



AUASB Comments Received and Proposed Disposition Paper

AGENDA ITEM NO. **2a**

Meeting Date: 29 November 2016

Subject: ED 04/16 Compliance Engagements

Date Prepared: 8 November 2016

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Document Number: ED 04/16

Proposed Type & No: ASAE 3100

Proposed Title: ASAE 3100 Compliance Engagements

EXHIBIT 1: ED 04/16 Compliance Engagements

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LISTING OF RESPONDENTS

Short Form Name	Name	Date Received
KPMG	KPMG	19/10/16
EY	Ernst & Young	20/10/16
ACAG	Australasian Council of Auditors-General	19/10/16
CPA	CPA Australia Ltd	24/10/16
CAANZ	Chartered Accountants Australia New Zealand	25/10/16
PWC	PWC	27/10/16
Deloitte	Deloitte	2/11/16

ATG = AUASB Technical Group

EXHIBIT 1: ED 04/16 Compliance 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.
KPMG	We believe applicable laws and regulations have been appropriately addressed.	Comment noted by ATG	N	
EY	As far as we can see, applicable laws and regulations have been appropriately addressed in the proposal standard.	Comment noted by ATG	N	
ACAG	ACAG makes no comment on this matter.	Comment noted by ATG	N	
CPA	Yes.	Comment noted by ATG	N	
CAANZ	We believe they are adequately addressed.	Comment noted by ATG	N	
PWC	Yes	Comment noted by ATG	N	
Deloitte	Yes, it appears that all the relevant applicable laws and regulations have been appropriately addressed.	Comment noted by ATG	N	

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

No. of Respondents	NO	YES
7		7

EXHIBIT 1: ED 04/16 Compliance 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.
KPMG	We are not aware of any references to relevant laws or regulations that have been omitted.	Comment noted by ATG	N	
EY	We are not aware of any references to relevant laws or regulations that have been omitted.	Comment noted by ATG	N	
ACAG	ACAG makes no comment on this matter.	Comment noted by ATG	N	
CPA	No.	Comment noted by ATG	N	
CAANZ	We do not believe so. The inclusion of some common kinds of Australian regulatory compliance engagements in Appendix 3 is useful. It may also be useful to include an example in this Appendix which is not regulation driven, such as compliance with the requirements of a bank covenant to reinforce the point that compliance engagements may be requested by a client due to requirements other than regulation or legislation	Comment noted by ATG. Consideration will be given to further example in Appendix 3.	Y	App 3
PWC	None noted.	Comment noted by ATG	N	
Deloitte	No, we have not identified any omitted references to relevant laws and regulations.	Comment noted by ATG	N	

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

No. of Respondents	NO	YES
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No. of Respondents	NO	YES
7	7	

EXHIBIT 1: ED 04/16 Compliance 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.
KPMG	We are not aware of any laws or regulations that may prevent or impede application of the proposed standard or may conflict with the proposed standard.	Comment noted by ATG	N	
EY	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.	Comment noted by ATG	N	
ACAG	ACAG is not aware of any such laws or regulations.	Comment noted by ATG	N	
CPA	No.	Comment noted by ATG	N	
CAANZ	Not that we are aware of.	Comment noted by ATG	N	
PWC	None noted. However, there are a number of Guidance Statements that include references to the requirements of ASAE 3100. These will need to be reviewed and revised where necessary.	Comment noted by ATG	N	
Deloitte	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.	Comment noted by ATG	N	

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
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No. of Respondents	NO	YES
7	7	

EXHIBIT 1: ED 04/16 Compliance Engagements (cont'd)**4. Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?**

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
KPMG	We believe the considerations for conducting a direct engagement are adequately differentiated from an attestation engagement. It would be useful to have one of the attestation examples in the appendices illustrate the alternative conclusion as suggested in paragraph 16 (a), even if by footnote.	Comment noted by ATG. A footnote will be included in Appendix 6 – Example 3 attestation Engagement to reflect the alternative wording.	Y	App 6 Exp 3 - Footnote
EY	In our view, the considerations for conducting a direct engagement are adequately differentiated from an attestation engagement.	Comment noted by ATG	N	
ACAG	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.	Comment noted by ATG Emphasis of the distinction between direct and attestation engagement will be made to para A4	Y	A3
CPA	Yes. In addition, we suggest that the requirements reflect direct engagements by ensuring that non-compliance is included as well as misstatements, which are only relevant to attestation engagements where a Statement is provided. For example in paragraphs 17(u) and 50 insert, after “possible misstatement”, “or non-compliance”.	Comment noted by ATG Agree change will be made to include non-compliance for direct engagement.	Y	17(U), 50
CAANZ	We understand direct engagements are more prevalent in practice, but we agree there is a need for the proposed	Comment noted by ATG	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>standard to address both direct and attestation engagements.</p> <p>In our view the differentiation between a direct and an attestation engagement could be clearer. We recommend an overarching statement to the effect of “If this ASAE makes reference to a requirement, that requirement shall be applied to both attestation and direct engagements, unless specified otherwise” similar to the statement regarding ASAE 3000 in paragraph 18. Furthermore, we recommend the removal of the following superfluous statements:</p> <ul style="list-style-type: none"> • Paragraph 17(s) [definition of ‘non-compliance’] - “for both attestation and direct engagements on compliance...” • Paragraph 56 - “for attestation engagements and shall also apply those requirements for direct engagements” • Paragraph 57 - “For both attestation and direct engagements” 	ATG believe that the current distinction between direct and attestation engagements in the revised ASAE 3100 provides more clarity would addressed at the requirement level rather than in an overarching statement in the introduction section.		
PWC	Yes.	Comment noted by ATG	N	
Deloitte	Yes, the considerations for conducting a direct engagement adequately differentiated from an attestation engagement.	Comment noted by ATG	N	

Summary—Question - Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?

No. of Respondents	NO	YES
7		7

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EXHIBIT 1: ED 04/16 Compliance Engagements (cont'd)**5. Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?**

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
KPMG	We believe the procedures required for limited and reasonable assurance are appropriate and adequately distinguished.	Comment noted by ATG	N	
EY	The procedures required for limited and reasonable assurance engagements are appropriately and adequately distinguished.	Comment noted by ATG	N	
ACAG	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.	Comment noted by ATG	N	
CPA	Yes.	Comment noted by ATG	N	
CAANZ	We support the approach taken in this aspect of the ED. We recognise there are challenges involved in articulating requirements to achieve a meaningful level of assurance in a limited assurance compliance engagement, while still differentiating appropriately from a reasonable assurance compliance engagement. However, we believe that the proposed standard is a useful starting point.	Comment noted by ATG	N	
PWC	Yes, the procedures are adequately distinguished.	Comment noted by ATG	N	
Deloitte	Yes, the procedures required for limited and reasonable assurance are appropriate and adequately distinguished.	Comment noted by ATG	N	

Summary—Question - Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?

