 contains the submissions received. As a general point and not included in Agenda Item 7(a).3, the KPMG response noted the practical issues where prescribed reports do not comply with AUASB standard reports. KPMG encourages the AUASB to consider how to communicate with the regulators so that prescribed reports can be updated appropriately.

Matters to Consider

Part A – General

1. The AUASB is asked to consider:
 - (a) Disposition of comments; and
 - (b) Approve for issue the standards ASA 800 and ASA 805.

Part B – NZAuASB

1. AUASB staff has liaised with NZAuASB staff – no issues noted.

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.

AUASB Technical Group Recommendations

To approve the standards for issue.

Material Presented

Agenda Item 7(a)	AUASB Board Meeting Summary Paper
Agenda Item 7(a).1	ASA 800
Agenda Item 7(a).2	ASA 805
Agenda Item 7(a).3	Dispositions paper of submissions received
Agenda Item 7(a).4	KPMG submission
Agenda Item 7(a).5	Explanatory Statement ASA 800
Agenda Item 7(a).6	Explanatory Statement ASA 805

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider ED submissions	AUASB comments	AUASB	26 July 2016	o/s
2.	Give clearance	AUASB clearance	AUASB	26 July 2016	o/s



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. 7(b)
Meeting Date: 26 July 2016
Subject: Project Plan – Audit Committee Guide Revision
Date Prepared: 15 July 2016

☒ **Action Required**

☐ **For Information Purposes Only**

Joint project plan

Project Title: Revision of *Audit Committees - A Guide to Good Practice- 2nd edition*

Issue/Reason: To update content due to developments in auditing standards and guidance, the ASX Corporate Governance Principles and other developments in audit committee practices since 2012.

Date prepared: 14 July 2016

Project Objectives

For all three authors, the Australian Institute of Company Directors (AICD), the Institute of Internal Auditors Australia (IIAA) and the Australian Auditing and Assurance Standards Board (AUASB), to work jointly, to take into account changes in the regulation and operation of audit committees since the guide was last issued in February 2012.

Stakeholders

- Audit committee members
- External auditors
- Internal auditors
- Company management and employees
- Company shareholders

Background

Audit Committees A Guide to Good Practice (the Guide) was developed jointly by the AUASB, the AICD and IIAA and was originally issued in 2001, followed by updated versions in February 2008 and February 2012. The Guide provides a practical introduction to the role and responsibilities of an audit committee and is intended to assist audit committee members, internal and external auditors, management and employees of entities with an audit committee, and shareholders and others with an interest in audit committees.

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.

Since February 2012, there have been developments in a number of areas that directly impact the role and responsibilities of audit committees including:

- Risk and audit changes contained in the ASX Corporate Governance Principles and Recommendations (3rd edition, 2014) issued by the ASX Corporate Governance Council
- Altered audit committee membership requirements within the public sector, including NSW (solely independent members – NSW Treasury Policy TPP15-03) and the Federal sphere (*Public Governance, Performance and Accountability Act 2013* (PGPA Act) and in particular PGPA Rule – Section 17)
- Emerging practice in internal auditing and corporate governance
- Expanded scope of work for audit committees
- Recent changes to auditing standards ASA 700 series, including the new ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*
- Related consequential changes to other relevant auditing standards, such as ASA 260 *Communicating with Those Charged with Governance* and ASA 570 *Going Concern*
- Legal cases concerning the roles and responsibilities of audit committees that have occurred in the intervening period.

Agreement

A joint authoring and publishing agreement is in the process of being finalised. The agreement will cover copyright, pricing, distribution, etc. It is expected that the three bodies will share in copyright and publication rights with each body bearing their own author costs. The AICD will be in a co-ordination role and will bear the editorial costs.

Format of the Revised Guide

The overall style and layout of the current Guide continues to be suitable and should be retained.

The Guide should continue in its current 'booklet' format. In addition to the hard copy format, the AICD is likely to develop an e-booklet, consistent with other AICD publications.

Risks/issues

Audit committees receive attention and the Guide has been referred to in recent Court cases. We will seek ASIC's review of the guide, and where considered appropriate, will incorporate any specific feedback.

Scope

The Guide should continue to be principles-based and to focus on listed companies. A principles-based guide can then be used for other entities (such as not for profit entities, non-listed companies and public sector entities) as required.

The current Table of Contents covers the main topics and should continue to form the basis of the revised Guide. Refer to the table below of content, along with identified authors

Content	Proposed author
Introduction	AICD
The board and board committees	AICD
Role of the audit committee	AICD
Regulatory context	AUASB
Responsibilities of the audit committee	IIAA
Relationships - Board	AICD

Content	Proposed author
Relationships – External auditor	AUASB
Relationships – Internal auditor	IIAA
Developing an effective charter	AICD, consulting with IIAA
Membership	AICD
Conducting meetings	AICD
Reporting by the audit committee	AUASB
Assessing performance	AICD
Further reading	All
Sample audit committee charter	AICD, consulting with IIAA
Self-assessment guide for audit committees	AICD
Management representation letter	AUASB
Glossary	All
List of Acronyms	All
Contact details	All

Resources

A working group comprising:

- AICD – one Senior Policy Adviser
- IIAA – one Manager Technical
- AUASB – one Senior Project Manager
- The AICD will take a co-ordinating role and put all chapters of the content together once complete and co-ordinate timeline and review schedules.

Approval

Revised Guide to be considered and approved by:

- AUASB – it is envisaged the Board will consider, at a minimum, two drafts of the revised Guide.
- IIAA - the Policy Committee and Technical Committee must provide input into the revised draft Guide. The final revised Guide must be approved by the CEO.
- AICD - the Reporting Committee must provide input into the revised draft Guide. The final revised Guide must be approved by the General Manager of Advocacy. The Publications Department must also approve publication of the Guide.

Timetable

15 July 2016	Draft and finalise project plan
31 July 2016	Project plan approved by each of the three author bodies
Mid August 2016	Finalise agreement between authoring bodies for authoring and publishing
August - October 2016	Working group members complete each section as noted above, monthly meetings to be held during this time to determine progress – Liaison will occur between working group members if required on specific content updates, sharing regulatory updates ASAP so they can be incorporated in other chapters.
November – December 2016	Draft sent out for review and review comments received by mid-December
February 2017	Review comments incorporated and second version sent out for review by the end of the month
April 2017	Draft 2 sent out for review and review comments received by middle of April, this should include sending draft to ASIC for review
June 2017	Draft 3 finalised and final review and approval by each of the authoring organisations by mid-June
June- August 2017 August 2017	Production timeline – editing/typesetting/proofing/conversion/printing Issue final publication

AUASB Technical Group Recommendations

To approve project plan.

