



# Feedback Statement

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**Project Title:** Post Implementation Review – ASAE 3100 *Compliance Engagements*

## Objective

1. To conduct a post implementation review (PIR) in accordance with the AUASB due process framework to gather information about the application of ASAE 3100 *Compliance Engagements* (ASAE 3100) issued by the AUASB in February 2017.
2. To evaluate the effectiveness and efficiency of implementation since ASAE 3100 became operative on 1 June 2018. The ATG engaged with stakeholders on specific implementation issues to understand the impact and effect of the standard including whether benefits have been achieved. These findings will then be shared with other jurisdictions that have also adopted a compliance standard. If any issues come to the ATG's attention during the PIR, that may require consideration or potential revision to the standard, these will be considered by the AUASB as part of an overall revision project.

## Background

3. ASAE 3100 was issued by the AUASB in February 2017 in clarity format. The standard replaced ASAE 3100, issued by the AUASB in October 2008. This standard is explicitly linked to the current ASAE 3000 *Assurance Engagements other than Audits or Reviews of Historical Financial Information* issued by the AUASB in May 2017 which is based on the revised International equivalent standard issued by the IAASB in 2013.
4. A PIR for ASAE 3100 was previously conducted by the AUASB in 2013 prior to its revision and reissuance in 2017.
5. The AUASB ATG developed an internal AUASB PIR Methodology (attachment 1) which was approved by the Chair and Technical Director (TD) in December 2021. This methodology has been applied to the PIR on ASAE 3100. Under this methodology a PIR Project Plan (attachment 2) was developed and approved by the Chair and TD and shared with the AUASB project sponsor for input.

## Scope / Approach

6. This project specifically targets consultation with key stakeholders on the implementation and use of ASAE 3100. The targeted stakeholders were provided with six questions on the technical aspects of the standard and feedback was sought on these areas from each of the participants to the PIR as well as a general discussion.
7. The ATG also posted a news item to its website and quarterly newsletter at the start of April 2022 asking all stakeholders that undertake ASAE 3100 engagements for insights on the use of the standard.
8. The feedback from the PIR outreach is outlined below and has been the basis for the ATG in determining what recommendations will be proposed to the AUASB under the options outlined in the AUASB Due Process Framework and PIR methodology.



## Overview of Respondents

9. Key respondents included in the targeted outreach included:
  - Assurance Practitioners (APs) undertaking compliance engagements, including the big 4 and 2 mid-tier accounting firms.
  - Industry Groups e.g. Superannuation National Audit Consultative Committee (SNACC) and SMSF Industry Association Groups auditor members etc.
  - Regulatory bodies requiring compliance assurance through regulation, including Australian Securities and Investments Commission (ASIC), Australian Prudential Regulation Authority (APRA) and Australian Tax Office (ATO).
  - Auditors General, conducting compliance engagements in conjunction with financial report assurance or as part of their mandates.
10. In total 6 firms, 2 industry groups (includes multiple RSE and SMSF auditors), 3 regulatory bodies and all Auditor General offices encapsulated under the ACAG Secretariat were asked to participate in the PIR.
11. Discussions and feedback was provided by 5 professional services firms, 2 industry groups (audit practitioners from each), 2 regulators and 2 Auditor General Offices that undertake compliance engagements under their mandates.
12. No feedback was elicited from the general public via the news item on the AUASB website or the quarterly newsletter issued in April 2022.

## Collaboration with NZAuASB

13. Consultation with NZAuASB – ASAE 3100 was developed in collaboration with the NZAuASB and adopted by the NZAuASB as NZ SAE 3100 (February 2017) effective from 1 January 2018 in line with ASAE 3100. The NZAuASB were briefed on the AUASB PIR AAE 3100 activities in February 2022 and were provided with the approved project plan prior to their March 2022 meeting where an update on these activities were provided. The NZAuASB are to commence a PIR on SAE (NZ) 3100 in the 2022/23 year.



## Key Findings from PIR ASAE 3100 Compliance Engagements

14. There was overall general support from respondents for the application and use of ASAE 3100 in practice as intended in its current form.

