



# AUASB Comments Received and Proposed Disposition Paper

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| <b>AGENDA ITEM NO.</b>         | <b>5.1</b>  |                         |          |
| <b>Meeting Date:</b>           | 12 September 2017   |                         |          |
| <b>Subject:</b>                | ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements |                         |          |
| <b>Date Prepared:</b>          | 28 August 2017  |                         |          |
| <b>Document Type:</b>          | Exposure Draft  | <b>Document Number:</b> | ED 01/17 |
| <b>Proposed Type &amp; No:</b> | ASAE 3500   |                         |          |
| <b>Proposed Title:</b>         | Standard on Assurance Engagements ASAE 3500 Performance Engagements                   |                         |          |

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| <b>EXHIBIT 1:</b> | ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements | Page Number<br>3 |
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**LISTING OF RESPONDENTS**

| Short Form Name | Name                                     | Date Received |
|-----------------|--|---------------|
| EY              | Ernst & Young                            | 17 July 2017  |
| ACAG            | Australasian Council of Auditors-General | 21 July 2017  |
| CPA             | CPA Australia Ltd                        | 25 July 2017  |
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**EXHIBIT 1: ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements**

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

| Respondent Comment |   | Commentary   | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|--|-------------------------------|----------|
| EY                 | We believe that all applicable laws and regulations have been appropriately addressed in the proposed standard. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard. In our view, there are no additional significant costs to/benefits arising from compliance with the requirements of the proposed standard. We foresee no difficulties in implementing the requirements and believe there are no other significant public interest matters to raise. | Comment noted by the AUASB Technical Group (“ATG”) | N                             |          |
| ACAG               | ACAG makes no comment on this matter.   | Comment noted by the ATG                           | N                             |          |
| CPA                | We have not identified any concerns regarding addressing applicable laws and regulations.   | Comment noted by the ATG                           | N                             |          |

**Summary—Question - Have applicable laws and regulations been appropriately addressed in the proposed standard?**

| No. of Respondents | NO | YES |
|--------------------|----|-----|
| 3                  |    | 3   |

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**EXHIBIT 1: ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements (cont'd)**

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

| Respondent Comment |   | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|--------------------------|-------------------------------|----------|
| EY                 | We believe that all applicable laws and regulations have been appropriately addressed in the proposed standard. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard. In our view, there are no additional significant costs to/benefits arising from compliance with the requirements of the proposed standard. We foresee no difficulties in implementing the requirements and believe there are no other significant public interest matters to raise. | Comment noted by the ATG | N                             |          |
| ACAG               | ACAG makes no comment on this matter.   | Comment noted by the ATG | N                             |          |
| CPA                | We are not aware of any omissions.  | Comment noted by the ATG | N                             |          |
|                    |   |                          |                               |          |
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|                    |   |                          |                               |          |
|                    |   |                          |                               |          |

**Summary—Question - Are there any references to relevant laws or regulations that have been omitted?**

| No. of Respondents | NO | YES |
|--------------------|----|-----|
| 3                  | 3  |     |

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**EXHIBIT 1: ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements (cont'd)**

**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?**

| Respondent Comment |   | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|--------------------------|-------------------------------|----------|
| EY                 | We believe that all applicable laws and regulations have been appropriately addressed in the proposed standard. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard. In our view, there are no additional significant costs to/benefits arising from compliance with the requirements of the proposed standard. We foresee no difficulties in implementing the requirements and believe there are no other significant public interest matters to raise. | Comment noted by the ATG | N                             |          |
| ACAG               | ACAG makes no comment on this matter.   | Comment noted by the ATG | N                             |          |
| CPA                | We are not aware of any laws or regulations which prevent, impede or conflict with the proposed standard.   | Comment noted by the ATG | N                             |          |
|                    |   |                          |                               |          |
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|                    |   |                          |                               |          |

**Summary—Question - 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?**

| No. of Respondents | NO | YES |
|--------------------|----|-----|
| 3                  | 3  |     |