Material Presented

Agenda Item 7(b) AUASB Board Meeting Summary Paper

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve project plan	Approval	AUASB	26 July 2016	

AUASB Project Advisory Group Members as at 26 July 2016

Revision of ASAE 3100 *Compliance Engagements* (Marina Michaelides)

Project Advisory Group Chair

Jane Meade	Auditing and Assurance Standards Board	AUASB Member
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Project Advisory Group Membership

Julian Bishop	KPMG	Partner
Julie Breden	Deloitte	Partner
Klynton Hankin	PwC	Director
Chong Lim	NZAuASB	NZAuASB Member
Joanne Lonegan	EY	Partner
Robyn Moroney	Monash University	Professor of Auditing
Marina Michaelides	AUASB	Senior Project Manager

Revision of ASAE 3500 *Performance Engagements* (on hold) (Marina Michaelides)

Project Advisory Group Chair

Colin Murphy	Auditing and Assurance Standards Board	AUASB member
--------------	--	--------------

Project Advisory Group Membership

Danielle Bird	Queensland Audit Office	Assistant Auditor-General, Performance Audit Services
Prof. Elizabeth Carson	University of NSW	Professor, School of Accounting
Julie Crisp	NT Auditor General's Office	NT Auditor-General
Kathrina Lo	Audit Office of New South Wales	Assistant Auditor-General, Performance Audit
Dr Andrew Pope	Australian National Audit Office	Group Executive Director, Performance Audit Services Group
Greg Dare	ACT Audit Office	Director, Performance Audit
Jeff Tongs	Tasmanian Audit Office	Director Technical and Quality
Matthew Zappulla	Victorian Auditor General's Office	Assistant Auditor-General, Standards & Quality
Marina Michaelides	AUASB	Senior Project Manager

Auditor Reporting – Implementation Guidance (Anne Waters)

Project Advisory Group Chair

Robin Low	Auditing and Assurance Standards Board	AUASB member
------------------	--	--------------

Project Advisory Group Membership

Caithlin McCabe	Deloitte	Partner
Shelley Patron	PwC	Senior Manager
Laura Lobb	KPMG	Director
Aletta Boshoff	Pitcher Partners	Technical Director
Justin Law	EY	Director
Anne Waters	AUASB	Senior Project Manager
Mark Dowling	AUASB	Project Manager



Proposed AUASB Meeting Dates for 2017

	AUASB Meeting		IAASB Meeting
10.00 a.m. – 5.00 p.m.	21 February (Tues)#		
10.00 a.m. – 12.00 p.m.	6 March teleconference (Mon)		(IAASB Meeting 13-17 March) (South or Latin America)
10.00 a.m. – 5.00 p.m.	18 April (Tues)# @		
10.00 a.m. – 5.00 p.m.	13 June (Tues)		(IAASB-NSS Meeting 15-16 June) (New York) (IAASB Meeting 19-23 June) (New York)
10.00 a.m. – 5.00 p.m.	25 July (Tues)		
10.00 a.m. – 5.00 p.m.	12 September (Tues)		(IAASB Meeting 18-22 Sept) (New York)
10.00 a.m. – 5.00 p.m.	24 October (Tues)*		
10.00 a.m. – 12.00 p.m.	27 November teleconference (Mon)		
10.00 a.m. – 5.00 p.m.	12 December (Tues)# ^		(IAASB Meeting 4-8 Dec) (New York)

All meetings, unless otherwise indicated, will be held in the:

Executive Boardroom

**Tertiary Education Quality and Standards Agency (TEQSA) offices
Tower Level 14, 530 Collins Street
Melbourne**

Need to ensure these dates don't clash with AASB 2017 Meetings for use of TEQSA Board room

@ During NSW School Holidays however VIC and NSW School Holidays cover most of April 2017

* Could be allocated ½ day for Consultative meeting and ½ day for Board meeting

^ Date is later than usual otherwise too close to October Board meeting

Purtell, Christine

CONFIDENTIAL

From: Malav Oza <MOza@pkf.com.au>
Sent: Tuesday, 12 July 2016 3:29 PM
To: AUASB Enquiries
Cc: Alan Burns
Subject: Bank Audit confirmation issues

Dear Sir/Madam,

I am writing to you in relation to the recent changes made by some banks in relation to Auditors to be able to obtain bank audit confirmation. Namely Westpac, National Australia Bank, Citi Bank and others have decided to outsource this function to a contractor referred as confirmation.com

As you are aware, Auditors conducting financial statements audit generally need a Bank confirmation that provides:

- The balance of a bank or a loan account as at the balance date;
- Any bank accounts opened/closed during the period;
- Any bank account listed as security in relation to the borrowings;
- Any items held as security by the Bank;
- A list of any finance lease in place as at the balance date;
- Unused limits of the loan facilities as at the balance date;
- Any defaults or breaches;
- Any other information regarding the clients dealings with the bank;

Our recent experience has demonstrated that the bank's contractor is not able to provide confirmation of the above listed matters. The banks have simply chosen to "hand ball" this matter to the contractor without ensuring that the information need of the Auditor is met. This has serious consequences in relation to the ability for an Auditor to obtain a third party Audit evidence in relation to the banking aspects of a client. In my view, in absence of such evidence, the ability for an Auditor to provide an objective opinion on the completeness of the financial statement is compromised greatly.

In addition, the Auditors have been compelled to deal with a single contractor (confirmation.com) with substantially higher costs and inability to provide the required bank confirmation with all the necessary information for Auditor. There are also Privacy concerns as the contract requires the client to provide confidential information to the contractor in relation to their banking, including authorised personnel, bank account numbers, address details, tax file number etc.

Please may I request you to review this matter as Urgent and assist us with the guidance as to how Auditors should replace such an important evidence on the audit file with a comparable one.

I look forward to your response.

Kind regards

Malav Oza
Senior Manager



GS 016
(June 2010)

Guidance Statement GS 016

Bank Confirmation Requests

Issued by the **Auditing and Assurance Standards Board**



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Guidance Statement

This Guidance Statement is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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ISSN 1833-7600

CONTENTS

AUTHORITY STATEMENT

Paragraphs

Application	1-2
Issuance Date	3
Introduction	4-5
Definitions	6
Bank Confirmations	7-8
The Audit Process and Bank Confirmations	9-11
Deciding Whether to Request a Bank Confirmation	12-15
Nature of the Evidence Obtained from a Bank Confirmation	16-21
Remaining Alert to the Possibility of Fraud	22-25
Bank Confirmation Procedures	26-27
Determining the Bank Information to be Confirmed and Selecting the Appropriate Confirming Party (Parties)	28-29
Designing the Bank Confirmation Request	30-33
Pre-completing the Standard Bank Confirmation Request Form	34-35
Submitting the Bank Confirmation Request	36-38
Authority to Disclose	39-42
Guarantees and Other Third Party Securities	43
Timing of Bank Confirmation Requests	44-45
Acknowledgement of Receipt by the Bank	46-48
Following-Up Bank Confirmation Requests	49-54
Results of the Bank Confirmation Process	55-58
Electronic Bank Confirmation Processes	59-66
Disclaimers or Restrictive Language	67-70
Co-operation with the Banking Industry	71-74
Conformity with International Pronouncements	75

Guidance Statement GS 016 *Bank Confirmation Requests*

Appendix 1: Bank Confirmation—Audit Request (General)

Appendix 2: Bank Confirmation—Audit Request (Treasury
and Other Operations)

Appendix 3: Example Letter: Customer Request and Authority
to Disclose

Appendix 4: Example Form: Request for Acknowledgement of
Receipt of Bank Confirmation Request

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 016 *Bank Confirmation Requests* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

The Guidance Statement does not prescribe or create new mandatory requirements.

