

Standard on Assurance Engagements ASAE 3100
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- (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.
58. 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. A52)
59. 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

60. 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

61. 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. A60-A62)

Scope Limitation

62. 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. A63)

Other Communication Responsibilities

63. 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

²⁷ See ASAE 3000, paragraph 73.

²⁸ See ASAE 3000, paragraph 78.

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during the course of the engagement the assurance practitioner identifies any matters of 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 those matters of non-compliance or those charged with governance on a timely basis those matters of material non-compliance. (Ref: Para. A65)

64. In limited circumstances the assurance practitioner may be required by law or regulation and the terms of the engagement to report all instances of non-compliance with the compliance requirements to the regulator²⁹.
65. 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. A64)
66. 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

67. 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. A66):
 - (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.
68. 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.

* * *

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.

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~~A57-A58.~~ Illustrative examples of assurance practitioner's reports are contained in Appendix 6.

Intended Users and Specific Purpose of the Assurance Report (Ref: Para. 57(o))

~~A58-A59.~~ 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. 61-62)

~~A59-A60.~~ 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)~~(iii) Misstatement in the Statement;
- (c) A disclaimer may be issued if there is a limitation of scope which is both material and pervasive.

~~A60-A61.~~ Illustrative examples of elements of modified assurance practitioner's reports are contained in Appendix 7.

~~A61-A62.~~ 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.

~~A62-A63.~~ 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. 63-66)

~~A63-A64.~~ Appropriate actions to respond to the circumstances identified in paragraph 65 may include:

- Obtaining legal advice about the consequences of different courses of action.

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- 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.

| ~~A64-A65.~~ 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. 67-68)

| ~~A65-A66.~~ For application material on preparing and maintaining documentation refer ASAE 3000.³⁸

| ³⁸ See ASAE 3000, paragraphs A193-A200.

Appendix 7

(Ref: Para. A61)

EXAMPLE MODIFIED ASSURANCE REPORTS ON COMPLIANCE

- Example 1: Qualified reasonable assurance opinion – a material (but not pervasive) ~~misstatement matter of non-compliance was identified within~~ ABC’s Statement on the entity’s compliance with the [compliance requirements] (Attestation engagement)
- Example 2: Adverse reasonable assurance opinion – ~~ABC non-compliant with~~ 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 6 and may be adapted as appropriate to the engagement circumstances.~~

Example 1: Qualified reasonable assurance opinion – a material (but not pervasive) ~~misstatement in matter of non-compliance was identified with~~ ABC’s Statement on the entity’s compliance with the [compliance requirements] (Attestation engagement)

...

Qualified Opinion

In our opinion, except for the effects of the matter(s) described in the Basis for Qualified Opinion paragraph, the Statement by ABC that the entity has complied with the [compliance requirements] is, in all material respects, ~~properly prepared and presented~~ ~~fairly stated~~ as evaluated by the [suitable criteria] [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 ~~as to ABC’s compliance with this requirement~~ ~~by alternate procedures~~, therefore qualify our opinion in this regard.

...

Assurance Practitioner’s Responsibilities

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

