

## Amendments to ASRE 2400

1. Existing paragraph 48 is amended to read as follows:

The assurance practitioner's enquiries of management and others within the entity, as appropriate, shall include the following: (Ref: Para. A84–A88~~87~~)

...

- (d) The existence of any actual, suspected or alleged:
- (i) Fraud or illegal acts affecting the entity; and
  - (ii) Non-compliance with provisions of laws and regulations that are generally recognised to have a direct effect on the determination of material amounts and disclosures in the financial report, such as tax and superannuation laws and regulations;

2. The heading above existing paragraph 52 is amended to read as follows:

Fraud and non-compliance with laws ~~and~~ regulations

3. Existing paragraph 52 is amended to read as follows:

When there is an indication that fraud or non-compliance with laws ~~and~~ regulations, or suspected fraud or non-compliance with laws ~~and~~ regulations, has occurred in the entity, the assurance practitioner shall:

- (a) Communicate that matter, unless prohibited by law or regulation, with ~~to~~ the appropriate level of ~~senior~~ management or those charged with governance as appropriate; (Ref: Para. A93)
- (b) Request management's assessment of the effect(s), if any, on the financial report;
- (c) Consider the effect, if any, of management's assessment of the effects of identified or suspected fraud or non-compliance with laws ~~and~~ regulations communicated to the assurance practitioner on the assurance practitioner's conclusion on the financial report and on the assurance practitioner's report; and
- (d) Determine whether law, regulation or relevant ethical requirements: ~~there is a responsibility to report the occurrence or suspicion of fraud or illegal acts to a party outside the entity.~~ (Ref: Para. A92~~94~~–A98)
  - (i) Require the assurance practitioner to report to an appropriate authority outside the entity.
  - (ii) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.

4. A new paragraph after existing A87 is inserted as follows:

The assurance practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, including fraud, which may differ from or go beyond this ASRE, such as:

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and considering whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to an auditor, for example a group engagement partner;<sup>1</sup> and

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<sup>1</sup> See, for example, Sections 225.44–225.48 of APES 110 *Code of Ethics for Professional Accountants*.

- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the assurance practitioner's work in accordance with this Assurance Standard (e.g., regarding the integrity of management or, where appropriate, those charged with governance).

5. The heading before existing paragraph A92 is amended to read as follows:

Fraud and non-compliance with laws ~~or~~and regulations (Ref: Para. 52(a) and (d))

6. A heading before existing paragraph A92 is inserted as follows:

Communication with management and those charged with governance

7. A new paragraph before existing A92 is inserted as follows:

In some jurisdictions, law or regulation may restrict the assurance practitioner's communication of certain matters with management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the assurance practitioner is required to report identified or suspected non-compliance with laws and regulations to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the assurance practitioner may be complex and the assurance practitioner may consider it appropriate to obtain legal advice.

Reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity

8. Existing paragraph A92 is amended to read as follows:

~~Under this ASRE, if the assurance practitioner has identified or suspects fraud or illegal acts, the assurance practitioner is required to determine whether there is a responsibility to report the occurrence or suspicion to a party outside the entity. Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:~~

- (a) Law, regulation or relevant ethical requirements require the assurance practitioner to report;
- (b) The assurance practitioner has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements (see paragraph A95); or
- (c) Law, regulation or relevant ethical requirements provide the assurance practitioner with the right to do so (see paragraph A96).

~~Although the assurance practitioner's professional duty to maintain the confidentiality of client information may preclude such reporting, the assurance practitioner's legal responsibilities may override the duty of confidentiality in some circumstances.~~

9. A new paragraph after existing A92 is inserted as follows:

In some cases, the relevant ethical requirements may require the assurance practitioner to report or to consider whether reporting identified or suspected fraud or non-compliance with laws and regulations to an appropriate authority outside the entity is an appropriate action in these circumstances. For example, APES 110 *Code of Ethics for Professional Accountants* requires the assurance practitioner to take steps to respond to identified or suspected non-compliance with laws and regulations, and consider whether further action is needed, which may include reporting to an appropriate authority outside the entity.<sup>2</sup> APES 110 *Code of Ethics for Professional Accountants* explains that such reporting would not be considered a