**EXHIBIT 1: ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements (cont'd)**

4. **What, if any, are the additional significant costs to/benefits for assurance practitioners and the public sector 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 performance engagements?**

| Respondent Comment |   | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|--------------------------|-------------------------------|----------|
| EY                 | We believe that all applicable laws and regulations have been appropriately addressed in the proposed standard. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard. In our view, there are no additional significant costs to/benefits arising from compliance with the requirements of the proposed standard. We foresee no difficulties in implementing the requirements and believe there are no other significant public interest matters to raise. | Comment noted by the ATG | N                             |          |
| ACAG               | ACAG considers that the main changes in the proposed standard are broadly consistent with current practice so ACAG does not anticipate that there will be any significant costs arising from compliance with the main changes to the requirements of the proposed standard.   | Comment noted by the ATG | N                             |          |
| CPA                | There are likely to be some additional costs in implementing the proposed standard in order to update methodologies for the revised requirements and to ensure that areas which impose more comprehensive requirements are adequately addressed, such as internal controls. We do not consider that those additional costs are likely to be significant, although they will depend on the characteristics of the activity, such as the complexity of the relevant internal controls.  | Comment noted by the ATG | N                             |          |

**Summary—Question - What, if any, are the additional significant costs to/benefits for assurance practitioners and the public sector 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 performance engagements?**

| No. of Respondents | NO | YES |
|--------------------|----|-----|
| 3                  | 3  |     |

**EXHIBIT 1: ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements (cont'd)**

**5. Will there be any difficulties in implementing the requirements?**

| Respondent Comment |  | Commentary  | Change to be made to Doc? Y/N | Para No. |
|--------------------|--|---|-------------------------------|----------|
| EY                 | <p>We believe that all applicable laws and regulations have been appropriately addressed in the proposed standard. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard. In our view, there are no additional significant costs to/benefits arising from compliance with the requirements of the proposed standard. We foresee no difficulties in implementing the requirements and believe there are no other significant public interest matters to raise.</p>   | <p>Comment noted by the ATG</p>   | N                             |          |
| ACAG               | <p><b>Paragraph 34 – Understanding internal controls</b></p> <p>ACAG notes the potential for inconsistent application of paragraph 34 of the proposed standard. This is due in part to this paragraph introducing a new mandatory requirement to understand internal control by evaluating the design and implementation of controls. This may be construed as implying a level of testing of the relevant controls, in addition to obtaining an understanding, however it is not clear whether this is the intention and, if so, what the nature, timing and extent of procedures should be.</p> <p>ASAE 3000 provides no greater clarity in this regard. By way of contrast, ASA 315, paragraph A74 clarifies the types of procedures used in gaining an understanding of the design and implementation of financial reporting controls.</p> <p>Also, the paragraph is not clear about the circumstances when internal controls will be considered relevant to the evaluation of an activity’s performance.</p> <p>ACAG notes the development of the recent Canadian Standard on Assurance Engagements CSAE 3001 <i>Direct Engagements</i> considered this matter. The Basis for Conclusions states “...the AASB decided to word paragraph 52R of CSAE</p> | <p>Comment noted by the ATG</p> <p>The assurance practitioner would need to apply their professional judgement as to when internal controls are considered relevant to the evaluation of an activity’s performance. The circumstances of each performance engagement will be different and as such this would need to be considered on an engagement by engagement basis.</p> |                               |          |

