



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **7**

Meeting Date: 22 February 2016

Subject: Revision of ASAE 3100 *Compliance Engagements*

Date Prepared: 15 February 2016

Action Required

For Information Purposes Only

Agenda Item Objectives

AUASB to further consider the key matters raised at the 1 December 2015 meeting on the draft ED XX ASAE 3100 *Compliance Engagements* and to discuss and approve the recommendation of the AUASB Technical Group.

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 24 February 2015 AUASB meeting.
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. The next scheduled meeting of the PAG will be held after the 22 February 2016 AUASB meeting in early March.

Matters to Consider

Part A – General

1. The key matters raised at the 1 December 2015 AUASB meeting were in relation to the terminology used in the application para 1 and then throughout the ED “an entity’s compliance with the compliance requirements as evaluated against the suitable criteria”. The AUASB discussed whether for a compliance engagement the compliance requirements and the criteria are the same or whether the compliance requirements are a subset of the criteria.

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.

- If compliance requirements are a more granular subset of the criteria are the definitions of “criteria” and “compliance requirements” in the definitions para 17 appropriate and adequately linked? If they were more appropriately linked can we simplify the ED XX ASAE 3100 by just using one term throughout?
2. It was also discussed as to whether the use of both terms “compliance objective” and “compliance activity” was adding a level of complexity to ED XX ASAE 3100 that was confusing and didn’t assist in clarifying the standard.
 3. Are we appropriately applying the principles of ASAE 3000 within ED XX ASAE 3100?

Recommendation

1. The definitions in para 17 of ‘criteria’ and ‘compliance requirement’ should be changed to reflect that the compliance requirements are a detailed subset of the criteria. Refer to attachment 7.1 for suggested wording, as agreed at the 1 December 2015 AUASB meeting.
2. It is recommended that the term “compliance requirements” is used throughout the ED instead of “criteria” as the compliance requirement is the more specific subset under the criteria and is the requirement under the law or regulation etc in which the entity must comply. The PAG also requested the use of the term ‘compliance requirements’ because it is used more often in practice in relation to compliance engagements. Refer to attachment 7.1 for the example wording.
3. It is recommended that the term ‘compliance objective’ be removed and the term ‘compliance activity’ retained to simplify and improve the clarity of the ED XX ASAE 3100.

Summary of Recommendations

If the above recommended terminology changes are agreed by the AUASB this would then retain three levels within ED XX ASAE 3100 being:

- Criteria – Macro level
- Compliance Requirements – Micro level
- Compliance Activity – activity undertaken to monitor or ensure the entity meets the compliance requirements.

In Progress

4. Further drafting of ED XX ASAE 3100 will continue post 22 February 2016 meeting dependent on the outcomes of the discussion at 22 February meeting on the use of the terminology.
5. The AUASB has liaised with the NZAuASB who will complete the Quality Assurance process for ED XX ASAE 3100 prior to it going to the AUASB as a final ED to be approved.
6. The AUASB Technical Group will endeavour to provide a further draft ED XX ASAE 3100 for the 18 April 2016 meeting for consideration with a view to obtaining approval for exposure.

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).

AUASB Technical Group Recommendations

AUASB to consider, discuss and approve the recommendations made by the AUASB Technical Group on the proposed terminology changes to ED XX ASAE 3100 *Compliance Engagements*.

Material Presented

Agenda Item 7 AUASB Board Meeting Summary Paper
Agenda Item 7.1 ED XX ASAE 3100 *Compliance Engagements* (Excerpt) (marked up)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and approve the terminology changes to ED XX ASAE 3100.	Feedback and approval of the terminology changes to ED XX ASAE 3100.	AUASB	22 February 2016	Pending