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<sup>2</sup> See, for example, Section 225.51 to 225.52 of APES 110 *Code of Ethics for Professional Accountants*.

breach of the duty of confidentiality under APES 110 Code of Ethics for Professional Accountants.<sup>3</sup>

10. A new paragraph after existing A92 (and insertion above) is inserted as follows:

Even if law, regulation or relevant ethical requirements do not include requirements that address reporting identified or suspected non-compliance, they may provide the assurance practitioner with the right to report identified or suspected fraud or non-compliance with laws and regulations to an appropriate authority outside the entity.

11. A new paragraph after existing A92 (and insertions above) is inserted as follows:

In other circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the assurance practitioner's duty of confidentiality under law, regulation or relevant ethical requirements.

12. A new paragraph after existing A92 (and insertions above) is inserted as follows:

The determination required by paragraph 52(d) may involve complex considerations and professional judgements. Accordingly, the assurance practitioner may consider consulting internally (e.g., within the firm or a network firm) or on a confidential basis with a regulator or a professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality). The assurance practitioner may also consider obtaining legal advice to understand the assurance practitioner's options and the professional or legal implications of taking any particular course of action.

13. As a result of the changes made above, paragraph references are re-numbered and references to these paragraphs are updated accordingly.

#### **Amendments to ASAE 3000**

14. Existing paragraph 45 is amended to read as follows:

The assurance practitioner shall make enquiries of the appropriate party(ies) regarding:

- (a) Whether they have knowledge of any actual, suspected or alleged intentional misstatement or non-compliance with laws and regulations affecting the subject matter information; (Ref: Para. A101–A102)
- (b) Whether the responsible party has an internal audit function and, if so, make further enquiries to obtain an understanding of the activities and main findings of the internal audit function with respect to the subject matter information; and
- (c) Whether the responsible party has used any experts in the preparation of the subject matter information.

15. Existing paragraph 78 is amended to read as follows:

The assurance practitioner shall consider whether, pursuant to the terms of the engagement 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 measurer or evaluator, the engaging party, those charged with governance or others. (Ref: Para. A193492–A199)

16. A new paragraph after existing A101 is inserted as follows:

The assurance practitioner may have additional responsibilities under law, regulation or relevant ethical requirements regarding an entity's non-compliance with laws and regulations, which may differ from or go beyond the assurance practitioner's responsibilities under this ASAE, such as:

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<sup>3</sup> See, for example, Section 140.7 and Section 225.53 of APES 110 Code of Ethics for Professional Accountants.

- (a) Responding to identified or suspected non-compliance with laws and regulations, including requirements in relation to specific communications with management and those charged with governance and considering whether further action is needed;
- (b) Communicating identified or suspected non-compliance with laws and regulations to an auditor;<sup>4</sup> and
- (c) Documentation requirements regarding identified or suspected non-compliance with laws and regulations.

Complying with any additional responsibilities may provide further information that is relevant to the assurance practitioner's work in accordance with this and any other ASAE (e.g., regarding the integrity of the responsible party or those charged with governance). Paragraphs A195–A199 further address the assurance practitioner's responsibilities under law, regulation or relevant ethical requirements regarding communicating and reporting identified or suspected non-compliance with laws and regulations.

17. A new heading after existing paragraph A192 is inserted as follows:

Communication with Management and Those Charged with Governance

18. A new paragraph after existing paragraph A192 (and heading) is inserted as follows:

Relevant ethical requirements may include a requirement to report identified or suspected non-compliance with laws and regulations to an appropriate level of management or those charged with governance. In some jurisdictions, law or regulation may restrict the assurance practitioner's communication of certain matters with the responsible party, management or those charged with governance. Law or regulation may specifically prohibit a communication, or other action, that might prejudice an investigation by an appropriate authority into an actual, or suspected, illegal act, including alerting the entity, for example, when the assurance practitioner is required to report the identified or suspected non-compliance to an appropriate authority pursuant to anti-money laundering legislation. In these circumstances, the issues considered by the assurance practitioner may be complex and the assurance practitioner may consider it appropriate to obtain legal advice.

