

Appendix 3

(Ref: Para.13)

EXAMPLES OF MULTIPLE-SCOPE ENGAGEMENTS

The following examples are provided in the context of reporting a MSE using a single-form auditor's report format. References to other AUASB Guidance Statements are included to demonstrate the principles of single-form reporting when addressing more than one subject matter.

A Grant Acquittals

1. Grant acquittal assurance engagements generally arise from requirements stated in a grant agreement issued by Government—Federal, State, Local; or others including Not-for-Profit and Philanthropic organisations.
2. The grant agreement may detail matters such as:
 - (a) The parties to the agreement and their responsibilities;
 - (b) The purpose of the grant;
 - (c) The amount of funding;
 - (d) Guidelines and conditions for the grant;
 - (e) Expected milestones; and
 - (f) Reporting and assurance requirements. In some cases, the form and content of the auditor's report may be prescribed by the grant provider.
3. The assurance aspect of the grant agreement generally relates to matters such as:

Financial

 - (a) The recipient's financial report relating to the grant monies – often an income and expenditure statement drawn up on a cash basis of accounting.
 - (b) The total amount of expenditure on the project.
 - (c) Expenditure per accountability period.
 - (d) Contributions made by the recipient organisation.

Non-Financial

 - (e) Whether the grant monies have been utilised for the purpose(s) stated in the grant agreement.
 - (f) Whether milestones stated in the agreement have been achieved.
 - (g) Whether the project has been completed.
 - (h) Number of hours spent on the project.
 - (i) Whether project assets have been properly insured.

Assurance

 - (j) The level of assurance required—"reasonable" or "limited" or combination of both.

- (k) Qualifications of the auditor, including independence.

Commonwealth Grant Guidelines (CGG) - Outline of a Selection of Points

In June 2013, the Department of Finance and Deregulation issued Financial Management Guidance no. 3 [Commonwealth Grant Guidelines](#) which came into effect from 1 June 2013. The CGG establish the Government's overarching grants policy framework, under which agencies can then determine their own specific grants administration practices.

The Department of Finance and Deregulation has developed a range of information products including Finance Circular 2013/01: Grants, Procurement and Other Financial Arrangements and Finance Circular 2013/02: Australian Government Grants Briefing and Reporting. They provide practical examples of how to determine if an activity is a grant and how to meet the requirements in the CGG.

The CGG apply to a broader range of financial activities, such as gifts and ex-gratia payments. The updated CGG introduce important changes which seek to reduce red-tape and improve collaboration between agencies and stakeholders, particularly in the not-for-profit (NFP) sector.

The CGG suggest agencies should simplify and improve grant processes by: streamlining reporting; adopting better practice tools and templates, such as the Low-Risk Grant Agreement Template; and using longer-term grant agreements where appropriate.

The updated CGG emphasise that grant administration processes should be proportional to the scale and risk profile of the granting activity. In particular, they require that reporting and acquittal requirements must be commensurate with the assessed risks. For example, there is no mandatory requirement to acquit a grant, instead the CGG encourage a stronger focus on evaluating whether outcomes have been achieved.

The CGG require that unless agency staff has assessed a granting activity as higher risk, a financial acquittal should not be sought from an entity regulated by the Australian Charities and Not-for-profits Commission (ACNC).⁴³ That said, agency staff may seek certification that grant funds were spent for the purpose of the grant and identification of any unspent amounts.

Under the principle of "report once, use often", agency staff should no longer seek information from grant applicants and recipients that is already collected by government. Agency staff must not request information provided to the ACNC by organisations regulated by that agency.

B Requests from Management/TCWG

An example of a MSE requested by management, or those charged with governance (TCWG), is where management requests the auditor of the company to audit the cash receipts and disbursements of the company's social club and the related internal controls; agree leave taken during a specified period by a specified employee category to employee records; and review the leave balances calculations of all categories of employee at year-end for compliance with corporate policy.

