

Appendix B: Engagement Risk Assessment – Example Template

The purpose of this Engagement Risk Assessment example template is to provide auditors with additional guidance in identifying and managing risks related to the audit of the Care Minutes Performance Statement.

Auditors may use this optional template for further guidance in audit planning and implementation. However, this template is not intended to be prescriptive. Auditors are still required to use their own methodology, in line with the ASAE Standards and their firm’s established audit and quality assurance processes, to plan and implement an audit.

Example template

[Insert audit firm details]

[Insert Approved Providers details]

We have been engaged to undertake a reasonable assurance engagement on the **preparation** of **[Approved Provider Name]**’s (“the Provider”) Care Minutes Performance Statement (the “Performance Statement”) in accordance with the Quality of Care Principles 2014 (“the Principles”) in all material respects, **[for the relevant period]**.

Engagement risk for this audit is based on obtaining reasonable assurance. We have conducted an assessment to support in assessing specific risks, planning our test procedures and determining whether the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

[The below information may be recorded in a landscape table should multiple risks be detected]

Engagement risk (prior to commencement of the audit)
<i>The Performance Statement audit report is required to be addressed to the aged care provider (engaging party) and the Secretary of the Department of Health, Disability and Ageing (intended user). The auditor should consider this with respect to the auditor’s duty, responsibility and liability to the engaging party, the aged care provider. The auditor should ensure that the terms of engagement allow for the audit report to be addressed to the department.</i>
Identify the risk
<i>What could go wrong?</i>

In a reasonable assurance engagement, the auditor is required to understand the internal controls over the Performance Statement information to identify the types of misstatements and factors that affect the risk of material misstatement.

This risk assessment process can also assist the auditor to understand the subject matter and other engagement circumstances.

Section 2.4.4. of this Guide outlines example of risks in care time reporting and 24/7 RN onsite attendance.

(See ASAE 3000: 12(a)(i)(a); 12(f); 45-48R, A11).

Identify the risk source

Where is the risk coming from?

Is this inside or outside the control of the provider?

Identify the impact on the audit if this risk occurs

The auditor may use their own classification methodology, i.e. low, medium, high, and should provide commentary to justify the classification.

The auditor should communicate with the provider any risk that may significantly impact the audit, or the auditor's ability to undertake and complete the audit.

Identify the relevant controls to this risk

What are the relevant controls to the risk?

For example, what systems or processes are in place to manage the identified risk. This may include internal workflow processes, onboarding provided to new staff so they are aware of their duties and obligations, and/or online IT systems that enable the provider to deliver care time and meet their 24/7 RN responsibility. Controls may be preventative or detective.

(See ASAE 3000: 47R-48R)

Identify how controls are designed and implemented.

This should include considering if limitations of the control's design and implementation are present. The auditor may in their assessment identify personnel/business areas who have access to and/or are responsible for the control and if this represents appropriate segregation of duties. This identification is for the purpose of determining the risk of unauthorised access or risk specific to a business area. It is not an assessment on an individual staff member's activity. Detection and management of fraud is a risk held by the provider.

(See ASAE 3000: 47R)

[If Applicable] Plan testing of operating effectiveness
<p><i>The auditor will use professional judgement to determine whether this is applicable.</i></p> <p><i>The auditor should consider and obtain evidence of the operating effectiveness of relevant controls when their assessment of risks is either dependent on the expectation that controls are operating effectively, or procedures other than tests of controls cannot provide sufficient and appropriate evidence.</i></p> <p style="text-align: right;"><i>(See ASAE 3000: 48R)</i></p>
Outline the performance of the controls testing procedures
<p><i>The auditor will outline the performance of the controls testing procedures.</i></p> <p><i>The auditor should apply procedures as appropriate to the engagement, which may include enquiry, inspection, re-calculation, re-performance, observation, confirmation and analytical procedures.</i></p> <p style="text-align: right;"><i>(See ASAE 3000: 12(b), A9)</i></p>
Conclude on controls testing
<p><i>The auditor will outline their conclusion on the control testing.</i></p> <p><i>Based on this conclusion, the auditor may choose to conduct substantive testing procedures.</i></p> <p style="text-align: right;"><i>(See ASAE 3000: 48R(b)(ii))</i></p>
[If Applicable] Identify and plan substantive testing procedures
<p><i>The auditor will use professional judgement to determine whether substantive testing is required. The auditor should determine the appropriateness and feasibility of a sample size based on their knowledge of the subject matter and provider (entity). For example, census testing may not be feasible for a large-scale provider.</i></p> <p><i>One or a combination of the following testing approaches can be used when conducting tests of details of performance statements: non-statistical sampling; accept-reject testing; statistical sampling; targeted testing; and/or testing the entire population (census testing).</i></p> <p style="text-align: right;"><i>(See ASAE 3000: 48R(b)(ii))</i></p> <p style="text-align: right;"><i>(See ASA 530 Audit Sampling)</i></p> <p style="text-align: right;"><i>(See ASA 330 The Auditor's Responses to Assessed Risks)</i></p>
Assess the relevance and reliability of information to be used as evidence

The auditor will use professional judgement to determine whether the information can be relied on for the purpose of the engagement.

If the auditor has doubts about the reliability of information, they should determine what changes to the audit plan and procedures are necessary to resolve the matter.

(See ASAE 3000: 50)

Identify whether there is a significant matter that impacts the audit conclusion

The auditor will use professional judgement to determine whether this is a significant matter that impacts their ability to form an audit conclusion.

If yes, outline reasoning and discuss this with the provider.

(See ASAE3000: 79-80, A200, A203)

If no, determine whether an emphasis of matter paragraph is required.

(See ASAE 3000: 73, A192)