19. A new heading is inserted below existing paragraph A192 (and changes above) as follows:

Reporting of Identified or Suspected Non-Compliance with Laws and Regulations to an Appropriate Authority outside the Entity

20. A new paragraph below existing paragraph A192 (and changes above) is inserted as follows:

Law, regulation or relevant ethical requirements may:

- (a) Require the assurance practitioner to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity.
- (b) Establish responsibilities under which reporting to an appropriate authority outside the entity may be appropriate in the circumstances.<sup>5</sup>

21. A new paragraph after existing paragraph A192 (and changes above) is inserted as follows:

Reporting identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be required or appropriate in the circumstances because:

- (a) Law, regulation or relevant ethical requirements require the assurance practitioner to report;
- (b) The assurance practitioner has determined reporting is an appropriate action to respond to identified or suspected non-compliance in accordance with relevant ethical requirements; or.

<sup>4</sup> See, for example, Sections 225.44–225.48 of APES 110 *Code of Ethics for Professional Accountants*.

<sup>5</sup> See, for example, Section 225.51 to 225.52 of APES 110 *Code of Ethics for Professional Accountants*.

- (c) Law, regulation or relevant ethical requirements provide the assurance practitioner with the right to do so.
22. A new paragraph after existing paragraph A192 (and changes above) is inserted as follows:
- The reporting of identified or suspected non-compliance with laws and regulations in accordance with law, regulation or relevant ethical requirements may include non-compliance with laws and regulations that the assurance practitioner comes across or is made aware of when performing the engagement but which may not affect the subject matter information. Under this ASAE, the assurance practitioner is not expected to have a level of understanding of laws and regulations beyond those affecting the subject matter information. However, law, regulation or relevant ethical requirements may expect the assurance practitioner to apply knowledge, professional judgement and expertise in responding to such non-compliance. Whether an act constitutes actual non-compliance is ultimately a matter to be determined by a court or other appropriate adjudicative body.
23. A new paragraph after existing paragraph A192 (and changes above) is inserted as follows:
- In some circumstances, the reporting of identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity may be precluded by the assurance practitioner's duty of confidentiality under law, regulation, or relevant ethical requirements. In other cases, reporting identified or suspected non-compliance to an appropriate authority outside the entity would not be considered a breach of the duty of confidentiality under the relevant ethical requirements.<sup>6</sup>
24. A new paragraph after existing paragraph A192 (and changes above) is inserted as follows:
- The assurance practitioner may consider consulting internally (e.g., within the firm or network firm), obtaining legal advice to understand the professional or legal implications of taking any particular course of action, or consulting on a confidential basis with a regulator or a professional body (unless doing so is prohibited by law or regulation or would breach the duty of confidentiality).<sup>7</sup>
25. As a result of the changes made above, paragraph references are re-numbered and references to these paragraphs are updated accordingly.

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<sup>6</sup> See, for example, Section 140.7 and Section 225.53 of APES 110 *Code of Ethics for Professional Accountants*.

<sup>7</sup> See, for example, Section 225.55 of APES 110 *Code of Ethics for Professional Accountants*.