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| Respondent Comment |   | Commentary  | Change to be made to Doc? Y/N | Para No.                              |
|--------------------|---|---|-------------------------------|---------------------------------------|
|                    | <p>3001 so the focus is on controls pertinent to the objectives of the engagement and that work on evaluating the design and implementation of controls would be undertaken when relevant to that engagement.” Additional explanatory material paragraphs were added to CSAE 3001. ACAG suggests a similar approach for the proposed standard.</p>                            | <p>The AUASB has reviewed the wording in para 52R of CSAE 3001 and are satisfied the overall requirement of understanding of internal control explicitly states only where relevant to the engagement. This is also the intention of para 33 of ASAE 3500 where we state ‘internal controls the assurance practitioner considers are relevant to the evaluation.....’</p> <p>The AUASB agrees the evaluation of the design of controls could be explicitly linked to the objective of the engagement and that performing of procedures on implementation of controls is only where relevant.</p> <p>The wording in para 33 has been changed to reflect this and is more in line with CSAE 3001.</p> <p>Some additional application material has been added to para A36-A39 to reflect the type of work that may be undertaken on internal controls if relevant to the engagement and is drawn from CSAE 3001.</p> | <p>Y</p> <p>Y</p>             | <p>33</p> <p>A36-A39</p>              |
| ACAG               | <p><b>Paragraph 45 – Assurance report content</b></p> <p>ACAG notes that the minimum requirements to be included in a performance audit report as prescribed in paragraph 45 contain some elements not currently presented in practice. As such, the inclusion of all of these elements would require significant changes to existing performance audit reporting custom.</p> | <p>Comment noted by the ATG</p> <p>This area was discussed at length with the PAG and the following base elements were noted as ones not currently reported on by Auditor-Generals: 45(d) Responsible Parties responsibility statement, 45(e) Assurance Practitioners responsibility statement and 45(g)(i) application of ASQC1 and were not considered by the PAG to add to the substance of the performance engagement report. Currently 45(d) and 45(e) are required under para 83(g) of extant ASAE 3500. Paragraph 45(g)(i) in relation to ASQC1 only came into effect in October 2009 (post issuance of extant ASAE 3500) as part of the AUASB’s Clarity project. By</p>   | <p>Y</p>                      | <p>45(d),<br/>45(e),<br/>45(g)(i)</p> |

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| Respondent Comment |   | Commentary   | Change to be made to Doc? Y/N | Para No.  |
|--------------------|---|--|-------------------------------|-----------|
|                    | In addition, ACAG recommends clarification as to the appropriate level of criteria required to be reported in accordance with subparagraph 45(c)(iii). In performance audit practice it is common for multiple levels of criteria to be developed, which may be described as ‘lines of enquiry’, ‘criteria’ or ‘sub-criteria’. Inconsistency in reporting is likely to result without further clarification as to which levels of criteria should be reported as a minimum.   | <p>removing these base elements of the performance engagement report allows the Auditor-General’s more flexibility in their reporting style and lends itself to being presented in plain English assisting the user/reader of the report and is consistent with current practice in Australia. These recommended changes also support ACAG’s overall comment regarding this ASAE being specifically developed for public sector auditors with consideration of better practice in reporting to Parliament.</p> <p>The ATG have added some additional words to the application material in para A15 to make it clear that criteria can include: general criteria or specific criteria referred to as sub-criteria and/or lines of enquiry.</p> <p>The ATG believe the definition of criteria in para 16(d) is broad enough for the assurance practitioner to include criteria, sub-criteria and/or lines of enquiry in their performance engagement report and as such no changes have been made to the current definition. This also allows the Auditor-General the flexibility to report criteria at the level that is most relevant to the performance engagement.</p> | Y<br><br>N                    | A15       |
| ACAG               | <p><b>Paragraph 15 – Relationship with other standards</b></p> <p>ACAG considers that the interpretation and application of paragraph 15 may be difficult because the table in Appendix 4 appears to be incomplete and/or confusing. The intention of the AUASB for the inclusion of this appendix is not clear. Specifically, under Subject Matters 2 and 3, ACAG considers ASAE 3500 ought to be ticked given that the table is describing subject matter evaluations that could be performance engagements. With particular reference to Subject Matter 3 which refers to the design and operating effectiveness of controls, the table also may cause confusion because paragraph 34 of the proposed standard requires an</p> | <p>Comment noted by the ATG</p> <p>ATG have clarified the wording in para 14 and Appendix 4 to assist in making the purpose of Appendix 4 clearer.</p> <p>ATG have also added an additional column to table regarding the type of engagement to assist in clarifying when each ASAE would apply.</p>   | Y                             | 14, App 4 |



