

Appendix 1

(Ref: 32-126)

SUMMARY OF CONSIDERATIONS FOR SSGA AND MSE

The following tables are intended as reminders only of some of the matters included in this Guidance Statement that an auditor considers in addressing practical application issues associated with a SSGA and a MSE (Ref: Table 1). It is not intended that all the considerations in the tables apply to every SSGA or MSE; or that the listings serve as a program or checklist in the conduct of such engagements. Paragraph numbers refer to more extensive commentary in the body of this Guidance Statement.

Table 1.1: Considerations in all SSGA and MSE

Topic	Para Ref:	Considerations
Overall Strategy	27	The most effective approach auditors can adopt to address practical application issues regarding a SSGA or a MSE, is comprehensive planning through: <ul style="list-style-type: none"> (a) Considering separately the engagement mandates, user needs and objectives for each of the different sections of the engagement in order to identify the distinct scoping requirements and relevant AUASB Standards; (c) Communicating with relevant parties to clarify uncertainties and resolve issues; and (b) Establishing detailed and efficient strategies and plans <i>only</i> when there is clarity about each section of the engagement(s).
Preconditions	28	Under the AUASB Standards, the preconditions for each assurance section of the MSE engagement are established.
Terms of Engagement	29	Each SSGA and/or separate section of a MSE is included in an engagement letter.

Table 1.2: Considerations in Addressing Specific Issues

Issue Ref.	Topic	Para Ref:	Considerations
A	Unclear mandates	33	Auditors clarify the requirements, purpose and other preliminary details for each SSGA and/or MSE. The auditor’s engagement objectives and responsibilities can only be apparent when the engagement mandates are properly understood.
A	Unclear mandates	35	Of particular importance for the auditor, is clarity about, and assessment of, the suitability of criteria, the acceptability of the reporting framework (if applicable), and management’s acceptance of its responsibility to report under that framework.
A	Unclear mandates	39	Where engagement mandates are defined in out-dated terms, such as is the case in some legislation, regulation or long-standing contracts, the auditor may communicate with the relevant regulator or parties to the contract (the users) to clarify their current expectations.
B	Subject Matters unable to be assured	43	Engagement mandates may require assurance on a subject matter that is unable to be assured or very difficult to assure. The auditor communicates with the users to determine if alternative arrangements are acceptable.

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Issue Ref.	Topic	Para Ref:	Considerations
B	Subject Matters unable to be assured	47	When an auditor is prevented from declining an engagement that the auditor would otherwise not accept, the auditor consults and may issue a disclaimer of opinion; or write separately or report separately to the user(s).
C	Obtaining Evidence from third parties	49	<p>The overriding issue for the auditor is the ability to obtain sufficient appropriate evidence in relation to those matters considered to be material and relevant to the auditor’s objective(s) where evidence is located with a third party.</p> <p>Depending on the circumstances, the auditor may be able to achieve this by:</p> <ul style="list-style-type: none"> (a) access to the third party’s records; (b) access to the working papers of the third party’s auditor; (c) requesting the third party’s auditor to perform procedures; or (d) complying with ASA 402, if applicable, when an ASAE 3402 report on controls at the third party is available. <p>When sufficient appropriate evidence is not obtained, the auditor considers the effect on the auditor’s report.</p>
D	Reporting	50	The auditor obtains an understanding of the auditor’s reporting responsibilities, including whether the auditor’s report is prescribed or not prescribed.
D	Reporting	58	When reporting is <i>not</i> prescribed, the auditor may choose to issue a single-form report that comprises several different sections.
E	Prescribed reporting	66	In assessing prescribed reporting requirements, the auditor refers to ASA 210 and ASA 700, and where applicable ASAE 3000, which provide the principles to be considered regardless of which other AUASB Standards apply.
E	Prescribed reporting	67	When an auditor determines that the prescribed reporting requirements do not conform with the requirements of the AUASB Standards, including a prohibition on modifying the auditor’s opinion, and the auditor is unable to redress the situation appropriately, the auditor considers of the appropriateness of communicating with relevant parties, issuing an alternative report and using an “Other Matter” paragraph to provide additional explanation in the auditor’s report
E	Prescribed reporting	69	<p>When the auditor is unable to decline an engagement that requires a report that does not comply with AUASB Standards, the auditor consults widely. When considered appropriate, the auditor may:</p> <ul style="list-style-type: none"> (a) Modify the opinion or conclusion statement. (b) Issue <i>concurrently</i>, a separate auditor’s report that complies with the AUASB Standards. (c) Write separately to the user(s), referring to the specific prescribed auditor’s report and setting out the auditor’s concerns.
F	Prescribed scopes and/or procedures	73	<p>The auditor preserves the auditor’s independence and professional judgement in determining the extent, timing and scope of audit procedures—a fundamental principle underpinning the value of independent assurance.</p> <p>The auditor meets the auditor’s objectives and in so doing, may:</p> <ul style="list-style-type: none"> (a) Incorporate prescribed scopes/procedures into the auditor’s plan; or

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			(b) Perform the prescribed procedures in addition to the auditor's plan.
G	Performing MSE concurrently with the statutory audit	80	It is only at the engagement planning stage where the auditor finalises the engagement strategy and detailed plans, that efficiencies (from work performed on one section of the engagement for use on another) can be <i>planned</i> .
H	SSGA or MSE reporting periods differ from the entity's annual financial year.	86	Whenever leveraging work effort is achieved, the auditor determines that the engagement files contain appropriate documentation to support the conclusions on the SSGA and/or each distinct section of the MSE.
I	Performing MSE when <i>not</i> the auditor of the entity	88	An auditor, who is <i>not</i> the auditor of the entity's annual financial report, pays particular attention to the "accepting" phase of the engagement.
I	Performing MSE when <i>not</i> the auditor of the entity	90	An auditor, who is <i>not</i> the auditor of the entity's annual financial statements, considers: (a) Firm capabilities; (b) Engagement acceptability and client relationship; (c) Preconditions for the assurance engagement; (d) The terms of the SSGA and/or MSE; and (e) Objectives.
J	Setting Materiality	92	Auditors exercise professional judgement by considering <i>qualitative</i> and <i>quantitative</i> factors in setting materiality, including reasonable understanding of issues that would likely influence the decisions of users.
J	Setting Materiality	94	The auditor of a SSGA or a MSE develops <i>separate</i> materiality levels for each of the sections of the engagement.
K	Cost Allocations	107	The auditor obtains an understanding of the entity's approach, procedures and internal control for allocating costs to the specific project/subject matter concerned. As with all aspects of a SSGA or a MSE, it is preferable to consider each section separately.
L	Substantive Procedures	110	In determining the nature, timing and extent of substantive procedures in a SSGA or MSE, the auditor applies the same principles as with any assurance engagement. Uppermost is sufficient appropriate evidence and in this context, the auditor selects the most effective and efficient procedures in the circumstances.
M	Concluding and Reporting	111	The auditor reaches an overall conclusion through assessing: the sufficiency and appropriateness of the evidence obtained; and whether the entity's report(s) or attestation are materially misstated or there is a material non-compliance, deviation or deficiency in the subject matter.
M	Concluding and Reporting	118	Overall, the auditor determines that the auditor's report is not misleading.