Dated: 10 June 2010

M H Kelsall
Chairman - AUASB

GUIDANCE STATEMENT GS 016

Bank Confirmation Requests

Application

- 1 This Guidance Statement has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors on the enquiry and confirmation methods for obtaining audit evidence regarding an entity's bank accounts and transactions, in accordance with the Australian Auditing Standards.¹
- 2 This Guidance Statement is applicable to audit engagements with financial reporting periods ending on or after 30 September 2010.

Issuance Date

- 3 This Guidance Statement is issued on 10 June 2010 by the AUASB.

Introduction

- 4 This Guidance Statement has been developed by the AUASB in consultation with the Australian Bankers' Association (ABA), and with the co-operation of its members.²
- 5 While this Guidance Statement deals specifically with communications with banks that are members of the ABA, the guidance may be applied to confirmation requests directed to other authorised deposit-taking institutions, for example, building societies and credit unions.

Definitions

- 6 For the purposes of this Guidance Statement, the following terms have the meanings attributed below:
 - (a) Bank means banks and other authorised deposit-taking institutions.

¹ For the purposes of this Guidance Statement, Australian Auditing Standards are those standards issued by the AUASB in October 2009 that apply to audits and reviews of financial reports for reporting periods commencing on or after 1 January 2010.

² See www.bankers.asn.au for a list of the banks that are members of the ABA.

- (b) External confirmation means audit evidence obtained by the auditor as a direct written response to the auditor from a third party (the confirming party), in paper form, or by electronic or other medium.³
- (c) Bank confirmation is a particular type of external confirmation used by an auditor to obtain independent confirmation from a bank or other authorised deposit-taking institution for audit purposes of information such as an entity's bank account balances, securities, treasury management instruments, documents and other related information held by the bank, or authorised deposit-taking institution, on behalf of the entity.

Bank Confirmations

- 7 Information obtained from a bank confirmation assists the auditor in discharging the auditor's responsibility to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, thereby enabling the auditor to express an opinion on the financial report.⁴
- 8 Under Australian Auditing Standards, the auditor is required to obtain sufficient appropriate audit evidence to reduce risk to an acceptably low level, thereby enabling the auditor to draw reasonable conclusions on which to base the auditor's opinion.⁵ Information obtained from a bank confirmation may assist the auditor in obtaining sufficient appropriate audit evidence regarding bank-related transactions and account balances, and their presentation and disclosure in the financial report.

The Audit Process and Bank Confirmations

- 9 ASA 300 *Planning an Audit of a Financial Report* requires the auditor to plan the audit through establishing an overall audit strategy and developing an audit plan, so that the engagement will be performed in an effective manner. The audit plan is more detailed than the overall audit strategy in that it includes the nature, timing and extent of audit procedures to be performed by engagement team members.

³ See ASA 505 *External Confirmations*, paragraph 6(a).

⁴ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 11.

⁵ See ASA 200, paragraph 17.

Guidance Statement GS 016 *Bank Confirmation Requests*

- 10 *ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment* requires the auditor to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial report and assertion levels.
- 11 Risks of material misstatement:
- (a) at the financial report level—may derive from a deficient control environment (or relate to other factors, such as declining economic conditions);⁶ and
 - (b) at the assertion level⁷— may relate to assertions made, implicitly or explicitly, by management or where appropriate those charged with governance regarding the recognition, measurement, presentation and disclosure of bank-related elements of the financial report and related disclosures. This may include assertions regarding:
 - (i) bank-related classes of transactions and events for the period under audit, including:
 - occurrence;
 - completeness;
 - accuracy;
 - cut-off; and
 - classification; and
 - (ii) account balances at the period end, including:
 - existence;
 - rights and obligations;
 - completeness; and
 - valuation; and

⁶ See ASA 315, paragraphs A105-A107.

⁷ See ASA 315, paragraphs A109-A112.

- (iii) presentation and disclosure, including:
- occurrence and rights and obligations;
 - completeness;
 - classification and understandability; and
 - accuracy and valuation.

Deciding Whether to Request a Bank Confirmation

- 12 ASA 330 *The Auditor's Responses to Assessed Risks* requires the auditor to design and implement responses to the assessed risks of material misstatement in the financial report. For each material class of transactions, account balance, and disclosure, irrespective of the assessed risks of material misstatement, the auditor is required to design and perform substantive procedures.⁸ In particular, in respect of bank-related transactions, account balances and disclosures, the auditor shall consider whether external confirmation procedures are to be performed.⁹
- 13 When the entity's banking activities, including treasury operations, are significant, complex, or unusual, or there are deficiencies in the entity's control environment that may impact the assertions and disclosures regarding the entity's banking activities, the auditor would ordinarily send a bank confirmation request(s).
- 14 In other instances, when:
- (a) an entity's banking activities are simple and straightforward; and
 - (b) the auditor has considered the entity's control environment and assessed the risk of material misstatement of bank-related account balances and disclosures as low; and
 - (c) there are other means to obtain sufficient appropriate audit evidence in respect of banking activities;
- the auditor may decide not to request a bank confirmation.

⁸ See ASA 330, paragraph 18.

⁹ See ASA 330, paragraphs 19 and A48-A51.

- 15 Alternative sources of audit evidence may include, for example, bank statements for the relevant period provided on bank letterhead; together with:
- (a) the bank facilities letter, on bank letterhead, documenting the banking facilities used by, or made available to, the entity; and
 - (b) bank reconciliations that agree to the bank statements.

Nature of the Evidence Obtained from a Bank Confirmation

- 16 ASA 500 *Audit Evidence* requires the auditor to design and perform audit procedures that are appropriate in the circumstances to obtain sufficient appropriate audit evidence¹⁰ and discusses the relevance and reliability of audit evidence in an audit of a financial report.¹¹
- 17 Relevance deals with the logical connections with, or bearing upon, the purpose of the audit procedure and, where appropriate, the assertion under consideration. A given set of audit procedures may provide audit evidence that is relevant to certain assertions, but not others. Thus, for example, for certain investments a bank confirmation may provide information that addresses the existence assertion, but not the valuation assertion. In such circumstances, it may be necessary to consider performing alternative or additional audit procedures to address the valuation assertion.
- 18 The reliability of audit evidence is influenced by its source and by its nature and is dependent on the individual circumstances under which it is obtained. The reliability of the evidence obtained from information contained in a response to a bank confirmation request, is influenced by the circumstances in which the request is made and the response is received.
- 19 ASA 500 states that audit evidence is generally more reliable when it is obtained from independent sources outside the entity.¹² However, even when audit evidence, such as a bank confirmation, is obtained from sources external to the entity, circumstances may exist that could affect the reliability of the information obtained. For example, all confirmation responses carry some risk of interception, alteration or fraud. Such risk exists regardless of whether a response is obtained in paper form, or through electronic or other medium.

¹⁰ See ASA 500, paragraph 6.

¹¹ See ASA 500, paragraphs 7 and A26-A33.

¹² See ASA 500, paragraph A31 and ASA 505, paragraph 2.