No. of Respondents	NO	YES
7		7

EXHIBIT 1: ED 04/16 Compliance Engagements (cont'd)**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?**

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
KPMG	<p>We do not anticipate any significant incremental costs to auditors and the business community arising from compliance with the revised requirements of this proposed standard.</p> <p>There is however an impact with respect to liaising with regulators who issue “prescribed” reporting templates that do not apply the principles and terminology of the ASAEs. It is challenging for practitioners when a report prepared under the requirements of the Standards is rejected. Negotiations are required with regulators to amend their prescribed reports to achieve compliance with the Standards.</p> <p>We encourage the Board to consider how the changes to these Standards can be communicated to regulatory bodies, such that their prescribed reports can be adjusted to comply with the requirements of the revised Standards.</p>	<p>Comment noted by ATG</p> <p>The AUASB through liaison with regulatory bodies will communicate changes to prescribed reports to ensure compliance with the revised standard.</p>	N	
EY	We do not believe that there are any additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the requirements of this proposed standard.	Comment noted by ATG	N	
ACAG	ACAG makes no comment on this matter.	Comment noted by ATG	N	
CPA	We have not identified any significant additional costs in complying with the proposed standard. Benefits may not be realised in terms of cost savings but the standard provides greater clarity about how to conduct compliance engagements.	Comment noted by ATG	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
CAANZ	We have not assessed the cost implications of the proposed standard. However, it is likely that there will be additional costs in complying with revised standard when compared to the extant standard due to the revised approach and greater detail in the requirements. However, the quality of the compliance engagement is likely to increase as a result of applying the enhanced requirements in the proposed standard. Therefore, we believe that the benefits outweigh the costs.	Comment noted by ATG	N	
PWC	No significant additional costs expected.	Comment noted by ATG	N	
Deloitte	We are not aware of any additional costs to/benefits for assurance practitioners and business community.	Comment noted by ATG	N	

Summary—Question - 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?

No. of Respondents	NO	YES
7	7	

EXHIBIT 1: ED 04/16 Compliance Engagements (cont'd)**7. 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.
KPMG	No, there are no other significant public interest matters we wish to raise.	Comment noted by ATG	N	
EY	We have no significant public interest matters that we would like to raise in relation to the proposed standard.	Comment noted by ATG	N	
ACAG	None.	Comment noted by ATG	N	
CPA	No.	Comment noted by ATG	N	
CAANZ	<p>We have no other significant public interest matters to raise. However, we do have the following minor drafting points we wish to raise for your consideration:</p> <p>a) The definition of ‘misstatement’ in paragraph 17(r) only refers to attestation engagements and differences between the statement and the assurance practitioner’s evaluation of compliance with the compliance requirements. However, paragraph 49 includes a statement that a misstatements are “instances of non-compliance with the compliance requirements”. Therefore there is a conflict in the definition between the two paragraphs. We recommend that the definition in 17(r) be expanded to define misstatement in the context of both a direct and an attestation engagement. The sentence defining misstatements in paragraph 49 could then be removed or amended to refer to the definitions in 17(r).</p>	<p>Comment noted by ATG</p> <p>ATG agrees with the comments. This point was also raised by NZAuASB. NZAuASB has suggested that the last sentence in para 49 be removed and replaced with <i>Under this ASAE misstatements are only applicable in an attestation engagement on compliance. In a direct assurance engagement on compliance the assurance practitioner shall accumulate identified matters of non-compliance other than those that are already trivial.</i></p>	Y	49, 50

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Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	b) Paragraph 61 on modified conclusions and paragraph 62 on scope limitation may be better placed under Forming the Assurance Conclusion with paragraphs 54-55.	Retain the current order of para 61 and 62 to maintain consistency with ASAE 3000.	N	
PWC	None noted.	Comment noted by ATG	N	
Deloitte	No, there are no other significant public interest matters we wish to raise.	Comment noted by ATG	N	

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

No. of Respondents	NO	YES
7	7	

EXHIBIT 1: ED 04/16 Compliance Engagements (cont'd)**8. GENERAL COMMENTS**

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
EY	We have supported and continue to support the AUASB's initiatives to improve assurance engagement quality and believe that the proposals enhance clarity on how to scope, conduct and report in an assurance engagement on compliance. We agree with the Board's effort to facilitate conformity with current AUASB standards and revised ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> , which will be achieved by the proposals.	Comment noted by ATG	N	
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.	Comment noted by ATG	N	
KPMG	Overall, KPMG Australia is very supportive of the revised requirements and additional application and other explanatory material in the Exposure Draft. The key comments we wish to highlight to the AUASB are shown below.	Comment noted by ATG	N	
KPMG	<p>Definitions: the term "criteria" Paragraph 17 (g)</p> <p>The term criteria isn't clearly differentiated from compliance requirement. Criteria is presented as similar to compliance requirement: <i>the specific requirements established in law versus the legislation used to evaluate whether compliance requirements have been met</i>. Appendix 3 "Examples: Nature of Assurance Engagements on Compliance" makes it easier to understand by illustrating with an</p>	<p>Comments noted by ATG</p> <p>ATG agree with the comments. The definition of the terms 'Compliance Requirement' and 'Criteria' will be tightened to further clarify revised ASAE 3100 and include the compliance requirement as being the overarching.....and criteria as being specific.....</p>	Y	17(f), 17(g)

[illegible]

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>examples. We do however suggest you include a sentence in the guidance paragraphs to indicate that the AUASB had considered whether this was a technical application of the fair presentation framework and although it is not a strict technical application, you are comfortable to use it with respect to the responsible party's "Statement" to achieve understandability. This will avoid each practitioner challenging whether it's an appropriate use of this phrase; and/or</p> <p>2. Use alternative wording such as "properly prepared and presented".</p>	<p>ATG to adopt the suggested wording of "properly prepared and presented" as it provides greater clarity and understanding as to the conclusion the assurance practitioner will provide over the Statement.</p>	Y	App5 – Exp 1 and 2, App 6 – Exp 3
KPMG	<p>Paragraph</p> <p>17 (c)</p> <p>Issue(s) noted</p> <p>Definition inconsistent with AUASB glossary (Glossary) definition of 'Compliance engagement'. The fuller definition in the Glossary states that its source is ASAE3100.</p> <p>Recommendation/suggestion on wordings to add or remove</p> <p>We suggest retaining the fuller definition from the Glossary in ASAE 3100, or updating the Glossary section for consistency. Alternatively if the fuller description is not included in ASAE 3100, we suggest to delete the reference to ASAE 3100 as the source of the definition in the Glossary.</p>	<p>Comments noted by ATG</p> <p>The Glossary has not been updated since 2009, so there are inconsistencies throughout. Once the revised ASAE 3100 is issued the terms in the Glossary will need to be updated to reflect any new definitions so the references are correct.</p>	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
KPMG	<p>Paragraph(s)</p> <p>23, 24 (b) and A15</p> <p>A16</p> <p>Issue(s) noted</p> <ul style="list-style-type: none"> The practitioner identifies, selects or develops the criteria Criteria may need to be amended during the engagement. <p>Recommendation/suggestion on wordings to add or remove</p> <ul style="list-style-type: none"> If we're <i>developing</i> the criteria at the time of the engagement, we query how the responsible party can demonstrate compliance with the criteria over the period subject to assurance and therefore meet the overall compliance requirement? How could the responsible party have designed an appropriate compliance activity to meet the criteria if the criteria were not known? Similar concept if we amend the criteria during the engagement per A16. How could the overall compliance requirement be met? 	<p>Comments noted by ATG.</p> <p>ATG agrees to remove references in para 23, 24(b), A15 and A16 to the assurance practitioner developing criteria or amending criteria during the engagement.</p>	Y	23, 24 (b), A15 and A16
KPMG	<p>Paragraph</p> <p>A6</p> <p>Issue noted</p> <p>Independence – A6 implies consulting services with respect to the compliance framework are likely to impact the practitioner's independence and likely to preclude acceptance. There are safeguards that can be applied to be able to deliver an engagement such as pre-assurance work like gap analysis that is an advisory style service that</p>	Comments noted by ATG		