| Respondent Comment |   | Commentary   | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|--|-------------------------------|----------|
|                    | <p>or the discharge of accountability by the responsible party or governing body of the entity.</p> <p>If the definition of materiality is amended, then the wording of paragraphs 32 and A42 may need to be amended to be consistent, by deleting the word ‘adversely’.</p>  |  |                               |          |
| CPA                | <p><b>Definition of Reasonable assurance engagement – paragraph 17(p)</b></p> <p>The definition of reasonable assurance engagement and limited assurance engagement should be consistent. In the proposed standard the definition of limited assurance is more specific to performance engagements as it refers to economy, efficiency and effectiveness. We suggest that the definition of reasonable assurance engagements also needs to be more specific to make it meaningful for performance engagements. Our recommended wording is set out in point 5 below.</p>   | <p>Comment noted by the ATG</p> <p>Refer to comments below re:</p> <p>CPA comment on: Assurance Conclusion and definitions of Limited and Reasonable assurance engagement.</p>   | N                             |          |
| CPA                | <p><b>Definition of Variation – paragraph 17(t)</b></p> <p>Variation is defined in the ED as: ‘An instance where the underlying subject matter does not meet in whole or part the identified criteria, for example a material departure of performance against the identified criteria.’</p> <p>We note that the term ‘variation’ may be useful in the context of performance engagements if it is intended to reflect both deficiencies in performance and positive performance (including outstanding performance or performance exceeding expectations or benchmarks). In contrast, other types of assurance engagements usually seek to identify only negative findings, such as misstatements in reports, deficiencies in the design or implementation of controls, deviations in the operating effectiveness of controls or non-compliance.</p> <p>However, the definition of variation in the ED arguably reflects only deficiencies in performance as it states: ‘An instance where the underlying subject matter <u>does not</u> meet in whole or part the identified criteria’ (emphasis added). We</p> | <p>Comment noted by the ATG</p> <p>ATG agree that a variation can exceed or be deficient in its performance as evaluated against the identified criteria even though the example given illustrates a deficiency. The PAG discussed at length the use of the term deficiency and felt that it only focussed on the negative outcomes of a Performance Engagement rather than a more balanced view where some parts of the activity may meet the identified criteria whilst other parts of the activity may not which if material would be reported as a variation.</p> <p>The use of the term ‘variation’ was also considered by the PAG to be more in line with better practice in reporting to Parliament especially for performance engagements that may be politically sensitive.</p> | Y                             | 16(t)    |

| Respondent Comment |  | Commentary  | Change to be made to Doc? Y/N | Para No. |
|--------------------|--|---|-------------------------------|----------|
|                    | <p>recommend that either the definition is amended to reflect both positive and negative variations or a term which is more consistent with existing standards, such as ‘deficiencies’, should be used.</p> <p>Further, we consider that the second half of the definition does not add any clarity and the inclusion of the word ‘material’ is unhelpful as variations may be either material or immaterial. Once a variation is identified, materiality is a separate consideration which will determine whether it will impact the assurance conclusion.</p> <p>Consequently, we suggest that either the term ‘variation’ is replaced with ‘deficiency’ or, if it is retained, that the definition of variation be amended as follows:</p> <p>An instance where the <u>performance of the underlying subject matter does not meet either exceeds the identified criteria or is deficient, in whole or part, as evaluated against the identified criteria, for example a material departure of performance against the identified criteria</u></p> | <p>ATG agree the definition of variation should be amended accordingly to reflect both exceeding and deficiencies in performance against the identified criteria.</p>   |                               |          |
| CPA                | <p><b>Internal controls – paragraph 34</b></p> <p>Whilst we support the proposed requirements in relation to internal controls, the nature, timing and extent of testing necessary to evaluate the design and implementation of controls as required under paragraph 34, may create implementation difficulties for some practitioners. The proposed requirements are much more explicit that relevant controls should be considered, but do not specify the procedures required to be conducted. We acknowledge that, as only internal controls ‘relevant to the evaluation of the activity’s performance against the identified criteria’ are required to be understood, it may not be possible to clarify the procedures required, but a list of possible types procedures may be helpful in the application material.</p>  | <p>Comment noted by the ATG</p> <p>As noted by CPA this requirement in para 33 only applies to controls relevant to the evaluation of the activity’s performance against the identified criteria. As each engagement and circumstances will be different and the extent to which internal controls are relevant will be matter for the assurance practitioners professional judgement it is somewhat difficult to list all the possible procedures required.</p> <p>ATG have added additional application material to para A36-A39 which discusses the type of work effort that may be undertaken for internal controls if they are</p> | Y                             | A36-A39  |