- 20 ASA 500 further states that audit evidence obtained by original documents is generally more reliable than audit evidence provided by photocopies or facsimiles, or documents that have been filmed, digitised or otherwise transformed into electronic form. Where an auditor chooses to send or receive bank confirmations electronically, it is important to consider the controls built into this process to determine the reliability of the information obtained. (See *Electronic Bank Confirmation Processes* below)
- 21 The auditor is required to exercise professional scepticism in accordance with ASA 200.¹³ ASA 200 explains that an attitude of professional scepticism means the auditor makes a critical assessment, with a questioning mind, of the validity of audit evidence obtained and is alert to audit evidence that contradicts or brings into question the reliability of documents and responses to enquiries.¹⁴ However, unless the auditor has reason to believe the contrary, the auditor may accept records and documents as genuine.¹⁵ If there is any indication that a confirmation response may not be reliable, ASA 505 *External Confirmations* emphasises the need for the auditor to consider the response's reliability and to perform audit procedures to dispel any concern (for example, the auditor may choose to verify the source and contents of the response in a telephone call to the purported sender).¹⁶

Remaining Alert to the Possibility of Fraud

- 22 While the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management,¹⁷ the auditor, in exercising professional scepticism, remains alert to the possibility of fraud in the bank confirmation process.
- 23 When determining whether to use bank confirmation requests, it may be important to be alert to the entity's circumstances and its environment, the circumstances surrounding the confirmation process, and the information obtained from the confirmation process that may indicate a risk of material misstatement.
- 24 Being alert to the possibility of fraud may be particularly important when an external confirmation is the primary audit evidence for a

¹³ See ASA 200, paragraph 15.

¹⁴ See ASA 200, paragraphs A18-A22.

¹⁵ See ASA 200, paragraph A21.

¹⁶ See ASA 505, paragraph 10.

¹⁷ See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, paragraph 4.

material financial report item, particularly if the item itself is susceptible to fraud. This risk may arise, for example, when requesting confirmation of the existence of liquid funds and investments held by the entity in an offshore bank.

- 25 Heightened professional scepticism may also be called for when dealing with unusual or unexpected responses to confirmation requests, such as a significant change in the number or timeliness of responses to bank confirmation requests relative to prior audits, or a non-response when a response would be expected.

Bank Confirmation Procedures

- 26 ASA 505 emphasises the importance of the auditor maintaining control over the external confirmation process to enhance the reliability of the audit evidence obtained through the process.
- 27 When using bank confirmations, the auditor maintains control over the process through:¹⁸
- (a) determining the bank information to be requested;
 - (b) selecting the appropriate confirming party(parties);
 - (c) designing the bank confirmation request, ensuring that it:
 - (i) is properly addressed;
 - (ii) is clear, accurate and sufficiently detailed; and
 - (iii) contains an accurate return address, for responses to be sent directly to the auditor.
 - (d) considering the timing of the lodgement of the request and the date by which a response is required; and
 - (e) taking follow-up action when a response is overdue.

Determining the Bank Information to be Confirmed and Selecting the Appropriate Confirming Party (Parties)

- 28 The auditor may determine the bank information to be confirmed and select the appropriate confirming party (parties) through:

¹⁸ See ASA 505, paragraph 7.

Guidance Statement GS 016 *Bank Confirmation Requests*

- (a) discussions with management or where appropriate those charged with governance;
- (b) analysing the assertions made by the entity in the financial report being audited;
- (c) checking the annual banking facilities letter, if any;
- (d) inspecting bank statements;
- (e) inspecting the minutes of meetings of the Board, audit committee, finance committee, management team or other internal committee;
- (f) evaluating the work of internal audit; or
- (g) knowledge of the entity's banking relationships from prior periods.

29 The information to be confirmed may relate to:

- (a) normal banking activities, such as:
 - (i) account balances at the period end for current accounts, interest bearing deposit accounts, foreign currency accounts, money market deposits, overdraft accounts, bank loans and term loans;
 - (ii) interest rates and terms of other liabilities to the bank, such as bills of exchange, forward exchange contracts, letters of credit, guarantees and indemnities undertaken by the bank;
 - (iii) items held as security for the entity's liabilities to the bank;
 - (iv) accounts opened or closed by the entity during the period; and
 - (v) unused limits and facilities; and/or
- (b) treasury operations, such as:
 - (i) forward rate agreements;
 - (ii) foreign currency contracts;

- (iii) interest rate swaps;
- (iv) options; and
- (v) treasury futures contracts; and
- (c) other contractual arrangements.

Designing the Bank Confirmation Request

30 Standard bank confirmation request forms provide for the confirmation or provision of information which is customarily held by banks. Accordingly, two standard bank confirmation request forms have been developed through consultation with auditors and the ABA. The two forms are:

- (a) *Bank Confirmation—Audit Request (General)* (Appendix 1) – the information to be confirmed or requested relates to normal banking activities and is substantially the same for a range of entities; and
- (b) *Bank Confirmation—Audit Request (Treasury and Other Operations)* (Appendix 2) – the information to be confirmed or requested relates to the entity's treasury operations and use of treasury management instruments.

These forms are also available as separate documents on the AUASB website¹⁹, to facilitate their use in the confirmation process, if required.

31 While the standard bank confirmation request forms will generally provide the information required by the auditor in a range of audit engagements, there may be instances where the standard forms are not appropriate. For example, the auditor may require confirmation of matters not covered by the standard bank confirmation request forms and may write a separate letter requesting confirmation of specific matters.

32 Where a letter is used by the auditor to request bank confirmation, the letter would clearly identify the details of the information for which confirmation is required and would carry the entity's authorisation for the bank to provide the confirmation to the auditor.

¹⁹ See www.auasb.gov.au

- 33 To avoid unnecessary delays in the confirmation process, the auditor ensures that a bank confirmation request is properly addressed. It is not sufficient, for example, to address a request to “The Manager, ABC Bank”. Similarly, a request needs to contain sufficient, accurate information to enable the request to be clearly understood. For example, where the auditor is seeking bank information relating to a parent entity and its subsidiaries, that should be made clear in the bank confirmation request. A valid return address, direct to the auditor, is also important to minimise delays in the process.

Pre-completing the Standard Bank Confirmation Request Form

- 34 Where the auditor uses the standard bank confirmation request forms provided in this Guidance Statement, the auditor, in consultation with the entity, is responsible for pre-completing all known details in the shaded areas of the forms prior to forwarding the forms to the bank. It is important to complete known account names and the corresponding BSB and account numbers, as this will assist the bank in locating the relevant information.
- 35 The bank is responsible for checking the information supplied by the auditor and completing the information requested in the unshaded areas of the forms.

Submitting the Bank Confirmation Request

- 36 Having decided to obtain a bank confirmation, and selected and completed the appropriate bank confirmation request form, the auditor plans the submission of the request to the bank.
- 37 The auditor determines where to submit the bank confirmation request. In some instances, banks process bank confirmation requests at the branch level; therefore the auditor should address the bank confirmation request to the relevant branch. In other instances, banks have a single, centralised point of contact for the lodgement of all bank confirmation requests. Some banks may have different addresses for the lodgement of requests depending on the customer type. For example, the address for general requests may be different to the address for requests regarding treasury and other operations.
- 38 It is the auditor’s responsibility to determine the appropriate address for the bank confirmation request. To assist the auditor, the ABA

has agreed to publish on its website²⁰ the addresses of its members for the lodgement of bank confirmation requests.

