

19 October 2016

Ms Merran Kelsall
Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
MELBOURNE VICTORIA 8007

Dear Ms Kelsall

**ACAG SUBMISSION ON EXPOSURE DRAFT 04/16 - PROPOSED STANDARD ON
ASSURANCE ENGAGEMENTS ASAE 3100 COMPLIANCE ENGAGEMENTS**

The Australasian Council of Auditors-General (ACAG) welcomes the opportunity to comment on the above Exposure Draft. The views expressed in this submission represent those of all Australian members of ACAG.

Overall, we support the proposed Standard. Although the existing ASAE 3100 *Compliance Engagements* is used sparingly by Australian audit offices, we have responded to the specific questions in the Exposure Draft and also provide comment on materiality.

We appreciate the opportunity to respond and trust you will find our comments useful.

Yours sincerely



Andrew Greaves
Chairman

ACAG Financial Reporting and Auditing Committee

**Exposure Draft 04/16 - Proposed Standard on Assurance Engagements ASAE 3100
Compliance Engagements**

Specific Questions for Comment

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

ACAG makes no comment on this matter.

- 2. Are there any references to relevant laws or regulations that have been omitted?**

ACAG makes no comment on this matter.

- 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?**

ACAG is not aware of any such laws or regulations.

- 4. Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?**

Generally, yes.

The considerations in paragraph A4 for differentiating the conduct of a direct engagement from an attestation engagement could better emphasise that in a direct engagement the assurance practitioner directly evaluates compliance with the compliance requirements and in an attestation engagement this evaluation is conducted by the responsible party.

- 5. Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?**

The procedures required for limited and reasonable assurance engagements are appropriate and adequately distinguished. We support the use of the tabular approach at paragraphs 32 and 43 to describe the required procedures.

- 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?**

ACAG makes no comment on this matter.

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

None.

Comment on other matters

Materiality

ACAG acknowledges that the definition of “Material in the context of a compliance engagement” at paragraph 17(q) is similar to the definition in the existing ASAE 3100. However, this definition is not easy to understand and interpret, and we suggest that the definition be removed.

ACAG considers the materiality requirements at paragraph 31 and the explanatory material at paragraphs A25 to A30 are sufficient, subject to an addition to paragraph 31 requiring the assurance practitioner to consider materiality when evaluating whether the underlying subject matter (compliance activity) meets the compliance requirements.

This approach is consistent with the approach in ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*.