| Respondent Comment |   | Commentary   | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|--|-------------------------------|----------|
|                    |   | relevant to the evaluation of the activity’s performance. This is consistent with that in CSAE 3001.   |                               |          |
| CPA                | <p><b>Assurance Conclusion – paragraph 42</b></p> <p>We consider that the assurance conclusion as described in paragraph 42 could more closely reflect the usual manner in which performance is described. In particular, the phrase ‘free of material variation’ could be replaced with a phrase which more closely aligns with the objective (para. 16) and definition (para. 17(n)) of a performance engagement.</p> <p>We recommend that the wording should be amended as follows:</p> <p>Para. 42: The assurance practitioner shall form a conclusion about whether the <u>activity has been performed in accordance with the identified criteria, <del>is free of material variation</del> economically, efficiently and/or effectively, in all material respects.</u></p> <p>This conclusion wording also needs to be reflected consistently in the definitions of limited assurance and reasonable assurance in paragraphs 17(l) and (p) respectively. We recommend that the definitions are amended as follows:</p> <p>Para. 17(l) 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 the assurance practitioner’s conclusion. The assurance practitioner’s conclusion is expressed 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 activity has not been performed <del>with respect to</del> <u>economically, efficiently and/or effectively, in all material respects,</u> as evaluated against the identified criteria. The nature...</p> <p>Para. 17(p) Reasonable assurance engagement—An assurance engagement in which the assurance practitioner reduces engagement risk to an acceptably low</p> | <p>Comment noted by the ATG</p> <p>ATG recommends retaining the current phrase in para 41 ‘free of material variation’ as this more closely reflects the outcomes of a performance engagement than the use of the words “in all material respects” which is more common to short form reports issued by financial statement auditors when conducting an audit under the ASAs. The ATG feel that this suggestion by CPA goes beyond the ASAE 3000 and CSAE 3001 report wording as the wording of the conclusion is not prescribed.</p> <p>Based on comments above the ATG recommend retaining the current definition in ED 01/17 of limited assurance engagement.</p> | <p>N</p> <p>N</p>             |          |

| Respondent Comment |  | Commentary  | Change to be made to Doc? Y/N | Para No. |
|--------------------|--|---|-------------------------------|----------|
|                    | <p>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 <u>whether in the assurance practitioner’s opinion</u> <del>conclusion on the outcome of the evaluation</del> of the activity <u>has been performed economically, efficiently and/or effectively, in all material respects, as evaluated against identified criteria.</u></p> <p>In addition, it would be helpful to clarify that this precise wording is not mandatory in the assurance conclusion and the conclusion should reflect the objective of the engagement.</p> | Based on comments above the ATG recommend retaining the current definition in ED 01/17 of reasonable assurance engagement.                            | N                             |          |
| CPA                | Para. 5: Paragraph 5 is redundant as most of its content is covered in paragraph 3, so we suggest that paragraph 5 is deleted and the additional words in paragraph 5 are added to paragraph 3.  | <p>Comment noted by the ATG</p> <p>ATG agree with comments that para 5 duplicates para 3 therefore para 5 has been deleted.</p>                       | Y                             | 5        |
| CPA                | Para. 7(a)(i): As performance engagements can also be conducted in the private sector or outsourced by the Auditors General to the private sector, we recommend amending the wording to read: ‘... <del>, often</del> <u>including</u> a State, Territory or National Auditor General’.  | <p>Comment noted by the ATG</p> <p>ATG agree with comment to clarify who can conduct the engagement so para 6(a)(i) has been amended accordingly.</p> | Y                             | 6(a)(i)  |
| CPA                | Para. 17(r): The definition of ‘responsible party’ would benefit from further clarification by adding the phrase underlined as follows: ‘The party responsible for the performance of <u>all or part of the activity, in a-which is the subject matter of the performance engagement.</u> ’  | <p>Comment noted by the ATG</p> <p>ATG agree with comment additional wording has been added to clarify para 16(r).</p>                                | Y                             | 16(r)    |
| CPA                | Para. A3(f): We suggest that activities specifically include governance structures by inserting the words ‘ <u>Governance structures, including</u> ’ in this sub-paragraph before ‘the assignment...’.  | <p>Comment noted by the ATG</p> <p>ATG agree with comment additional wording has been added to clarify para A3(f).</p>                                | Y                             | A3(f)    |