Authority to Disclose

- 39 Banks require the explicit authority of the entity to disclose information to the auditor in response to a bank confirmation request. For this reason, the auditor would ordinarily request the entity to complete and sign a letter of authorisation to be forwarded to the bank together with the bank confirmation request. An example authorisation letter is provided in Appendix 3 of this Guidance Statement.
- 40 When a third party is involved, the auditor, with the assistance of the entity, may seek authorisation from the third party allowing disclosure or confirmation of relevant information by the bank. (See *Guarantees and Other Third Party Securities* below.)
- 41 One authorisation letter may be used to cover several bank confirmation requests, for example, requests relating to a parent and its subsidiaries, provided all entities and the relevant authorising officers are listed in the authorisation letter.
- 42 It is the auditor's responsibility to confirm with the entity that the names and titles of the authorising officers provided in the authorisation letter are up to date. Incorrect or invalid information regarding authorising officers may result in delays in the bank's response to a bank confirmation request.

Guarantees and Other Third Party Securities

- 43 The provision of information about guarantees and other third party securities has, on occasion, resulted in significant delays in the completion of bank confirmation requests because the bank does not have sufficient authority to provide full disclosure of the information requested, due to data protection regulations concerning the counter-parties. When the bank does not have sufficient authority to provide full disclosure, the bank advises the auditor that further authority is required to provide full disclosure of such guarantees or third party securities. The auditor can then obtain details of the arrangements from the entity, for example, by requesting a copy of the relevant facility letter, loan agreement or contract. In some cases, these procedures may provide sufficient appropriate audit evidence. In other cases, the auditor may require further

²⁰ See www.bankers.asn.au

Guidance Statement GS 016 *Bank Confirmation Requests*

independent evidence and may seek further authority from the guarantor or third party for the bank to provide information to the auditor.

Timing of Bank Confirmation Requests

- 44 Where practicable, the auditor sends the bank confirmation request to the bank at least 15 working days in advance of the period end date. It is advisable to allow more time for requests covering the June and December period ends, as the banks receive large numbers of bank confirmation requests at this time.
- 45 Late lodgement of bank confirmation requests may result in delays in the bank's response.

Acknowledgement of Receipt by the Bank

- 46 The ABA has agreed to publish on its website a list of its members and whether or not they acknowledge receipt of audit requests for bank confirmations.
- 47 If acknowledgement is required, the auditor should include a Request for Acknowledgement of Receipt with the request for a bank confirmation. An example Request for Acknowledgement of Receipt letter is provided in Appendix 4 of this Guidance Statement.
- 48 Those banks that provide acknowledgements of receipt of audit requests if asked, will endeavour to do so within 5 working days of receipt. As part of the acknowledgement process, banks may indicate either a date by which they expect to respond to the auditor regarding the bank confirmation request, or provide an indication of the time allowed in their standard service level agreement for this process.

Following-Up Bank Confirmation Requests

- 49 The auditor should allow an appropriate time for the bank to process a bank confirmation request before following-up for a response.
- 50 The bank may have a service level agreement with an entity or a standard service level agreement applicable to all entities regarding response times for bank confirmation requests. In general, the ABA has agreed that its members will endeavour, *once a request is received and the confirmation date has passed*, to process bank confirmation requests within the following timeframes:

Guidance Statement GS 016 *Bank Confirmation Requests*

- (a) Simple requests (for example, account balances only) – within 5-10 working days; and
 - (b) Complex requests (for example, multiple facilities, guarantees, third party securities, group comprising a parent entity and subsidiaries) – within 10-15 working days.
- 51 The auditor should not follow-up before the expected response time has passed, as these types of pre-production enquiries lead to significant delays and unnecessary costs in the bank confirmation process.
- 52 Where the bank confirmation request is not received by the bank on a timely basis, or contains incomplete, unclear or incorrect information, or the bank does not have the necessary authority to disclose information, a response may take longer than the times indicated above.
- 53 Where the customer has banking arrangements across a number of jurisdictions or a bank maintains its records for certain bank transactions or accounts in different jurisdictions, a response may take longer than the times indicated above.
- 54 The ABA has agreed to publish on its website bank contact details for follow-up of audit requests for bank confirmation requests. It is important that auditors use these contact details, where provided, as telephone calls and electronic mail to other areas of the bank lead to unnecessary work and cost for the banks involved. The auditor should note that banks may have different addresses for the follow up of general requests compared to requests regarding treasury and other operations.

Results of the Bank Confirmation Process

- 55 The auditor evaluates the bank's response to a bank confirmation request and determines whether the response provides relevant and reliable audit evidence about the entity's bank accounts and transactions, or whether further audit evidence is required.²¹
- 56 The auditor may need to carry out additional audit procedures. For example, it is generally unwarranted for the auditor to place sole reliance on the information obtained through a bank confirmation request to satisfy the completeness assertion. This may be due to various factors such as:

²¹ See ASA 505, paragraphs 10-11 and 16.

Guidance Statement GS 016 *Bank Confirmation Requests*

- (a) other audit procedures indicate doubt as to the completeness of the information provided by the bank;
- (b) a question on the bank confirmation request remains unanswered by the bank;
- (c) the auditor believes there is a risk that material accounts, agreements or transactions exist, that have not been disclosed in the bank confirmation;
- (d) the bank's disclaimer regarding the information provided (see paragraphs 67-70 of this Guidance Statement); or
- (e) limitations arising from the bank's ability to gather all information in respect of an entity's banking activities (see paragraph 74 of this Guidance Statement).

57 The auditor therefore considers performing additional audit procedures to obtain evidence over the completeness of information about bank accounts and transactions. The appropriateness of performing such procedures is dependent on the entity's circumstances and the assessed level of risk, and may include:

- (a) requesting separate confirmation of the completeness of the information directly from the entity's relationship manager at the bank;
- (b) contacting the bank separately about specific issues of concern;
- (c) performing additional journal entry test work around cash and disbursements and reviewing cash transactions for unusual flows of funds;
- (d) asking the entity to include a paragraph in the management representation letter confirming that the bank information is complete;
- (e) reviewing minutes of meetings where new bank accounts or arrangements may have been agreed; or
- (f) enquiring of the entity's treasury department, or other appropriate personnel in the entity, whether they are aware of any additional banking arrangements.

- 58 On its own, an oral response to a bank confirmation request does not meet the definition of an external confirmation because it is not a direct written response to the auditor. However, upon obtaining an oral response to a bank confirmation request, the auditor may, depending on the circumstances, request the bank to respond in writing directly to the auditor. If no such response is received, in accordance with ASA 505,²² the auditor seeks other audit evidence to support the information in the oral response.

Electronic Bank Confirmation Processes

- 59 Largely in an effort to make the external confirmation process more efficient and effective, auditors and banks have been increasingly relying on new technologies to facilitate the bank confirmation process. Electronic mail, facsimiles, and other electronic communications have become accepted methods of communication in addition to traditional mail. In some jurisdictions, certain confirmation processes also now involve the use of third party service providers serving as intermediaries between the auditor and the bank through an electronic medium. For example, some banks and authorised deposit-taking institutions will no longer accept and respond to paper confirmation requests received by mail and will only respond to confirmation requests sent electronically through designated third party service providers. Confirmations obtained through these various technological means may broadly be described as electronic confirmations.
- 60 ASA 505 does not preclude the use of an electronic confirmation process or the acceptance of electronic confirmations as audit evidence. While electronic confirmations may improve response times and claim to increase the reliability of responses, they may also give rise to new risks that the responses might not be reliable. For example, with electronic responses, proof of origin and authority of the respondents to respond may be difficult to establish, and alterations may be difficult to detect.
- 61 An electronic bank confirmation process used by the auditor and the bank that creates a secure environment for executing the confirmation request and receiving the response may mitigate the risk of inappropriate human intervention and manipulation. An important factor may therefore be the mechanism that is established between the auditor and the bank to minimise the risk that the electronic bank confirmation will be compromised because of interception, alteration, or fraud.

