



# PAG Issues Paper

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**Project Title:** Revision of ASAE / SAE 3100 Compliance Engagements

**Date Prepared:** 12 May 2015

## Issues to be addressed in determining scope of ASAE / SAE 3100

Some matters have already been raised through responses to the 2012 Post-implementation Survey of ASAE / SAE 3100:

### 1. Application and Scope of Standard

The range of engagements to be addressed in the revised standard needs to be determined in order to define the scope of that standard:

#### *Questions for discussion:*

Should the standard allow for:

- Direct and attestation engagements?
- Long-form reports or also short form (example reports)?
- Appendix explaining the application of the Standard?
- Are compliance engagements primarily conducted by assurance practitioners or practitioners more broadly?
- Are compliance engagements primarily done as standalone engagements or as part of a multi-scope engagement?

### 2.1 ASAE / SAE 3000 as an Umbrella Standard

ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information provides the overarching requirements for all assurance on non-historical financial information including engagements on performance, however it is primarily directed at attestation engagements and the objective can be related/adapted to the objectives of a compliance engagement.

*In conducting an assurance engagement, the objectives of the assurance practitioner are:*

- (a) *To obtain either reasonable assurance or limited assurance, as appropriate, about whether the subject matter information is free from material misstatement;*
- (b) *To express a conclusion regarding the outcome of the measurement or evaluation of the underlying subject matter through a written report that conveys either a reasonable assurance or a limited assurance conclusion and describes the basis for the conclusion; (Ref: Para. A2) and*
- (c) *To communicate further as required by this ASAE and any other relevant ASAEs.*

*In all cases when reasonable assurance or limited assurance, as appropriate, cannot be obtained and a qualified conclusion in the assurance practitioner's assurance report is insufficient in the circumstances for purposes of reporting to the intended users, this ASAE requires that the assurance practitioner*

*disclaim a conclusion or withdraw (or resign) from the engagement, where withdrawal is possible under applicable law or regulation.*

Definitions:

- (d) Subject matter information—The outcome of the measurement or evaluation of the underlying subject matter against the criteria, i.e., the information that results from applying the criteria to the underlying subject matter. (Ref: Para. A19)
- (e) Underlying subject matter—The phenomenon that is measured or evaluated by applying criteria.

## 2.2 Objectives of a Compliance Engagement

Under the existing ASAE / SAE 3100 the objective of a compliance engagement is to enable the assurance practitioner to express a conclusion on whether an entity has complied in all material respects, with requirements as measured by the suitable criteria.

This objective in ASAE / SAE 3000 needs to be adapted and interpreted for compliance engagements which would usually have “subject matter information (outcome)” and “criteria” however the assurance practitioner will not be looking for misstatements, but will be evaluating the subject matter information for deficiencies or compliance breaches against the suitable criteria.

### *Questions for discussion:*

- Does the standard need to provide a limited set of objectives for compliance engagements or should those objectives be more flexible?
- How is this interpretation of the ASAE / SAE 3000 objective best reflected in the objective of a compliance engagement?
- Is the extant objective stated clearly in terms readily understood and applied by practitioners?

## 3. Issues Raised in Post-Implementation Survey

The following additional matters were raised in the 2012 post-implementation survey for ASAE / SAE 3100 as requiring further clarification:

- How to obtain a sufficient understanding of the subject matter information and the criteria and the compliance engagement circumstances e.g. compliance framework
- Understanding the “suitable criteria” definition i.e. what is meant by “the reasonable and acceptable standards of compliance which are subject to the compliance engagement”
- Subject matter – consider inclusion of more examples
- Sufficient appropriate evidence for reasonable and limited assurance engagements. More guidance is needed in this area
- How materiality is applied to compliance engagements
- How to assess the compliance engagement risk components and responding to those risks
- How selective testing is applied in the context of testing compliance. Applying professional judgement in determining the sufficiency of audit evidence when selective testing is used more guidance required
- Assessment of findings/deficiencies in context of the compliance framework and aggregation and interaction with materiality
- How and when to communicate deficiencies and compliance breaches to users / TCWG and impact on conclusions e.g. modified/qualified
- Appropriate terminology, consistent with practice (consistent with ASAE / SAE 3000)
- Engagements may need to address overall or specific compliance objectives
- Relevance of controls in compliance engagements