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>provides suggestions or observations. This type of engagement would not contemplate designing or implementing the compliance framework or making management decisions and therefore should not impact independence.</p> <p>Recommendation/suggestion on wordings to add or remove</p> <p>Change to “may impact on the audit practitioner’s independence and may preclude acceptance of the engagement”. This allows the practitioner to evaluate their independence and whether application of a safeguard would manage the risk to an acceptable level.</p>	ATG agree with the suggested changes to A6.	Y	A6
KPMG	<p>Paragraph</p> <p>A33</p> <p>Issue noted</p> <p>Third party outsourced service providers.</p> <p>Recommendation/suggestion on wordings to add or remove</p> <p>We recommend more discussion about how to obtain evidence on compliance with obligations when the responsible party uses an external third party outsourced service provider, as this is a common scenario.</p>	<p>Comments noted by ATG</p> <p>ATG agree there should be a footnote referencing both <i>ASA 402 Audit Considerations Relating to an Entity Using a Service Organisation</i> and <i>GS013 Special Considerations in the Audit of Compliance Plans of Managed Investment Schemes</i> paragraphs 36 and 37 for further guidance on this area.</p>	Y	A33 – New Foot Note
KPMG	<p>Paragraph(s)</p> <p>Appendix 5 Engagement letters – Examples 1 to 3</p> <p>Issue</p>	Comments note by ATG		

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>Missing practitioners' responsibility to apply ASQC 1.</p> <p>Recommendation/suggestion on wordings to add or remove</p> <p>We recommend reference to ASQC 1 in the practitioner's responsibilities section to be consistent with ASAE 3150 and 3402.</p>	ATG agree with comments to include a reference to ASQC1 in the engagement letter examples to be consistent with the example reports in Appendix 6.	Y	App 5 – Exp 1 to 3
KPMG	<p>Paragraph(s)</p> <p>Appendix 6 Assurance reports on compliance – Examples 1 to 3</p> <p>Issue(s)</p> <ul style="list-style-type: none"> Inconsistent with new report format in ASA 700 <i>Forming an opinion and reporting on a financial report</i>. Repeated statement in the inherent limitation section. <p>We recommend:</p> <ul style="list-style-type: none"> A header “<i>Basis for conclusion</i>” after the ‘<i>Conclusion</i>’ paragraph. To move the following statements from <i>Assurance Practitioner's Responsibilities</i> to the new header “<i>Basis for conclusion</i>”. <p>“We conducted our engagement in accordance with Standard on Assurance Engagements ASAE 3100 <i>Compliance Engagements</i> issued by the Auditing and Assurance Standards Board. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.</p> <ul style="list-style-type: none"> To remove the following statement in the inherent limitation section to make it simple. 	<p>Comments noted by ATG</p> <p>ATG agrees with suggestions made for the Example Reports I Appendix 6 to be more consistent with the format of new ASA 700 reports.</p>	Y	App 6 – Exp 1 to 3

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<ul style="list-style-type: none"> “...on ABC’s compliance, in all material respects, with the [compliance requirements] as evaluated by the [suitable criteria], at a specified date...” 			
KPMG	<p>Paragraph(s)</p> <p>Appendix 7 Modified assurance reports on compliance – example 3</p> <p>Issue</p> <p>Inconsistent Disclaimer of Opinion with ASA 705 <i>Modifications to the Opinion in the Independence Auditor’s Report</i>.</p> <p>Recommendation/suggestion on wordings to add or remove</p> <p>We suggest below wording in <u>underline</u></p> <p><u>“We do not express an opinion on ABC’s compliance with the [compliance requirements] because of...”</u></p>	<p>Comments noted by ATG</p> <p>ATG agrees with the suggested changes to App 7 – Exp 3 to clarify the wording in the disclaimer of opinion paragraph.</p>	Y	App 7 – Exp 3
ACAG	<p>Materiality</p> <p>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.</p> <p>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.</p>	<p>Comments noted by ATG</p> <p>ATG considers the definition of “Material in the context of a compliance engagement para 17(q) to be useful and it is currently used and applied in extant ASAE 3100.</p> <p>ATG believe that this requirement regarding considering materiality when evaluating whether the underlying subject matter (compliance activity) meets the compliance requirement is adequately covered in the application material A26, A28 and</p>	<p>N</p> <p>N</p>	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	This approach is consistent with the approach in ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i> .	A29. ATG made a decision in December 2015 to remove this requirement and cover it in the application material.		
CPA	<p>1. <u>Use of the Term Compliance Framework</u></p> <p>We consider that the term “compliance framework” is not appropriate for the proposed definition provided and will be misunderstood. A plain English understanding of the term “compliance framework” would typically be a reference to the legislation, regulation and other requirements which make up the compliance requirements, effectively the criteria in a compliance engagement. This meaning does not align with the definition of compliance framework in ED 04/16 being: “A <i>framework adopted by the entity, which is designed to ensure that the entity achieves compliance, and includes governance structures, programs, processes, systems, controls and procedures</i>”. This definition encompasses controls to mitigate the risk of non-compliance with the compliance requirements. Consequently, we consider that the term “compliance framework” should be replaced with a term such as “controls”, “system of controls” or “controls relevant to compliance” And the term chosen should be consistent with other AUASB Standards, including ASAE 3150 <i>Assurance Engagements on Controls</i>. We do not suggest use of the term control framework as this is the framework (such as COSO or COBIT), including the control components, used to design the controls, rather the</p>	<p>Comments noted by ATG</p> <p>The term ‘compliance framework’ is used and applied in extant ASAE 3100 and the glossary and is adequately defined for the purposes of this ASAE and to be clear as to its meaning and application in revised ASAE 3100.</p> <p>The use of this definition within the context of this ASAE is much broader than just “controls” or “systems of controls”. It encapsulates a broader understanding by the assurance practitioner of the compliance culture/environment of the entity which includes governance structures, programs, processes, systems and controls which the assurance practitioner</p> <p>On this basis the ATG recommend retaining the term “compliance framework” in the revised ASAE 3100.</p> <p>Refer further comments on ‘Compliance framework’ below at Point 2.</p>	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	controls themselves.			
CPA	<p>2. <u>Compliance Framework as a Subject Matter</u></p> <p>The manner in which the term compliance framework, meaning controls as discussed above, is used in the standard suggests that controls are included in the subject matter of compliance engagements. However the subject matter in these engagements is the compliance activities to meet the compliance requirements, not the controls over those compliance activities. We consider that the subject matter of a compliance engagement relates to compliance with requirements only and not controls over compliance. The objective of a compliance engagement is to obtain assurance “about whether the entity has complied in all material respects with compliance requirements as evaluated by the suitable criteria”. However ED 04/16 repeatedly makes reference to “material deficiency in the compliance framework”, implying that the objective of the engagement also includes identification of material deficiencies in the “compliance framework”, that is the controls relating to compliance. We do not consider that the objective of the engagement includes concluding on the “compliance framework” as defined or controls therein. Even if maintenance of effective controls to ensure compliance with requirements is a compliance requirement itself, reference to controls as part of the subject matter is still not necessary in the proposed standard.</p>	<p>Comments noted by ATG</p> <p>The concept of a “Compliance Framework” is applied primarily in a compliance engagement in the planning phase and when obtaining an understanding of the compliance activity and other engagement circumstances. By understanding the compliance framework and its key elements: governance structures, programs, processes, systems, controls and procedures the assurance practitioner has a more in depth understanding of areas where the risks of non-compliance are likely to arise (para 32L(b) and 32R(b)) and respond to these appropriately. The ‘compliance framework’ refers to the broader governance/control environment an entity has around compliance activities and is therefore important to the assurance practitioners understanding of the entity and the environment under which compliance activities are undertaken. This understanding is required for the assurance practitioner to perform their risk assessment as they would under any assurance engagement.</p> <p>This concept is currently applied in extant ASAE 3100 and there does not appear to have been any issues raised previously with its application in practice. The extant ASAE 3100 is not ‘broken’ and the objective of the revision was primarily to clarify the standard and bring it into line with</p>	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>In order to remove reference to compliance framework as part of the subject matter of the proposed standard, we suggest that:</p> <ol style="list-style-type: none"> Reference to compliance framework is removed from the definition of materiality and that materiality is applied directly to compliance activities and identified deficiencies and not to deficiencies in the compliance framework/controls. Deficiencies in compliance framework/controls would not normally be accumulated as such, only deficiencies in compliance. If the assurance practitioner believes that there are deficiencies in the compliance framework/controls, they would not necessarily need to investigate those deficiencies, but would instead no longer rely on those controls and conduct further substantive testing directly on compliance. Even though the effectiveness of controls at mitigating the risks of non-compliance need to be evaluated in determining which controls the assurance practitioner intends to rely upon to reduced substantive testing, we consider that additional procedures which the assurance practitioner performs are responsive to the risks of non-compliance and not the risks relating to deficiencies in compliance framework/controls. The engagement letter examples and modified report examples should not refer to material deficiencies in compliance framework/controls. 	<p>revised ASAE 3000.</p> <p>On this basis the ATG will retain the concept of “Compliance Framework” in revised ASAE 3100.</p>		
CPA	3. <u>Suitable criteria</u>	Comments noted by the ATG.	N	