**Summary—Question - Will there be any difficulties in implementing the requirements?**

| No. of Respondents | NO | YES |
|--------------------|----|-----|
| 3                  | 1  | 2   |

**EXHIBIT 1: ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements (cont'd)**

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

| Respondent Comment |   | Commentary               | Change to be made to Doc? Y/N | Para No. |
|--------------------|---|--------------------------|-------------------------------|----------|
| EY                 | We believe that all applicable laws and regulations have been appropriately addressed in the proposed standard. We are not aware of any omitted references. Furthermore, we are not aware of any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard. In our view, there are no additional significant costs to/benefits arising from compliance with the requirements of the proposed standard. We foresee no difficulties in implementing the requirements and believe there are no other significant public interest matters to raise. | Comment noted by the ATG | N                             |          |
| ACAG               | ACAG is not aware of any other significant public interest matters.   | Comment noted by the ATG | N                             |          |
| CPA                | We have not identified any other significant public interest issues.  | Comment noted by the ATG | N                             |          |
|                    |   |                          |                               |          |
|                    |   |                          |                               |          |
|                    |   |                          |                               |          |

**Summary—Question - Are there any other significant public interest matters that constituents wish to raise?**

| No. of Respondents | NO | YES |
|--------------------|----|-----|
| 3                  | 3  |     |



**EXHIBIT 1: ED 01/17 Proposed Standard on Assurance Engagements ASAE 3500 Performance Engagements (cont'd)**

**7. GENERAL COMMENTS**

| Respondent Comment |  | Commentary   | Change to be made to Doc? Y/N | Para No. |
|--------------------|--|--|-------------------------------|----------|
| ACAG               | <p>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.</p> <p>As ACAG members discussed with the AUASB through the Project Advisory Group consultation process, the intention of the AUASB to prepare the proposed standard as a sector-neutral performance engagement standard within the <i>Framework for Assurance Engagements</i> (the Framework) diminishes the potential value of the proposed standard to the public sector. Its value could be greatly enhanced if it was specifically prepared for public sector auditors with more consideration of better practice in reporting to Parliament and less consideration for consistency of reporting with the Framework.</p> <p>Putting aside that issue, overall, ACAG supports the proposed standard. However, we have identified some areas that could be improved or refined to help with its practical application.</p> <p>ACAG appreciates the opportunity to respond and trusts that you find our comments useful.</p> | <p>Comment noted by the ATG</p> <p>As stated by ACAG the Framework Standard under which ASAE 3500 has been developed is ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> which is sector neutral.</p> <p>Therefore the requirements and application material are consistent with ASAE 3000 and as such sector neutral which allows the standard to be applied by all assurance practitioners who undertake performance engagements directly or via work that is outsourced to the firms by the Auditor-Generals.</p> <p>It should also be noted that suggested changes have been recommended by the ATG to ED 01/17 as reflected in the previous comments at Q5 to ensure the final ASAE 3500 has been appropriately adapted within the Framework for performance engagements in Australia. This process was also iterative throughout the PAG discussions and deliberations which have occurred over the last 12 months.</p> | N                             |          |
| ACAG               | <p>ACAG notes that the proposed standard does not acknowledge the common Australian practice of establishing an overall audit objective at the commencement of a performance engagement.</p> <p>This conceptually is distinct from the general engagement objective referred to in paragraph 16, and may differ from the program or entity level objectives referred to in paragraph 17(g).</p>  | <p>Comment noted by the ATG</p>  |                               |          |