²² See ASA 505, paragraph 12.

Guidance Statement GS 016 *Bank Confirmation Requests*

- 62 The auditor may need to design and perform tests of controls²³ to obtain sufficient appropriate audit evidence as to the operating effectiveness of controls over the electronic confirmation process before relying on the information obtained. If the auditor is satisfied that such a process is secure and properly controlled, the reliability of the related responses is enhanced.
- 63 If the auditor has doubts about the reliability of an electronic bank confirmation arising from the risks that:
- (a) the response may not be from the proper source;
 - (b) a respondent may not be authorised to respond; and
 - (c) the integrity of the transmission may have been compromised,
- it may be possible to verify the source and contents of the response by contacting the bank.
- 64 For example, when a confirmation response is transmitted by electronic mail or facsimile, it may be appropriate to telephone the bank to determine whether the bank did, in fact, send the response. It may also be possible to ask the bank to mail the original confirmation directly to the auditor. If a response is received indirectly (for example, because the bank incorrectly addressed it to the entity rather than to the auditor), it may be appropriate to ask the bank to respond again in writing directly to the auditor.
- 65 If a bank will only respond to a confirmation request through a third party service provider and the auditor plans to rely on the service provider's process, it may be important that the auditor be satisfied with the controls over the information sent by the entity to the service provider to initiate the process, and the controls applied during processing of the data and preparation and sending of the confirmation response to the auditor. A service auditor's report on the service provider's process may assist the auditor in evaluating the design and operating effectiveness of the electronic and manual controls with respect to that process. In the absence of a service auditor's report on the service provider, it may be important that the auditor designs other procedures to evaluate the design and operating effectiveness of the electronic and manual controls with

²³ See ASA 330, paragraphs 8-11 regarding the requirements for the auditor to design and perform tests of controls.

respect to that process, and/or check the accuracy and completeness of the electronic confirmations received.

- 66 An electronic confirmation process might incorporate various techniques for validating the identity of the sender of electronic information and that person's authority to confirm the requested information, for example, the use of data encryption,²⁴ electronic digital signatures²⁵ and procedures to verify web site authenticity.²⁶

Disclaimers or Restrictive Language

- 67 The auditor considers the nature of any disclaimer or restrictive language used in a response to a bank confirmation request²⁷ to determine whether or not the disclaimer or restrictive language affects the reliability of the response as audit evidence. In general, the auditor can reasonably rely upon information given by the bank provided it corroborates the assertions made by management and is not clearly wrong, suspicious, inconsistent in itself, ambiguous, or in conflict with other evidence gathered during the course of the audit, even where the response includes a standard disclaimer of liability.
- 68 However, certain restrictive language may cast doubt on the completeness or accuracy of the information contained in the response, or the auditor's ability to rely on that information. Examples of such restrictive language include statements such as:
- (a) Information is obtained from electronic data sources, which may not contain all information in the bank's possession.
 - (b) Information is not guaranteed to be accurate nor current and may be a matter of opinion.

²⁴ Encryption is the process of encoding electronic data in such a way that it cannot be read without the second party using a matching encryption "key." Use of encryption reduces the risk of unintended intervention in a communication.

²⁵ Digital signatures may use the encryption of codes or text or other means to ensure that only the claimed signer of the document could have affixed the symbol. The signature and its characteristics are uniquely linked to the signer. Digital signature routines allow for the creation of the signature and the checking of the signature at a later date for authenticity.

²⁶ Website authenticity routines may use various means including mathematical algorithms to monitor data or a website to ensure that its content has not been altered without authorisation. For example, Webtrust or Verisign certifications may be earned and affixed to a website, indicating an active program of protecting the underlying content of the information.

²⁷ The standard bank confirmation request forms (Bank Confirmation—Audit Request (General) and Bank Confirmation—Audit Request (Treasury and Other Operations)) include a disclaimer in favour of the bank and its staff.

- (c) The recipient may not rely upon the information in the bank confirmation.
- 69 Whether the auditor may rely on the information confirmed and the degree of such reliance depends on the nature and substance of the restrictive language. Where the practical effect of the restrictive language is difficult to ascertain in the particular circumstances, the auditor may consider it appropriate to seek clarification from the bank or seek legal advice.
- 70 If restrictive language limits the extent to which the auditor can rely on the bank confirmation response as audit evidence, additional or alternative audit procedures may need to be performed. The nature and extent of such procedures depends on factors such as the nature of the item being confirmed, the assertion being tested, the nature and substance of the restrictive language, and relevant information obtained through other audit procedures. If the auditor is unable to obtain sufficient appropriate audit evidence through alternative or additional audit procedures, the auditor is required to consider the implications for the auditor's report in accordance with ASA 705.²⁸

Co-operation with the Banking Industry

- 71 To facilitate effective and efficient processes for bank confirmation requests, the ABA, on behalf of banks in Australia, has:
- (a) requested that the auditor forward the bank confirmation request to the bank at least 15 working days prior to the period end date for which confirmation is required. This will allow sufficient time for the bank to process the request and respond to the auditor within the agreed timeframes; (see paragraph 44 above)
 - (b) undertaken to remind its members of the need for the timely completion of bank confirmation requests in order to facilitate the timely completion of audits;
 - (c) agreed with members preferred turnaround times for responding to audit requests for bank confirmation; (see paragraph 50 above)
 - (d) agreed to publish on its website:

²⁸ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

Guidance Statement GS 016 *Bank Confirmation Requests*

- (i) the addresses of members for the lodgement of bank confirmation requests; (see paragraph 38 above)
- (ii) a list of those members who acknowledge the receipt of audit requests for bank confirmation on request; and (see paragraph 46 above)
- (iii) contact details for its members for the follow up of overdue responses to audit requests for bank confirmation; and (see paragraph 54 above)

The auditor should note that banks may have different addresses for lodgement and follow up depending on the customer type. For example, addresses for general requests may be different from addresses for requests regarding treasury and other operations.

- 72 The ABA has separately issued guidance to banks in Australia regarding audit requests for bank confirmation, including the matters outlined in paragraph 71 above.
- 73 The ABA has advised that a charge may be made for completing a bank confirmation request form and the auditor is asked to advise the entity of this fact.
- 74 The ABA has also advised that the record-keeping systems of Australian banks ordinarily do not maintain together information for all entities within a reporting entity, or all accounts of a customer. For example, many Australian entities have current accounts based in other countries. In addition, many banks based in Australia are global and certain transactions and accounts for an entity, such as foreign exchange contracts, may be recorded by the bank in another country. Requests for bank confirmation in such circumstances would be considered non-standard, or complex, and would take longer to process.

Conformity with International Pronouncements

- 75 There is no equivalent International Auditing Practice Statement (IAPS) to this Guidance Statement.