Respondent Comment	Commentary	Change to be made to Doc? Y/N	Para No.
<p>We do not consider that the phrase “evaluated by the suitable criteria” which is used throughout ED 04/16, after compliance requirements, is useful or communicates any useful meaning, as paragraph 9 states “the criteria may be the compliance requirements, or a subset thereof” anyway. Consequently, we consider that it simply serves to complicate the proposed standard. Compliance requirements are the criteria for a compliance engagement and whilst they may be broken down into greater detail in order to test the compliance activities, we do not see how repeated use of this phrase aids clarity. In addition, the example engagement letters and reports include “[compliance requirements] evaluated by the [suitable criteria]” requiring both terms to be specified or described. We consider that this would be unnecessarily onerous and in many cases not be possible. For example for a compliance engagement on a SMSF the “compliance requirements” are: SIS Act Sections 17A, 35AE, 35B, 35C(2), 62, 65, 66, 67,67A, 67B, 82-85, 103, 104, 104A, 105, 109 and 126K and SIS Regulations 1.06(9A), 4.09, 4.09A, 5.03, 5.08, 6.17, 7.04, 8.02B, 13.12, 13.13, 13.14 and 13.18AA. We are not clear how the “suitable criteria” could be described in addition to these compliance requirements or add any value to the assurance report on a SMSF.</p> <p>We suggest that the phrase “evaluated by the suitable criteria” and “using the criteria” should be deleted throughout ED 04/16.</p>	<p>The concepts of ‘compliance requirements’ and suitable ‘criteria’ were discussed at length by the Board throughout the development of ED 04/16. The draft ED 04/16 presented to the Board in Dec 15 was drafted excluding the phrase “evaluated by the suitable criteria” and the Board made a decision to reinstate this terminology as both concepts of “compliance requirements” and “criteria” are relevant in a compliance engagement. This position was also supported by the PAG and is consistent with extant ASAE 3100. A final decision was made by the Board at the February 2016 meeting to retain both terms in the ED 04/16 to provide a clearer understanding as to the application and objective of a compliance engagement.</p> <p>This reflected that the “compliance requirements” being what the entity has to comply with and the criteria as the subset, (or may be the same as the compliance requirements or even processes or procedures) of the requirements being what the assurance practitioner needs to consider in making their determination and drawing their conclusion about the entities compliance.</p> <p>Para 9 states “the criteria may be the compliance requirements, or a subset there of” however this may not always be the case therefore the need to retain both terms in the revised ASAE 3100.</p> <p>On this basis the ATG recommend retaining the wording “evaluated by the suitable criteria” in revised ASAE 3100.</p>		

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
CPA	Para. 3: We suggest that the phrase <i>“using the criteria”</i> is unnecessary. Likewise it should be deleted from paragraphs 9 and 17(e).	Comment noted by ATG Refer comments at CPA – Point 3 – Suitable Criteria above.	N	
CPA	Sub-para. 17(q)(i) The use of “matter of”, “matters of” or “matter(s) of” non-compliance is unnecessary and does not aid clarity nor will it be well understood. We suggest the words “matter/s of” are deleted or, if necessary, replaced with “instances of” in this sub-paragraph and throughout ED 04/16, including paragraphs 25(h), 29, 40, 44L, 45R, 51, 54, 55, 63, A27, A28, A29, A30, A33, A45, A46, A49 and Appendix 7 Example 1.	Comments noted by ATG AUASB made a decision in July 16 Board meeting to use the words ‘matters of’ where appropriate. On this basis retain the current wording.	N	
CPA	Sub-para. 17(q)(ii) We consider that materiality is relevant to non-compliance only in a compliance engagement and not to the controls in place to address the risk of non-compliance. We suggest deleting this sub-paragraph: Material in the context of a compliance engagement - (ii) <i>“in relation to the compliance framework and controls – instance(s) of deficiency that are significant in the context of the entity’s control environment and that may raise the compliance engagement risk</i>	Comments noted by ATG Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<i>sufficiently to affect the assurance practitioner's conclusion."</i>			
CPA	<p>Para. 32:</p> <p>We understand that this paragraph is equivalent to ASAE 3000, paragraphs 46 and 47, and so we consider that the title to this section needs to be amended. We do not consider that this section does nor should relate primarily to understanding the compliance framework (controls) or compliance requirements. Understanding of the compliance requirements should have been gained in assessing the suitability of the criteria which is addressed in paragraph 23. Understanding of controls is addressed for reasonable assurance engagements but controls do not need to be evaluated necessarily in a limited assurance engagement. Consequently, we suggest that this section should be titled "Obtaining an understanding of the compliance activities and other engagement circumstances".</p> <p>We consider that the wording of this paragraph, both 32L and 32R, should reflect the need to understand the compliance activities. The phrase "entity's compliance framework and its key elements, the compliance requirements" should be replaced with "entity's compliance activities to meet the compliance requirements".</p> <p>We do not consider that it is usually necessary in a</p>	<p>Comments noted by ATG</p> <p>ATG do not agree with this suggested change as reference to the understanding of the compliance framework in para 32 would encompass the compliance activity as it is a broad definition.</p> <p>As above</p>	<p>N</p> <p>N</p> <p>Y</p>	<p>32L(a),</p>