Respondent Comments		Commentary	Change to be made to Doc? Y/N	Para No.
Assurance Practitioners	<ul style="list-style-type: none"><li>• ASAE 3100 is widely used across many industry specific compliance engagements.</li><li>• ASAE 3100 is clear and logical to follow to meet the objectives of the standard. This assists in the ease of the implementation of the standard.</li><li>• ASAE 3100 provides the overarching framework for compliance engagements which then supports the industry specific guidance statements (GSs) e.g. APRA regulated industries – GS 002, GS 004, GS 012 and GS 017<sup>1</sup>. The GSs provide a further level of specificity and granularity for consideration by an approved auditor for the Australian regulatory environment.</li><li>• ASAE 3100 provides more specificity in its requirements that pertain to compliance areas/matters e.g. compliance frameworks, compliance engagement risk and compliance deficiencies which is useful for practitioners.</li><li>• ASAE 3100 provides more application material on materiality than ASAE 3000 which is useful to APs</li></ul>	Comments noted by AUASB.	N	N/A

<sup>1</sup> The AUASB has a suite of Guidance Statements that address APRA regulated industries that require compliance engagements - GS 002 *Audit Implications of Prudential Reporting Requirements for Registered Superannuation Entities*, GS 004 *Audit Implications of Prudential Reporting Requirements for General Insurers and Insurance Groups*, GS 012 *Prudential Reporting Requirements for Auditors of Authorised Deposit-taking Institutions (ADIs) and ADI Groups* and GS 017 *Audit Implications for Prudential Reporting Requirements of a Life Company*.



Respondent Comments		Commentary	Change to be made to Doc? Y/N	Para No.
	<ul style="list-style-type: none"> <li>Reporting under ASAE 3100 allows flexibility with the ability to provide long form reports which allow for better communication of issues found, evidence collected to support this position and why there is an impact on the conclusion/opinion provided by the AP.</li> <li>ASAE 3100 - Tables in the Appendices 2 and 3 which outline the Nature of Assurance Engagements on Compliance and the Standards Applicable to Example Engagements on Compliance are very widely used and helpful to both assurance practitioners undertaking these engagements and the practice management areas of the firms when undertaking training of staff in specific compliance engagement matters or areas of focus.</li> </ul>			
Regulators	<ul style="list-style-type: none"> <li>Materiality in a compliance engagement is somewhat different to that of a financial statement audit. How does the AP determine if a deficiency in compliance is material – is it linked to a systemic lack of controls or more one off in nature and are there any risk mitigation processes/controls to counter act the impact/deficiencies? High level of application of professional judgement in this area.</li> <li>It was noted that the standard takes a risk-based approach which provides direction to the AP depending on whether they are undertaking an Reasonable Assurance (RA) or Limited Assurance (LA) engagement<sup>2</sup>. As a response to the risk assessment an RA requires an understanding of relevant internal controls – evaluate design and</li> </ul>	<p>Comments noted by AUASB.</p> <p>This point is well made however the current ASAE 3100 deals with materiality in the compliance engagement context in para A24 to A29 and the areas noted in the comments are specifically noted for consideration by the AP in the application material.</p> <p>The AUASB standards (ASAs) including the ASAE suite apply a risk-based approach with a professional judgement overlay because they are principles-based standards. The outcomes of the risk</p>	<p>N</p> <p>N</p>	N/A

<sup>2</sup> Refer paragraph 32L and 32R of ASAE 3100 *Compliance Engagements*.