This MSE comprises:

	Subject Matter	Level of Assurance	AUASB Standard
a	An audit on a special purpose financial report (cash basis of accounting – historical financial information).	Reasonable	ASA 800

⁴³ See Appendix 10 for further details about the ACNC.

	Subject Matter	Level of Assurance	AUASB Standard
b	An engagement to provide reasonable assurance on the design and operating effectiveness of internal controls.	Reasonable	ASAE 3150
c	An agreed-upon procedures engagement where a factual findings report is provided but no assurance is given – agree leave taken to employee records.	No assurance	ASRS 4400
d	A review of the calculations of a list of leave balances at year-end in compliance with corporate policy.	Limited assurance	ASAE 3100

Requests from management may take the form of a written request or may be verbal. Regardless of how the request is communicated, the auditor complies with AUASB Standards that require agreement on the terms of engagement to be in writing. This requirement enables the auditor to clarify and confirm the various sections and user needs that comprise the MSE.

In these types of engagement, the auditor designs the auditor’s report.

C Self-Managed Superannuation Funds

Self-managed superannuation funds (SMSFs) are specific types of superannuation funds which are enabled and governed by the *Superannuation Industry (Supervision) Act 1993* (SISA) and the *Superannuation Industry (Supervision) Regulations 1994* (SISR). This legislation applies also to other superannuation funds, however SMSFs are regulated by the Australian Taxation Office (ATO), not The Australian Prudential Regulation Authority (APRA). The Australian Securities and Investments Commission (ASIC) is given responsibility for the registration of approved SMSF auditors and setting competency standards.

The auditor reports to the trustees in the “approved form” which includes opinions on two sections:

Part A: Financial Report; and

Part B: Compliance.

In conducting SMSF audits, an auditor complies with the requirements of the Auditing Standards when addressing the financial report (Part A); and the requirements of ASAE 3100 *Compliance Engagements* when addressing the SMSF’s legislative compliance (Part B).

In this case, the auditor’s report is a single-form prescribed report.⁴⁴

D Annual Reporting to a Regulator

Another more elaborate example of prescribed reporting to a regulator is where a *life company* is required to prepare and present an *Annual APRA Return*. Under legislation and APRA requirements, the entity is responsible for various matters, described in the table below, which demonstrate differing subject matters and different levels of required assurance:

⁴⁴ See Guidance Statement GS 009 *Auditing Self-Managed Superannuation Funds*.

Subject Matter	Level of Assurance	AUASB Standard
Section A: Annual APRA Return:		
<ul style="list-style-type: none"> Prepared in accordance with legislation and APRA Reporting Standards Accounting for statutory funds Financial position at year-end in accordance with APRA Reporting Standards. Apportionments made in accordance with acceptable accounting principles. 	Reasonable Assurance	ASA 800
Section B: Controls to Ensure Compliance with APRA Requirements:		
Parts A, B and C: <ul style="list-style-type: none"> Systems, procedures and internal controls to comply with legislation, regulation and APRA requirements 	Limited Assurance	ASAE 3150
Part D: <i>Evaluation of the results of the auditor's other procedures in the context of the entity's compliance with Prudential Requirements:</i> <ul style="list-style-type: none"> The review of controls The audit of the Annual APRA Return The audit of the financial report conducted under the <i>Corporations Act 2001</i>. 	Limited Assurance	ASAE 3100

AUASB Guidance Statement GS 017 provides comprehensive guidance on the APRA requirements under its Prudential Standards, including an example auditor's report that illustrates the reporting principles adopted in a MSE report.

E Applications for Licences

An example of a MSE relating to licence applications is in relation to Australian Financial Services (AFS) licences under the *Corporations Act 2001*, where requirements comprise several sections, namely:

- A (traditional) audit of historical financial statements;
- Reasonable assurance on compliance with certain requirements;
- Limited assurance on compliance with other requirements;
- A statement by the auditor (no matters not previously reported); and
- A prescribed auditor's report (Form 71).