Respondent Comment			Commentary	Change to be made to Doc? Y/N	Para No.
		<p>compliance engagement to select or develop further suitable criteria, so we suggest that sub-paragraphs 32L(a) and 32R(a) are deleted. This requirement is necessary in a controls engagement where identification of the controls which meet the control objectives maybe an involved process.</p> <p>It may be necessary to develop a requirement for limited assurance engagements equivalent to paragraph 32R(c), which could be drawn from ASAE 3000 paragraph 47L.</p>	<p>ATG agree with the suggested change.</p> <p>ATG do not agree with the suggested change as the processes over the compliance outcome would be covered by the requirement in para 32L.</p>	N	32R(a)
CPA	Para. 40:	To remove implied objective regarding controls delete: <i>“material deficiency in the compliance framework”</i> .	<p>Comments noted by ATG</p> <p>Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.</p>	N	
CPA	Para. A3:	We suggest deleting this paragraph as it does not add any further information, and maybe misleading. We do not consider that compliance engagements particularly address “risks, compliance requirements and related controls”. As consideration of risk and controls are simply part of the assurance process not matters addressed in their own right in the same way as a controls engagement must consider them. In addition, the definition of compliance requirements already covers the sources of requirements listed in this paragraph, so there is no need to repeat	<p>Comments noted by ATG</p> <p>ATG agree with comments and will delete Para A3.</p>	Y	A3

Respondent Comment			Commentary	Change to be made to Doc? Y/N	Para No.
		compliance with these as the “subject matter”.			
CPA	Para. A4:	We suggest that this paragraph is redundant and so should be deleted. We note that this paragraph is included in ASAE 3150, but controls engagements are quite different to compliance engagements. In a controls engagement identifying the relevant control objectives and controls may be an involved process in a direct engagement where there is no description of the system. A “description” is mentioned in this paragraph but it is not relevant to a compliance engagement and identification of the compliance requirements in an attestation versus a direct compliance engagement is not typically significantly different.	<p>Comments noted by ATG</p> <p>ATG believe this paragraph is relevant to compliance engagements and the distinction between the work effort for a direct and attestation compliance engagement and therefore will retain para A4.</p> <p>Could have a description of the compliance framework??</p>	N	
CPA	Para. A9(b):	This sub-paragraph does not fit grammatically after “An appropriate subject matter is:”, so we suggest deleting “Such that the information about it can” and replace with “Able to”.	<p>Comment noted by ATG</p> <p>ATG agree with comment and suggested change to Para A9(b).</p>	Y	A9(b)
CPA	Para. A26	To remove implied objective regarding controls delete: “deficiencies in the compliance framework”.	<p>Comments noted by ATG</p> <p>Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.</p>	N	

Respondent Comment			Commentary	Change to be made to Doc? Y/N	Para No.
CPA	Para. A28	To remove implied objective regarding controls delete: <i>“deficiencies in the compliance framework”</i> and <i>“deficiencies or matters of”</i> .	Comments noted by ATG Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.	N	
CPA	Para. A33:	The term compliance requirements should be used consistently throughout ASAE 3100. However, in paragraph A33 the term “obligations” has been used several times in place of “requirements”. We suggest that it is replaced.	Comments note by ATG ATG agree with comment and suggested change to Para A33.	Y	A33
CPA	Para. A35:	Sub-paragraphs (a) and (b) would benefit from linking more directly to the compliance requirements, by using terms such as “controls over compliance”, “fraud with respect to compliance” or “ethical behaviour with respect to compliance”.	Comments note by ATG ATG agree with comment and will set Para A35(a) and (b) more clearly “with respect to compliance “	Y	A35
CPA	Para. A38:	We suggest deleting the last sentence: <i>“In the case of an attestation engagement, such procedures may include asking the responsible party to examine the matter identified by the assurance practitioner, and to make amendments to the description or Statement, if appropriate.”</i> We consider that this sentence is not relevant as a description is not normally prepared in a compliance engagement and the Statement does not	Comments note by ATG ATG agree with comment and suggested change to Para A38.	Y	A38

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	normally include a level of detail about the compliance activities which would necessitate amendments.			
CPA	Para. A39: To remove implied objective regarding controls delete: <i>“deficiencies in the compliance framework”</i> .	Comments noted by ATG Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.	N	
CPA	Para. A42(b) To remove implied objective regarding controls delete: <i>“material deficiency in the compliance framework”</i> .	Comments noted by ATG Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.	N	
CPA	Sub-para. A59(b)(iii) We suggest deleting this sub-paragraph as it states that an adverse conclusion may be issued if there is a material and pervasive <i>“Systemic deficiency in the compliance framework”</i> . We do not consider that deficiencies in the compliance framework (controls) can directly impact the assurance practitioner’s conclusion. If there are deficiencies in the controls which the assurance practitioner intended to rely upon, then the assurance practitioner cannot rely on those controls and will need to instead conduct further substantive testing sufficient to conclude as to whether or not material non-compliance exists, regardless of the adequacy or inadequacy of controls.	Comments noted by ATG ATG agree with the comment and suggested removal of para 59(b)(iii) as deficiencies in the compliance framework won’t affect the opinion on compliance with compliance requirements only the risk assessment.	Y	A59(b)(iii)
CPA	<u>Appendix 1:</u> We suggest that this diagram could reflect the information more accurately and clearly by: <ul style="list-style-type: none"> Replacing “Compliance activity to meet the Compliance Requirements” with simply “Compliance Activities”. 	Comments noted by ATG Direct engagements still have a ‘compliance outcome’ on which the assurance practitioner	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<ul style="list-style-type: none"> Deleting the box for “Attestation Statement” and renaming the box “Compliance outcome” as “Statement” with the arrow to it labelled “attestation engagement”. Deleting the box for “Direct Conclusion”, as this is already represented by the box “Compliance Assurance Report”, and inserting a new arrow from the Criteria box to Compliance Assurance Report box labelled “direct engagement”. <p>We suggest that the phrase “using the criteria” as it is unnecessary.</p>	<p>concludes on in the ‘Compliance Assurance Report’. The difference being the compliance outcome is determined by the assurance practitioner not the responsible party.</p> <p>On this basis the ATG to retain the current diagram in App 1.</p> <p>Refer comments at CPA – Point 3 – Suitable Criteria above.</p>		
CPA	<p><u>Appendix 2:</u> Delete “(a)” after “objective”. We suggest deleting the row “Compliance requirements” as this is not a term used in ASAE 3000 there is no need to explain the equivalent term in ASAE 3100 and it is already defined in paragraph 17(f).</p> <p>We suggest moving the terms “compliance outcome” and “compliance activity” from column 1 to column 3 to make it clear which terms relate to the definitions provided.</p> <p>We suggest deleting the phrase “using the criteria” from the row subject matter information vs compliance outcome and column ASAE 3100, as it is</p>	<p>Comments noted by ATG.</p> <p>ATG agree to delete (a) after objective. By including the term ‘compliance requirements in the Table at App 2 it serves to highlight the differences between ASAE 3000 and revised ASAE 3100.</p> <p>ATG agree with this suggested change.</p> <p>Refer comments at CPA – Point 3 – Suitable Criteria above.</p>	<p>Y</p> <p>N</p> <p>Y</p> <p>N</p>	App 2