## Amendments to ASAE 3402

26. Existing paragraph 2 is amended to read as follows:

The *Framework for Assurance Engagements* (the Assurance Framework) states that an assurance engagement may be a “reasonable assurance” engagement or a “limited assurance” engagement and that an assurance engagement may be either an attestation engagement or a direct engagement.<sup>8</sup> This ASAE only deals with reasonable assurance attestation engagements.<sup>9</sup>

27. Existing paragraph 6 is amended to read as follows:

[Deleted by the AUASB. Refer Aus 6.1.<sup>10,11</sup>]

28. Existing paragraph 15 is amended to read as follows:

The service auditor shall determine whether the service organisation has used suitable criteria in preparing the description of its system, in evaluating whether controls are suitably designed, and, in the case of a type 2 report, in evaluating whether controls are operating effectively.<sup>12</sup>

29. Existing paragraph 56 is amended to read as follows:

If the service auditor becomes aware of non-compliance with laws and regulations, fraud, or uncorrected errors attributable to the service organisation that are not clearly trivial and may affect one or more user entities, the service auditor shall determine whether the matter has been communicated appropriately to affected user entities. If the matter has not been so communicated and the service organisation is unwilling to do so, the service auditor shall take appropriate action. (Ref: Para. A53)

30. Existing paragraph A2 is amended to read as follows:

The service organisation may not be able to assert that the system is suitably designed when, for example, the service organisation is operating a system that has been designed by a user entity or is stipulated in a contract between a user entity and the service organisation. Because of the inextricable link between the suitable design of controls and their operating effectiveness, the absence of a statement with respect to the suitability of design will likely preclude the service auditor from concluding that the controls provide reasonable assurance that the control objectives have been met and thus from opining on the operating effectiveness of controls. As an alternative, the assurance practitioner may choose to accept an agreed-upon procedures engagement to perform tests of controls, or an assurance engagement under ASAE 3000 to conclude on whether, based on tests of controls, the controls have operated as described.

31. Existing paragraph A53 is amended to read as follows:

Appropriate actions to respond to the circumstances identified in paragraph 56, unless prohibited by law or regulation, may include:

- Obtaining legal advice about the consequences of different courses of action.
- Communicating with those charged with governance of the service organisation.
- Determining whether to communicate with third parties (e.g., law, regulation or relevant ethical requirements may require the service auditor to report to an appropriate authority outside the entity or the external auditor of the service organisation,<sup>13</sup> or establish responsibilities under which such reporting may be appropriate in the

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<sup>8</sup> ASAE 3000, paragraph 12

<sup>9</sup> See paragraphs 13 and 53(k) of this ASAE.

<sup>10</sup> [Footnote deleted by the AUASB.]

<sup>11</sup> [Footnote deleted by the AUASB.]

<sup>12</sup> See ASAE 3000, paragraph 35.

<sup>13</sup> See ASAE 3000, paragraph 41.

<sup>13</sup> See, for example, Section 225.44 to 225.48 of APES 110 *Code of Ethics for Professional Accountants*.

circumstances). ~~Communicating with third parties (for example, a regulator) when required to do so.~~

- Modifying the service auditor's opinion, or adding an Other Matter paragraph.
- Withdrawing from the engagement.

#### **Amendments to ASAE 3410**

32. Existing paragraph 10 is amended to read as follows:

[Deleted by the AUASB. Refer Aus 10.1. <sup>14,15</sup>]

33. Existing paragraph 14 is amended to read as follows:

For the purposes of this ASAE, the following terms have the meanings attributed below: <sup>§8</sup>

34. Existing paragraph Aus 76.2(j) is amended to read as follows:

A statement that the firm of which the assurance practitioner complies with relevant ethical requirements related to other assurance engagements. <sup>14\*</sup>

35. Paragraph 78 is amended to read as follows:

The assurance practitioner shall communicate, unless prohibited by law or regulation, ~~with~~ <sup>to</sup> those person(s) with oversight responsibilities for the GHG statement the following matters that come to the assurance practitioner's attention during the course of the engagement, and shall determine whether there is a responsibility to report them to another party within or outside the entity:

- (a) Deficiencies in internal control that, in the assurance practitioner's professional judgement, are of sufficient importance to merit attention;
- (b) Identified or suspected fraud; and
- (c) Matters involving identified or suspected non-compliance with laws and ~~and~~ regulations, other than when the matters are clearly trivial. (Ref: Para. A87)

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<sup>14</sup> [Footnote deleted by the AUASB.]

<sup>15</sup> [Footnote deleted by the AUASB.]