Appendix 1

BANK CONFIRMATION—AUDIT REQUEST (GENERAL)

Instructions

Auditor

- (a) Complete all known details in the shaded areas of this form before forwarding to the bank, including all known account names and the corresponding BSB and account numbers.
- (b) If the space provided on the form is inadequate, attach a separate request giving full details of the information required.

Bank

- (a) Confirm that the details provided in the shaded areas are correct as at the confirmation date shown below, and highlight any variation/s. Also add any relevant information that may have been omitted by the customer/auditor.
- (b) Complete the unshaded areas in sections 1-10.
- (c) Sign the completed form and return the original direct to the auditor, and a duplicate to the customer, in the stamped addressed envelopes provided. A copy may be retained by the bank.

Bank (Name & Address)	Customer/Entity (Name & Address)
	“Entity” includes companies, companies in a parent-subsidiary relationship, joint ventures, partnerships, trusts, and unincorporated associations.

Auditor (Name & Address)	Confirmation Date (DD/MM/YYYY)
Contact Name:	Authority to Disclose Information attached Yes/No
Telephone Number:	Third Party Authority attached Yes/No/ Not applicable
Fax Number:	
Email Address:	
Date of Audit Request (DD/MM/YYYY)	Request for Acknowledgement attached Yes/No

1. CREDIT ACCOUNT BALANCES

Provide details of all account balances in favour of the bank customer as at the confirmation date, in respect of current accounts, interest bearing deposits, foreign currency accounts, convertible certificates of deposit, money market deposits, cash management trusts and any other credit balances. Provide details for the accounts listed below and for any other accounts not listed.

Provide details of any account or balance that is subject to any restriction(s) whatsoever and indicate the nature and extent of the restriction, e.g. garnishee order.

Account Name	BSB Number	Account Number	Currency	Balance
Auditor/customer to complete known details in shaded areas			Bank to complete unshaded areas	
Bank to provide information on other accounts not identified by auditor/customer				

2. DEBIT ACCOUNT BALANCES

Provide details of any account or balance that is subject to any restriction(s) whatsoever and indicate the nature and extent of the restriction, e.g. garnishee order.

Account Name	BSB Number	Account Number	Currency	Balance
Auditor/customer to complete known details in shaded areas			Bank to complete unshaded areas	
Bank to provide information on other accounts not identified by auditor/customer				

(Bank to complete)

Maker/Acceptor	Due Date	Balance

Provide details of the following as at the confirmation date:

- (a) Acceptances, bills discounted with recourse to the customer or any subsidiary or related party of the customer, endorsed drafts/notes, forward exchange contracts, letters of credit, liability in respect of shipping documents where customer's account not yet debited.
- (b) Bonds, guarantees, indemnities or other undertakings given to the bank by the customer in favour of third parties (including separately any such items in favour of any subsidiary or related party of the customer). Give details of the parties in favour of whom guarantees or undertakings have been given, whether such guarantees or undertakings are written or oral and their nature.
- (c) Bonds guarantees, indemnities or other undertakings given by you, on your customer's behalf, stating whether there is recourse to your customer and/or any other related entity.
- (d) Other liabilities—give details.

Nature of Liability	Terms of Liability	Currency	Name of Beneficiary	Balance

With respect to items held as security for customer's liabilities to the bank indicate whether the security:

- (a) relates to particular borrowings or liabilities to the bank and whether it is lodged in the customer's name or by a third party. (If lodged by a third party, that party's authority to disclose details must be attached).
- (b) is formally charged (provide details of date, ownership and type of charge);
- (c) supports facilities granted by the bank to the customer or to another party.
- (d) is limited in amount or to a specific borrowing or, if to your knowledge, there is a prior, equal or subordinate charge;

Provide details of any arrangements for set-off of balances or compensating balances e.g., back to back loans. Include details of date, type of document and account covered, any acknowledgement of set-off, whether given by specific letter of set-off or incorporated in some other document:

Provide details of any negative pledge arrangements that exist.

Provide details here

Guidance Statement GS 016 *Bank Confirmation Requests*

6. LEASES (Bank to complete)

Provide details of all known finance leasing commitments

Leased Item	Restrictions / Special Arrangements	Lease Term	Currency	Implicit Interest Rate	Repayment Terms	Balance

7. ACCOUNTS OPENED/CLOSED (Bank to complete)

List details of any accounts opened or closed during the twelve months prior to confirmation date.

Account Name	BSB Number	Account Number	Open or Closed?	Date opened/closed

8. UNUSED LIMITS/FACILITIES (Bank to complete)

Please confirm details of all available unused limits/facilities at confirmation date.

Types of Facility	Facility Limit	Unused Limit	Terms of Facility Use

9. DEFAULTS AND BREACHES (Bank to complete)

With reference to the customer's accounts with the bank, provide details of any defaults or breaches during the period and full details of such defaults and breaches. Include details, for example, of:

- (a) loans payable in default at the confirmation date and whether they have since been re-negotiated, and
- (b) bank covenants breached during the twelve months up to the confirmation date and whether the breach was remedied.

Provide details here

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10. OTHER INFORMATION

Please confirm (see shaded area below) and/or provide any other details (unshaded area below) relating to any financial relationships not dealt with under sections to 1-9 above.

Auditor/customer to complete known details in shaded area
Bank to provide other information not identified by customer

Guidance Statement GS 016 Bank Confirmation Requests

11. BANK AUTHORISATION (Bank to complete)

This certificate has been completed from our records at(bank details).

The Bank and its staff are unable to warrant the correctness of that information and accordingly hereby disclaim all liability in respect of the same. The information contained herein is confidential and provided for private use in confirmation of our customer accounts for audit purposes only. It may not be used for any other purpose or by any other persons. In particular this is not a credit reference.

AUTHORISED BY:		Other authorisation details (where applicable)
Signature:	_____	
Name (print name)	_____	
Title	_____	
Telephone Number	_____	
Email Address	_____	
Date Completed	_____	

Appendix 2

BANK CONFIRMATION—AUDIT REQUEST (TREASURY AND OTHER OPERATIONS)

Instructions**Auditor**

- (a) Complete all known details in the shaded areas of this form before forwarding to the bank, including all known account names and the corresponding account numbers.
- (b) If the space provided on the form is inadequate, attach a separate request giving the full details of the information required.

Bank

- (a) Confirm that the details provided in the shaded areas are correct as at the confirmation date shown below, and highlight any variation/s. Also add any relevant information that may have been omitted by the customer/auditor.
- (b) Complete the unshaded areas in sections 1-9.
- (d) Sign the completed form and return the original direct to the auditor, and a duplicate to the customer, in the stamped addressed envelopes provided. A copy may be retained by the bank.

Bank (Name & Address)	Customer/Entity (Name & Address)
	“Entity” includes companies, companies in a parent-subsidiary relationship, joint ventures, partnerships, trusts, and unincorporated associations.