Respondent Comment			Commentary	Change to be made to Doc? Y/N	Para No.
		unnecessary.			
CPA	<u>Appendix 4:</u>	We suggest deleting the rows 4 and 5 as we do not see the relevance of service organisation's controls and controls over economy, efficiency or effectiveness to compliance engagements nor the need to explain that ASAE 3100 is not relevant.	Comments noted by ATG ATG agrees to the suggested changes to App 4 as row 4 and 5 are not relevant to the subject matter of a compliance engagement.	Y	App 4
CPA	<u>Appendix 5:</u>	<p>The assurance practitioner's conclusion in an attestation engagement may be phrased not only in terms of the responsible party's Statement, but alternatively it may be phrased in terms of the underlying subject matter and the applicable criteria. Therefore, we suggest that it would be helpful to provide the alternative wording in the engagement letter. For example, alternative wording could be added to the phrases:</p> <ul style="list-style-type: none"> • "ABC's Statement is fairly stated" add alternative "/ABC complied with the [compliance requirements]". • "Misstatements in ABC's Statement" add alternative "/non-compliance with the [compliance requirements]". <p>Paragraph 2, page 45; paragraph 5, page 47 and paragraph 5, page 49 discuss inherent limitations of the engagement, however as this is not a controls</p>	<p>Comments noted by ATG</p> <p>ATG agrees with comments.</p> <p>Further clarification will be provided in footnote 41 – Exp 1 and footnote 44 – Exp 2 to reflect the alternative wording in the example engagement letters for attestation engagements that refer specifically to the compliance requirements being met.</p> <p>Internal controls and the compliance framework as a whole do influence the likelihood of non-compliance or material non-compliance with the</p>	Y	App 5 – Exp 1 and 2

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>engagement we consider that references to internal controls should be deleted including: <i>“together with the inherent limitations of any system of internal control”</i>, <i>“deficiencies in the compliance framework”</i> (already raised above) and <i>“Therefore no opinion will be expressed as to the effectiveness of the system of control as a whole”</i>. In addition, with respect to example 1, we note that in a limited assurance engagement the assurance practitioner is not required to evaluate controls as they are required to do in a reasonable assurance engagement.</p> <p>Paragraph 4, page 45; paragraph 6, page 47 and paragraph 1, page 50 - We suggest deleting or truncating sub-paragraphs (c) and (d) as these are matters which the responsible party has to address in an attestation controls engagement in order to prepare a description of the system of controls, but we do not consider that these need to be detailed to such an extent in a compliance engagement.</p> <p>Paragraph 2, page 46 & paragraph 4, page 48 - The bracketed section on period and date do not flow grammatically and could be amended to: <i>“[the specified period or will be as at a specified date]”</i></p> <p>Paragraph 3, page 46 - States that the assurance</p>	<p>compliance requirements. As such the assurance practitioner needs to obtain an understanding of both these areas in undertaking their risk assessment in planning the engagement.</p> <p>Reference to inherent limitations meets requirement 57(h) Assurance Report content and is consistent with ASAE 3000 and extant ASAE 3100.</p> <p>The wording to be clarified and consistent with other ASAEs regarding inherent limitations in App 5 – Exp 1-3.</p> <p>ATG agree with this comment and suggested changes to App 5 by merging sub-paragraphs (c) and (d) in relation to what the responsible party has to address in relation to controls.</p> <p>ATG agree with this comment and suggested changes to App 5 to include <i>“[the specified period or will be as at a specified date]”</i></p>	<p>Y</p> <p>Y</p> <p>Y</p>	<p>App 5 – Exp 1, 2 and 3</p> <p>App 5 – Exp 1, 2 and 3</p> <p>App 5 – Exp 1</p>

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	report will be attached to ABC's Statement but in sub-paragraph 4(a), page 45, it states the opposite, that the Statement will be attached to the assurance report. Likewise paragraph 5, page 48 is inconsistent with paragraph 6(a), page 47. We do not have a preference but it needs to be amended to be consistent.	ATG agree with this comment and suggested changes to App 5 to reflect the Statement being attached to the Auditor's report.	Y	App 5 – Exp 1 and 2
	Paragraphs 4 and 5, page 46; paragraphs 6 and 7, page 48 and paragraphs 4 and 5, page 50 - we suggest using the future tense as the report will be prepared in the future.	ATG agree with this comment and suggested changes to App 5.	Y	App 5 – Exp 1, 2 and 3
	Example 1: Paragraph 4, page 44 - The description of the procedures which the assurance practitioner will perform in should align with the procedures described in the requirements, specifically paragraph 43L. Paragraph 43L lists discussion, observation and walk-through but does not include examination of documentation nor uses the term enquiries.	Terminology referring to procedures will be reviewed to ensure consistent with requirements in 43L.	Y	43L, App 5 – Exp 1
	Paragraphs 1 & 2, Page 45 - To remove implied objective regarding controls delete: <i>"deficiencies in the compliance framework"</i> .	Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.	N	
	Paragraph 3, page 45 - We suggest deleting the phrase			