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	<p>implementation and for an LA only a response to the material risks identified as a basis for designing and performing assurance procedures. The standard is not explicit about whether the assurance procedures to be performed under an LA are controls based or substantive in nature. This is based on professional judgement applied by the AP. It has been observed that this has resulted in some inconsistencies in approach in practice for compliance engagements.</p>	<p>assessment performed should always provide the basis for the approach when determining the assurance procedures to undertake and as such the approach may be different from one LA engagement to the next. The AUASB are not proposing any changes to ASAE 3100 at this time.</p>		
Other Areas for Consideration by the AUASB	<ul style="list-style-type: none"> <li>• APs within the firms (APs), regulators (users) and the responsible party are often looking for guidance on the differences between LA and RA requirements<sup>3</sup>. This includes differences between the work effort, assurance procedures and the reporting and reliance on the assurance opinion or conclusion when procuring these engagements. A number of APs noted the <a href="#">IAASB Non-Authoritative Guidance on Applying ISAE 3000 to Sustainability and Other EER Assurance</a> as being useful in this regard as it provides a table that depicts the types of procedures that might be undertaken for LA vs RA and how an AP might move between an LA and RA engagement if there is a rational purpose and suitable criteria. It was also noted this guidance was useful for thinking about criteria and materiality in relation to not only compliance engagements but also performance engagements and sustainability/ESG engagements.</li> <li>• Types of compliance engagements being undertaken are on the increase in Australia and seem to cover many and varied areas of legislation or regulation. This seems somewhat driven through assurance requirements specified by Treasury and other Government departments and this is likely to only continue to increase e.g. Department of HomeLand Affairs – Significant Investor Visa (SIV) audit and compliance requirements and other</li> </ul>	<p>Comment noted by AUASB.</p> <p>The AUASB could assist in raising awareness for this market segment procuring and undertaking compliance engagements or any engagements under the ASAE 3000 suite by bringing together an update/reminder for the newsletter or providing a landing page for resources on the AUASB website. This could help educate, inform and assist understanding of these fundamental concepts around RA and LA, key differences between the types of procedures for each (assurance practitioners) and what those procuring this type of assurance (users or responsible parties or both) need to consider when engaging these services. This also provides an opportunity for the AUASB to more widely promote the <a href="#">Guide for Prescribing Assurance and Related Services</a></p>	N	N/A

<sup>3</sup> Refer ASAE 3100 Compliance Engagements for definitions of Limited Assurance paragraph 17(O) and Reasonable Assurance paragraph 17(V).



Respondent Comments		Commentary	Change to be made to Doc? Y/N	Para No.
	<p>RA and LA engagements in areas that are looking to advance Australian entities to support growth in the Australian economy. There is also the cost vs benefit considerations for requiring new compliance engagements under regulation and who absorbs those costs notwithstanding the broader perceived benefits in the market. There needs to be consideration of any unintended consequences for APs, procuring parties and users and responsible parties of this lack of understanding and potential over reliance of these types of engagements.</p> <ul style="list-style-type: none"><li>• Use of sampling and the interpretation / expectation of regulators on sample size and error evaluation and how this links to materiality is seen as a challenge in a compliance engagement. This is an area that the APs apply the most professional judgement.</li></ul>	<p>issued in March 2021 which assists in the understanding of terminology and meaning.</p> <p>The AUASB could also link this through to other work/publications of the IAASB, other NSS or other Authoritative bodies.</p> <p>Comment noted by the AUASB. The IAASB does not have ISA 530 <i>Audit Sampling</i> on its forward agenda. However the IAASB are currently undertaking their ISA 500 <i>Audit Evidence</i> Project which will assist in clarifying for the auditor key areas regarding audit evidence e.g. definition, information to be used as evidence, concept of sufficient and appropriate, persuasiveness of audit evidence, concept of detection risk and designing and performing procedures and modernising ISA 500 through incorporating technology which should assist with some of the concepts around audit evidence and audit procedures.</p>	N	N/A



## Recommendation/Way Forward from PIR – ASAE 3100 Compliance Engagements

15. Based on the evidence gathered through the PIR process in line with the AUASB Due Process Framework and PIR Methodology the ATG is not recommending any changes to ASAE 3100 *Compliance Engagements* (2017) at this time under the options provided below:
- (a) Narrow scope amendments to the standard - NO
  - (b) Major revision to the standard - NO
  - (c) No revision to the standard but further guidance on the subject matter that may be beneficial to assurance practitioners undertaking these engagements - NO (refer comment below); or
  - (d) No revision to the standard required at this time as the PIR determined that the standard is fit for purpose and being applied as intended - YES.

The AUASB could look to further its communications to assist all participants in the financial eco-system by raising awareness on the concepts and principles of limited and reasonable assurance engagements under the ASAE suite of standards. This could be done through promoting a landing page of current resources available (AUASB, IAASB other NSS and other Authorities) to assist in improving the understanding of key terms, definitions, types of engagements and procedures undertaken in line with the principles in the Framework for Assurance Engagements when either being engaged to undertake these engagements or procuring these types of engagements in the Australian market.