Auditor (Name & Address)	Confirmation Date (DD/MM/YYYY)
Contact Name: Telephone Number: Fax Number: Email Address:	Authority to Disclose Information attached Yes/No
	Third Party Authority attached Yes/No/ Not applicable
Date of Audit Request (DD/MM/YYYY)	Request for Acknowledgement attached Yes/No

1. BALANCES OF ACCOUNTS (DEPOSIT& ADVANCES), SECURITIES HELD

- (a) Please confirm details of all account balances as at the confirmation date.
- (b) Include details of: nostro accounts, vostro accounts, current accounts, interest bearing deposits, foreign currency accounts, convertible certificates of deposit, money market deposits, etc. Confirm details of any securities held for payment, e.g., Promissory Notes.
- (c) Confirm details of direct liabilities (bank & term loans etc), indicating the collateral lodged by the customer in respect to each outstanding loan. Details of repayment terms should also be confirmed.

Account Name	Account Number	Balance DR/CR	Currency	Interest Rate	Interest Accrued	Date Paid	Other Charges	Maturity Date	Collateral Lodged
Auditor/customer to complete		Bank to complete unshaded areas							
Bank to provide information on other accounts not identified by auditor/customer									

Guidance Statement GS 016 Bank Confirmation Requests

2. FORWARD RATE AGREEMENTS (FRAs) (Bank to complete)

Please confirm details of all outstanding forward rate agreement contracts at the confirmation date.

Name and Number of contract	Period of Contract Start Date	Maturity Date	Notional Principal Amount	Currency	Contract/ Hedge Rate	Fixed/ Floating	Contract Borrower/ Contract Lender

3. FOREIGN EXCHANGE CONTRACTS (Bank to complete)

Please confirm details of all outstanding foreign exchange contracts at the confirmation date. Obligations to purchase/sell currency should be confirmed in terms of the bank's indebtedness.

Purchase Currency	Amount	Sell Currency	Amount	Exchange Rate	Deal Date	Maturity Date

4. SINGLE CURRENCY INTEREST RATE SWAPS (Bank to complete)

Please confirm details of outstanding single currency interest rate swaps.

Start Date	Maturity Date	Notional Principal Amount	Currency	Receive				Pay			
				Fixed/ Floating	Payment Frequency	Interest Rate	Last Received	Fixed/ Floating	Payment Frequency	Interest Rate	Last Paid

5. CROSS CURRENCY INTEREST RATE SWAPS (Bank to complete)

Please confirm details of outstanding cross-currency interest rate swaps.

Start Date	Maturity Date	Received/Purchase Currency					Pay/Sell Currency				
		Notional Principal Amount	Currency	Payment Frequency	Interest Rate	Last Received	Notional Principal Amount	Currency	Payment Frequency	Interest Rate	Last Paid

6. OPTIONS CONTRACTS (e.g., INTEREST, CURRENCY AND COMMODITIES) (Bank to complete)

Please confirm details listed of outstanding options contracts as at the confirmation date. Indicate the nature of each option contract e.g., Interest Rate Options (cap, collar etc).

Nature of Option Contract	Option Type American/ European	Premium	Strike Price	Currency	Expiry Date	Put/Call Option	Buy/Sell	Contracts Outstanding (No.)

7. TREASURY FUTURES CONTRACTS (Bank to complete)

Please confirm details listed of outstanding Treasury Futures Contracts e.g., BABs, Bonds.

Type of Futures Contract	Value Month	Number of Contracts	Funds on Deposit & Margin Calls	Long/Short	Contracted Sales Price

Guidance Statement GS 016 Bank Confirmation Requests

8. NETTING (OFFSET) ARRANGEMENTS (Bank to complete)

Please confirm the details of any arrangements for offset of compensating balances e.g., back to back loans. Give particulars of any acknowledgement of offset, whether given by specific letter of offset or incorporated in some other document (i.e., date, type of document and accounts covered).

Item Subject to Netting Arrangements	Conditions of Netting

9. OTHER CONTRACTUAL ARRANGEMENTS (Bank to complete)

Provide details of any other contractual arrangement(s) between the customer and the bank e.g., forward bank bills/bonds, repurchase agreements, transactions packaged as a unique product for the customer, bullion contracts, commodity contracts, swap arrangements (near and far dates), credit derivatives including collateralised debt obligations (CDOs), and others (indicate their nature).

Nature of Contract	Deal Date	Maturity Date	Value Date	Face Value	Consideration	Coupon

10. BANK AUTHORISATION (Bank to complete)

This certificate has been completed from our records at(bank details).

The Bank and its staff are unable to warrant the correctness of that information and accordingly hereby disclaim all liability in respect of the same. The information contained herein is confidential and provided for private use in confirmation of our customer accounts for audit purposes only. It may not be used for any other purpose or by any other persons. In particular this is not a credit reference.

AUTHORISED BY:	Other authorisation details (where applicable)
Signature: _____	
Name (print name) _____	
Title _____	
Telephone Number _____	
Email Address _____	
Date Completed _____	

Appendix 3

EXAMPLE LETTER: CUSTOMER REQUEST AND AUTHORITY TO DISCLOSE

Addressee

Name of Bank

Address of Bank

Date

Dear

[Entity's (ies') Name(s)]²⁹—Bank Confirmation Request and Authority to Disclose Information

I/We³⁰ authorise you, [Name of Bank], including all branches and subsidiaries of the bank, to provide to our auditor [Name of Auditor] any information that the auditor may request from you regarding all and any of our accounts and dealings with you.

More specifically, it would be appreciated if you would complete and return, for audit purposes, the information requested in the attached form(s) by (insert date):

- Bank Confirmation—Audit Request (General)
- Bank Confirmation—Audit Request (Treasury and Other Operations)

Please mail the original of the completed form(s) direct to our auditor as named in the form(s) and the duplicate(s) to us in the stamped, addressed envelopes enclosed for this purpose.

Any charge for providing this information is to be debited to the following account: [insert account details]

Yours faithfully

(Authorising Officer's Signature)¹⁸
(Authorising Officer's Name)
(Authorising Officer's Title)

(Authorising Officer's Signature)
(Authorising Officer's Name)
(Authorising Officer's Title)

²⁹ The entity's (ies') name(s) on the Authority to Disclose letter should match the name(s) shown in the bank confirmation request.

³⁰ The person(s) signing this Authority to Disclose letter should be duly authorised to do so as the entity's representative.

Appendix 4

**EXAMPLE FORM: REQUEST FOR ACKNOWLEDGEMENT
OF RECEIPT OF BANK CONFIRMATION REQUEST**

Part A - to completed by the Auditor

Please acknowledge receipt of the:

- Bank Confirmation—Audit Request (General)
- Bank Confirmation—Audit Request (Treasury and Other Operations) [Delete if not applicable]

for the following entity (ies):

Entity (Name & address) ³¹	
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This acknowledgement should be returned to:

Auditor (Name & address)	
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Please contact the following person if you have any queries about this request:

Contact name:

Telephone Number:

Fax Number:

Email Address:

Part B - to be completed by the Bank

Thank you for your:

- Bank Confirmation—Audit Request (General)
- Bank Confirmation—Audit Request (Treasury and Other Operations) [Delete if not applicable]

in respect of:

Entity (Name & address)	
-------------------------	--

The request was received on (DD/MM/YYYY)	
--	--

Your request is being processed and we expect to respond to you by _____ (DD/MM/YYYY), in accordance with our general service level agreement for processing bank confirmation requests.

In the event that you need to contact us, please address any enquiries to:

Bank (Name & address)	
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Contact name:

Telephone Number:

Fax Number:

Email Address:

³¹ The entity name should match the relevant information contained in the Bank Confirmation Request.