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p><i>“any material deficiencies in the compliance framework and relevant controls that exist may not be revealed by the engagement” as this is not the objective of the engagement and replace with “non-compliance may not be detected” or “misstatements in the Statement may not be detected”.</i></p> <p>Paragraph 3, page 45 - we query the need for the last sentence <i>“In expressing our conclusion, our report on ABC’s Statement of compliance with the [compliance requirements] as evaluated by the [suitable criteria] will expressly disclaim any reasonable assurance conclusion on the compliance framework and relevant controls.”</i> And suggest it could be deleted.</p> <p>Paragraph 3, page 45 - <i>To remove implied objective regarding controls delete: “any material deficiencies in the compliance framework and relevant controls”</i> and replace with the objective of a compliance engagement being “non-compliance with the compliance requirements”.</p>	<p>Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.</p> <p>Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.</p> <p>Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.</p>	<p>N</p> <p>N</p> <p>N</p>	
Example 2:	<p>Paragraph 4, page 47 - We suggest deleting the words <i>“and controls implemented”</i> in as this is not the objective of a compliance engagement.</p> <p>Paragraphs 4 & 5 page 47 - To remove implied</p>	<p>ATG do not agree with the suggested change as a requirement for reasonable assurance under Para 32R(c).</p>	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	objective regarding controls delete: <i>“deficiencies in the compliance framework”</i> .	Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.	N	
	Example 3: Paragraphs 4 & 5, page 49 - To remove implied objective regarding controls delete: <i>“deficiencies in the compliance framework”</i> .	Refer comments at CPA Point 2 – Compliance Framework as a Subject Matter above.	N	
CPA	<p><u>Appendix 6:</u> Paragraphs 1, page 53; paragraph 4, page 55 & paragraph 4, page 57 - As noted above for the engagement letters, we suggest deleting or truncating sub-paragraphs (c) and (d) as these are matters which the responsible party has to address in an attestation controls engagement in order to prepare a description of the system of controls, but we do not consider that these need to be detailed to such an extent in a compliance engagement, particularly for direct compliance engagements.</p> <p>Paragraph 3, page 54; paragraph 4, page 56 and paragraph 4, page 58 - We suggest using the term compliance requirements rather than laws and regulations for consistency with the requirements.</p> <p>Paragraph 4, page 54, paragraph 5, page 56 and paragraph 5, page 58 – These examples need to allow for engagements which cover a specified period not only a specified date by including the phrase</p>	<p>Comments noted by ATG</p> <p>ATG agree with this comment and suggested changes to the responsibilities of the entity to make it clearer as to their responsibilities in relation to risks and controls.</p> <p>ATG agree with these comments and suggested changes to ensure App 6 has consistent wording to the requirements.</p> <p>ATG agree with these comments and suggested changes as this statement applies to both scenarios “at a specified date and throughout the specified</p>	<p>Y</p> <p>Y</p> <p>Y</p>	<p>App 6 – Exp 1</p> <p>App 6 – Exp 1, 2 and 3</p> <p>App 6 – Exp 1, 2 and 3</p>

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>Example 1: <i>“throughout the period/”.</i></p> <p>Paragraph 4 and 6, page 53 - As noted above for example 1 of the engagement letters, the description of the procedures which the assurance practitioner performed should align with the procedures described in the requirements, specifically paragraph 43L. Paragraph 43L lists discussion, observation and walk-through but does not include examination of documentation or inspection nor uses the term enquiries.</p>	<p>period.</p> <p>Terminology referring to procedures will be reviewed to ensure consistent with requirements in 43L.</p>	Y	App 6 – Exp 1
CPA	<p><u>Appendix 7:</u> The explanation prior to the examples states that they are based on Appendix 6 but they do not seem to be in the same order and so it is not clear how they relate. We suggest deleting this statement or aligning the examples.</p> <p>Example 1: The title requires amendment as it is not possible for non-compliance to be identified with ABC’s Statement. We suggest the title either state that material non-compliance by ABC with the compliance requirements was identified or ABC’s Statement was materially misstated.</p> <p>Under the basis for qualified opinion it states that “We are unable to satisfy ourselves by alternative procedures”, which suggests that the assurance practitioner was unable to obtain sufficient</p>	<p>Comments noted by ATG</p> <p>ATG agree with this comment and will delete this statement in App 7.</p> <p>ATG agree with this comment and the title will be changed to suggestion 2: Material misstatement in ABC’s Statement on the entity’s compliance with the compliance requirements....</p> <p>ATG agree with this comment. The wording in the qualified opinion will be changed to...”We were unable to satisfy ourselves as to ABC’s compliance with this requirement, therefore qualify our opinion</p>	<p>Y</p> <p>Y</p> <p>Y</p>	<p>App 7</p> <p>App 7 – Exp 1</p> <p>App 7 – Exp 1</p>

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>appropriate evidence. However the title says it is an example of material non-compliance, in which case the “trustee bank account and cash book procedures” presumably required by the compliance requirements were not complied with. The basis for qualified opinion needs to be amended to reflect this conclusion.</p> <p>Example 2: This title requires amendment as compliance requirements cannot be non-compliant. Instead ABC could be non-compliant.</p> <p>We do not see that specifying “RSE” in this example is necessary, especially without defining this acronym, and so we suggest using ABC as in the other examples.</p> <p>Example 4: The title suggest that this example seems to be seeking to illustrate when the assurance practitioner could not obtain sufficient appropriate evidence, however this is not clear from the basis for qualified conclusion paragraph. That paragraph states that material non-compliance was identified. The paragraph needs to be redrafted to address the intended reason for the qualification and needs to include the words “We were unable to obtain sufficient appropriate audit evidence about”.</p>	<p>in this regard”.</p> <p>ATG agree with this comment. The title will change to”ABC non-compliant with the compliance requirements throughout the specified period.....”</p> <p>ATG agrees with this comment. RSE will be changed to ABC for consistency.</p> <p>ATG agrees with this comment. The Basis for Qualified Conclusion first sentence will change to: “We were unable to obtain sufficient appropriate audit evidence regarding ABC’s compliance with [sXX of Act/regulation XX].</p>	<p>Y</p> <p>Y</p> <p>Y</p>	<p>App 7 – Exp 2</p> <p>App 7 – Exp 2</p> <p>App 7 – Exp 4</p>
CAANZ	Materiality	Comments noted by ATG.		

