

The Chairman
Auditing and Assurance Standards Board
PO Box 204
Collins Street West
Melbourne Victoria 8007

2 November 2016

Dear Ms Kelsall,

**Re: Exposure Draft ED 04/16 Proposed Standard on Assurance Engagements ASAE 3100
*Compliance Engagements.***

Deloitte Touche Tohmatsu (Deloitte) is pleased to respond to the Australian Auditing and Assurance Standards Board (AUASB) on Exposure Draft ED 04/16 Proposed Standard on Assurance Engagements ASAE 3100 *Compliance Engagements (ED 04/16)*.

We support the issuance of an updated standard to replace the current ASAE 3100 in order to align and be consistent with ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* standards issued by the AUASB as well as provide clear and useful guidance to users.

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.

We have responded to the specific questions posed in ED 04/16 below and Appendix 1 contains our detailed comments with respect to ED 04/16.

Specific questions posed in ED 04/16

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

Yes, it appears that all the relevant applicable laws and regulations have been appropriately addressed.

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

No, we have not identified any omitted references to relevant laws and regulations.

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?*

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.

4. *Are the considerations for conducting a direct engagement adequately differentiated from an attestation engagement?*

Yes, the considerations for conducting a direct engagement adequately differentiated from an attestation engagement.

5. *Are the procedures required for limited and reasonable assurance appropriate and adequately distinguished?*

Yes, the procedures required for limited and reasonable assurance are appropriate and adequately distinguished.

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?*

We are not aware of any additional costs to/benefits for assurance practitioners and business community.

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

No, there are no other significant public interest matters we wish to raise.

We would be pleased to discuss our comments with members of the Board or its staff. If you wish to do so, please do not hesitate to contact me on 02 9322 3434.

Yours sincerely,



Gareth Bird

Partner

Deloitte Touche Tohmatsu

APPENDIX 1: Proposed Additional Editorial Amendments

ED 04/16 Paragraph	Amendment
17 (u)	<p>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></p> <p>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 of audit evidence.</p>
39	<p>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.</p>
42	<p>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.</p>
43L and 43R	<p>This tabular information contains the words <i>“shall ordinarily”</i>. The use of the word ordinarily is not appropriate in a requirement paragraph.</p> <p>In addition, the procedures listed which are currently separated by a comma could be better displayed as per ASAE 3150 par 54R.</p>
49	<p><i>“ASAE 3000 requires the assurance practitioner to accumulate uncorrected misstatements identified during the engagement other 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>
50	<p><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>
A17 (c)	<p>This paragraph states <i>“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>
A20	<p>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>
A22	<p>“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>
A29	<p>“...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>
A35 (d)	<p>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>
A45	<p>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>
A46	<p>Reference to paragraph 44 is incorrect as the content of paragraph A46 only relates to paragraph 44 L</p>
Appendix 2	<p>Objective (a) – the ‘(a)’ should be deleted.</p>
Appendix 3	<p>Under the heading there is a description stated “Scope of the Engagement” which is already included in the table, therefore we recommend removing.</p>
Appendix 3	<p>Page 42 is missing Appendix number and headers</p>
Appendix 5	<p>Page 49 –“To [the appropriate addressee]:” should be in italics to be consistent with the other engagement letters.</p>