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| Respondent Comment |  | Commentary  | Change to be made to Doc? Y/N | Para No.        |
|--------------------|--|---|-------------------------------|-----------------|
|                    | <p>The formulation of a specific audit objective is an important early stage of audit planning, particularly for a direct engagement, as it informs the identification, selection or development of criteria relevant to the evaluation of the performance of an activity with respect to economy, efficiency and effectiveness.</p> <p>The existing standard acknowledges the important role of the audit objective in planning the engagement (paragraph 32) and reporting on the audit (paragraph 82), and ACAG recommends the retention of the intent and wording of these requirements.</p> <p>While the proposed standard does not prevent the setting of an audit objective, ACAG would prefer that it recognised the setting of objectives and concluding on objectives as essential steps in conducting a performance engagement.</p>   | <p>The AUASB acknowledges that the extant standard does refer to the ‘objective’ in the planning and reporting paragraphs 32 and 82. However as noted this does not preclude the assurance practitioner setting an audit objective(s) in the planning phase of the performance engagement.</p> <p>The AUASB recommends including reference to the objective in paragraph 28, 43 and 45(iii).</p>  | Y                             | 28, 43, 45(iii) |
| ACAG               | <p>ACAG recommends clarification of intent, or the correction of an apparent error, in paragraph 40 of the proposed standard. The paragraph states ‘...the assurance practitioner shall consider the effect on the activity’s performance of events that become known to the assurance practitioner <b>after the date</b> of the assurance report...’ [emphasis added].</p> <p>For consistency with ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>, the existing standard on performance engagements and the <i>Framework for Assurance Engagements</i>, ACAG considers that the paragraph ought to read ‘...the assurance practitioner shall consider the effect on the activity’s performance of events that become known to the assurance practitioner <b>up to the date</b> of the assurance report...’ [emphasis added].</p> <p>ACAG also considers that guidance similar to that provided in paragraph A50 of ASAE 3100 <i>Compliance Engagements</i> and paragraph A123 of ASAE 3150 <i>Assurance Engagements on Controls</i> is necessary to assist assurance practitioners</p> | <p>Comment noted by the ATG</p> <p>The AUASB acknowledges this wording was inadvertently included and that the sentence should read ‘...the assurance practitioner shall consider the effect on the activity’s performance of events that become known to the assurance practitioner <b>up to the date</b> of the assurance report...’. This change has been reflected in paragraph 40.</p> <p>The AUASB considers it appropriate to include a similar paragraph to A50 in ASAE 3100 and A123 of ASAE 3150 which assist assurance practitioners to respond appropriately to facts that become known to them after</p> | Y                             | 40              |
|                    |  |   | Y                             | A48             |

| Respondent Comment |   | Commentary  | Change to be made to Doc? Y/N | Para No.                 |
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|                    | to respond appropriately to facts that become known to them after the date of the assurance report.   | the date of the report. This paragraph has been included at A44.  |                               |                          |
| ACAG               | <p>ACAG has noted some opportunities to improve the language used in the standard. Improvements in these areas would provide greater clarity to the users of the standard and promote consistent application. In particular, ACAG notes:</p> <ul style="list-style-type: none"> <li>• The Commonwealth Auditor-General is described in the proposed standard as both the ‘National’ and the ‘Federal’ Auditor-General. ACAG considers ‘Commonwealth’ to be the most appropriate term in the context of the Australian jurisdiction.</li> <li>• The term ‘Auditor-General’ is inconsistently hyphenated in the proposed standard. The consistent use of ‘Auditor-General’ is preferred.</li> <li>• There is inconsistent description of the engagement as either a ‘performance engagement’ or simply an ‘engagement’.</li> <li>• The relative pronoun ‘which’ is used where ‘that’ would be more commonly applied to reflect the apparent intention of the AUASB that the clause that follows is essential to the interpretation of the requirement.</li> </ul> | <p>Comment noted by the ATG</p> <p>The AUASB has changed the standard where appropriate to reflect these suggestions to improve clarity and promote consistent application of the standard.</p> | Y                             | Through out the standard |
|                    |   |   |                               |                          |

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