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>One of the most challenging aspects of a compliance engagement in practice is materiality, both in the planning stages to determine what a material instance of non-compliance is and in evaluating the instances of non-compliance to determine whether the assurance practitioner's conclusion should be modified. The assurance practitioner must apply professional judgement to understand the needs of the intended users and what is material to them, to consider largely qualitative factors to determine materiality and to evaluate when instances of non-compliance should be considered to be pervasive when determining the nature of a modification to their conclusion.</p> <p>Because compliance engagements are becoming increasingly prevalent in areas such as the not-for-profit sector where compliance requirements may be included in grant agreements, these engagements may be performed by a range of assurance practitioners and their experience considering materiality in non-financial assurance potentially varies widely.</p> <p>The revised ASAE appears to have slightly less material on materiality than extant ASAE 3100. Given that the correct application of materiality is key to these engagements and challenging for practitioners, we encourage the board to consider whether further material to assist practitioner's with applying materiality in compliance engagements can be included either in the standard or provided as guidance material in another format.</p>	<p>The ATG acknowledge the general comments regarding materiality.</p> <p>The ATG have used the application material in the extant ASAE 3100 as a base for the materiality guidance included in revised ASAE 3100 and have adapted it as necessary to include current engagement circumstances and to ensure consistency with ASAE 3000.</p> <p>The ATG does not consider this guidance to be any less in nature or form than the extant ASAE 3100 and coupled with that in ASAE 3000 believe that it is sufficient.</p>	N	
CAANZ	<p>Terminology</p> <p>We note that the ED introduces several new terms to describe</p>	<p>Comments noted by ATG.</p> <p>Appendix 1, 2 and 3 have been included in ED</p>	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	the various aspects of a compliance engagement. While we understand that these are useful concepts to assist the assurance practitioners to perform the engagements, we found the definitions to be somewhat confusing when reading the standard. The guidance in the Appendices assists in clarifying the differences between the compliance activity, the compliance outcome, the compliance requirements and the criteria, however, we believe it would be useful for practitioners if an additional appendix (in diagram format) was included that demonstrates how all these aspects of a compliance engagement, as well the compliance framework fit together.	04/16 to endeavour to better illustrate the terminology adopted in this subject matter specific ASAE. Therefore the ATG doesn't believe adding an additional Appendix in this regard would be useful and may actually be more confusing.		
Deloitte	We have an overall concern that the standard may not achieve the desired outcome and the simplicity of the current standard achieves this. In addition, we question whether there is sufficient clarification as to what is required when reporting on compliance at a specific date versus when you are performing an engagement to report on compliance throughout the period.	Comments noted by ATG. Refer detailed comments below.	N	
Deloitte	Para – 17 (u) Proposed definition of Professional scepticism reads <i>“An attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement, and a critical assessment of evidence.”</i> This is inconsistent with the definition in ASA 200 which reads “Professional scepticism means an attitude that includes a questioning mind, being alert to conditions which may indicate possible misstatement <u>due to error or fraud</u> , and a critical assessment	Comments noted by ATG. The Professional scepticism definition in para 17(u) is consistent with ASAE 3000 definition and on this basis will be retained with no change.	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	of audit evidence.			
Deloitte	Para – 39 We recommend that paragraph 39 is redrafted as follows “ <i>The assurance practitioner shall design and perform further procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement, having regard to the level of assurance, reasonable or limited, as appropriate</i> ”. This construct is consistent with that used in paragraph 36 of ASAE 3410.	Comments noted by ATG. The current wording used in Para 39 is consistent with that used in ASAE 3150 para 45. On this basis the current wording will be retained.	N	
Deloitte	Para – 42 As noted in our overall comments we believe that paragraph 42 needs to better distinguish, for the assurance practitioner, the differences in evidence required when reporting on compliance throughout the period versus when reporting on compliance at a specific date. We do not believe that the application material in paragraph A38 achieves this.	Comments noted by ATG. An additional application material para A38 has been included with regard toevidence required when reporting on compliance throughout the period versus when reporting on compliance at a specific date. This is consistent with wording used in ASAE 3150 and ASAE 3402 para A32.	Y	New A38
Deloitte	Para 43L and 43R This tabular information contains the words “ <i>shall ordinarily</i> ”. The use of the word ordinarily is not appropriate in a requirement paragraph. In addition, the procedures listed which are currently separated by a comma could be better displayed as per ASAE 3150 par 54R.	Comments noted by ATG. Suggested change to remove the term ‘ordinarily’ will be adopted for consistent wording in the requirements. Suggested change to layout in para 43L and 43R will be adopted for clarity.	Y	43L, 43R
Deloitte	Para – 49 “ASAE 3000 requires the assurance practitioner to accumulate uncorrected misstatements identified during the engagement other	Comments noted by ATG.	N	

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	<p><i>than those that are clearly trivial. Misstatements in a compliance engagement are instances of non-compliance with the compliance requirements."</i></p> <p>We recommend inserting the words "qualitative and quantitative" after uncorrected misstatements in the paragraph. However we understand this is the exact wording per ASAE 3000.</p>	ATG to retain the current wording in Para 49 as consistent with ASAE 3000 para 51.		
Deloitte	<p>Para – 50 <i>"Evaluation of evidence obtained by the assurance practitioner shall include any impact of corrected misstatements identified during the compliance engagement."</i></p> <p>We believe that an application guidance paragraph is needed to explain to the practitioner that the overall opinion is based on not only the uncorrected misstatements but also on the extent of corrected misstatements. The extent of corrected misstatements may lead a practitioner to conclude that compliance has not been achieved.</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment. An additional application material paragraph with the suggested wording will be added.....</p>	Y	New A46
Deloitte	<p>Para - A17(c) <i>This paragraph states "It is more cost effective for the entity to identify the specific compliance activities, requirements and related controls, evaluate the compliance outcome as the basis for an attestation engagement, rather than it being necessary for the assurance practitioner to do so in a direct engagement."</i></p> <p>We question why this an assurance practitioner's consideration? We believe that it is more the engaging party's consideration. We recommend that this sentence is re-written to clarify its purpose.</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggestion on para 17(c). This paragraph does not add anything to the clarity of the engagement letter and will be deleted.</p>	Y	A17(c)

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
Deloitte	<p>Para - A20 We believe that this paragraph could be simplified if it was redrafted as follows:</p> <p><i>Where relevant, the terms of the engagement could also include a reference to, and description of, the auditor's responsibility in accordance with;</i></p> <ul style="list-style-type: none"> • <i>applicable law,</i> • <i>regulation or relevant ethical requirements, and</i> • <i>reporting obligations to report identified or suspected non-compliance with laws and regulations to an appropriate authority outside the entity is required or appropriate in the circumstances.</i> 	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggested change to para A20.</p>	Y	A20
Deloitte	<p>Para – A22 “An example engagement letter is contained in Appendix 5.”</p> <p>As there is more than one engagement letter, we propose the following: Example engagement letter(s) are contained in Appendix 5.</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggested change to para A22.</p>	Y	A22
Deloitte	<p>Para – A29 “...the evaluation of compliance with the compliance requirements, and the interests of the intended users...”</p> <p>The comma after the word requirements should be removed so that the sentence reads, ‘the evaluation of compliance with the compliance requirements and the interests of the intended users’.</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggested change to para A29.</p>	Y	A29

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
Deloitte	<p>Para – A35 (d) This paragraph states ‘...and the internal control that management has established to mitigate these risks as far as they relate to the compliance requirements...’</p> <p>The paragraph appears to assume that management has only one internal control to mitigate the risks related to the compliance requirements.</p> <p>We propose that it is amended as follows “... and the internal controls that management have established to mitigate these risks as far as they relate to the compliance requirements;</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggested change to para A35(d).</p>	Y	A35(d)
Deloitte	<p>Para – A45 Within the text there is the following - <i>Error in reference (Ref: Para. 49-Error! Reference source not found.)</i> This needs to be corrected.</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggested change to para A45.</p>	Y	A45
Deloitte	<p>Para – A46 Reference to paragraph 44 is incorrect as the content of paragraph A46 only relates to paragraph 44 L</p>	<p>Comments noted by ATG.</p> <p>The reference to para 44 is correct as the AM para A46 refers to both reasonable and limited assurance material.</p>	N	A46
Deloitte	<p>Appendix 2 Objective (a) – the ‘(a)’ should be deleted.</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggested change to Appendix 2.</p>	Y	App 2
Deloitte	<p>Appendix 3 Under the heading there is a description stated ‘Scope of the Engagement’ which is already included in the table, therefore we</p>	<p>Comments noted by ATG.</p> <p>ATG agree with the comment and suggested change</p>	Y	App 3

Respondent Comment		Commentary	Change to be made to Doc? Y/N	Para No.
	recommend removing.	to Appendix 3.		
Deloitte	Appendix 3 Page 42 is missing Appendix number and headers.	Comments noted by ATG. ATG agree with the comment and suggested change to Appendix 3.	Y	App 3
Deloitte	Appendix 5 Page 49 –“To [the appropriate addressee]:” should be in italics to be consistent with the other engagement letters.	Comments noted by ATG. ATG agree with the comment and suggested change to Appendix 5.	Y	App 5

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