



AUASB Project Plan

Project Title:	Post Implementation Review - ASAE 3500 <i>Performance Engagements</i>
Date Prepared:	10 March 2023
ATG Member:	Johanna Foyster
Date Approved:	22 March 2023

Project Objective

1. The objective of this project is to:
 - (a) conduct a Post-Implementation Review (PIR) in accordance with the *AUASB Due Process Post-Implementation Review Methodology* (AUASB PIR Methodology) to gather information about the implementation and application of the revised ASAE 3500 *Performance Engagements* (ASAE 3500), issued by the AUASB in October 2017; and
 - (b) evaluate the overall effectiveness and efficiency of the Standard in meeting its **original objectives**, including **whether the Standard remains appropriate**.
2. The AUASB will use evidence obtained from conducting the PIR to identify issues that may exist in applying ASAE 3500 in practice, and to determine what actions need to be undertaken by the AUASB in response.

Overview of Project

Background

3. The AUASB's [*Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications*](#) (AUASB Due Process Framework) requires the AUASB to perform a PIR of each new domestic standard (or major revision to a standard) to evaluate the effectiveness and efficiency of its implementation. A PIR is usually performed after the new/revised requirements have been applied for two to three years, which should allow enough time for the standard to be used and tested in practice.
4. ASAE 3500 was revised and reissued by the AUASB in October 2017 (operative for assurance engagements commencing on or after 1 January 2018) to replace the previous version of the Standard which was issued by the AUASB in October 2008.
5. In December 2022 the AUASB issued a revised ASAE 3500 to reflect conforming and consequential amendments in response to the revised suite of Quality Management Standards that became effective for financial reporting periods commencing on or after 15 December 2022.

6. As part of the AUASB's Agenda Consultation with stakeholders in 2022¹, the AUASB issued a Consultation Paper for public comment, which included a PIR of ASAE 3500 in the 2022-23 *AUASB Technical Work Program*. Stakeholders who provided feedback on the Consultation Paper did not raise any concerns with the PIR being included in the AUASB workplan.

Scope and Application of ASAE 3500

7. ASAE 3500 sets out the requirements and related application and other explanatory material for assurance practitioners to apply when accepting, planning, performing and reporting on Performance Engagements.
8. ASAE 3500 primarily deals with **direct engagements** to provide a **reasonable assurance report** on an activity's/activities' performance (expressed in terms of economy, efficiency and/or effectiveness) evaluated against identified criteria. The Standard may also be applied to limited assurance engagements, adapted and supplemented as necessary in the engagement circumstances.
 - ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* contains requirements and application and other explanatory material specific to reasonable and limited **attestation** assurance engagements but may also be applied to direct engagements, adapted and supplemented as necessary in the engagement circumstances.
 - ASAE 3500 requires compliance with ASAE 3500 requirements and the requirements of ASAE 3000 identified in ASAE 3500 as relevant to Performance Engagements, adapted as necessary for direct engagements.
9. ASAE 3500 is an Australian Standard with no IAASB equivalent; however, it is issued by the AUASB under the AUASB's *Framework for Assurance Engagements*, which is consistent with the IAASB's equivalent Framework. The Framework, which defines and describes the elements and objectives of an assurance engagement, provides the context for understanding ASAE 3000 and ASAE 3500.
10. Performance engagements are commonly conducted on activities delivered or controlled by the government. Performance Engagements are usually initiated by a State, Territory or the Commonwealth Auditor-General. The authority of an Auditor-General to conduct a performance engagement derives from their legislative mandate, consequently the party responsible for the activity does not initiate the performance engagement and their agreement to the terms of engagement may not be required. The scope of a performance engagement is generally determined by an Auditor-General, based on the assessed information needs of Parliament or of the general public.
11. ASAE 3500 may also be relevant to internal auditors or private sector auditors working in both the public and private sector to monitor and/or evaluate the economy, efficiency and effectiveness of activity and to make recommendations for improvement.
12. The term 'performance audit' (or 'performance engagement') is predominantly used in the public sector whereas the terms 'operational audit' or 'value for money audit' are often used in the private sector.

¹ As outlined in the AUASB's Due Process Framework, the AUASB undertakes a formal agenda consultation process with stakeholders at least once every five years to obtain timely feedback on current and emerging auditing and assurance issues.

Scope

13. A PIR is not intended to be a reconsideration of an entire underlying pronouncement. Instead, it acknowledges that consultation and due process during the development of a pronouncement are not a substitute for the practical application of new or revised requirements in practice. For example, when new requirements are applied in practice, unexpected issues may arise, such as a pronouncement being more difficult or costly to apply than what was expected. There might also be situations where a pronouncement unintentionally gives rise to divergence in practice. New or emerging practices may be increasing in prevalence and these types of practices may not have been contemplated when a pronouncement was developed.

Project Scope

14. In accordance with the AUASB PIR Methodology, the PIR process generally comprises the following steps:
 - (a) Identify the objectives of the Standard.
 - (b) Gather evidence about the impact of the Standard, including evidence from:
 - research activities;
 - issues notified to, or identified by, the AUASB prior to the PIR commencing; and
 - stakeholder consultation to identify issues with implementation and application of the Standard.
 - (c) Analyse stakeholder feedback and, based on available evidence, evaluate the overall effectiveness and efficiency of the Standard in meeting its original objectives, including whether the Standard remains appropriate, and
 - (d) Publish the findings of the PIR in the form of an *AUASB Feedback Statement*.

Approach

What information gathering has been completed to date?

15. The AUASB has received anecdotal evidence that certain public sector Audit Offices have concerns about applying ASAE 3500 as it has limitations that are not perceived to exist in equivalent Performance Auditing Standards issued by the International Organisation of Supreme Audit Institutions (INTOSAI).
16. AUASB Technical Staff performed an initial search for information that may be publicly available that could provide further insight into the existence and nature of such issues. This included a review of relevant:
 - (a) Auditor-General Audit Office policies and Auditor-General Auditing Standards² to determine the extent to which ASAE 3500 has been adopted in each jurisdiction in Australia; and
 - (b) a review of relevant academic and other papers published on the subject matter since the Standard became operative.

² Depending on the legislative mandate in each jurisdiction, Auditors-General may be required to:

- (a) conduct public sector engagements in accordance with applicable AUASB Standards;
- (b) have regard to recognized professional standards; or
- (c) set their own Standards which may incorporate AUASB Standards.

What additional information gathering needs to be completed?

17. As ASAE 3500 is primarily used in conducting performance engagements in the public sector, AUASB technical staff considers targeted consultation with key stakeholders on the implementation and application of the Standard will prove more efficient and effective rather than broader consultation with the public.
18. Therefore, it is proposed that the following consultation activities be undertaken as a minimum:
 - (a) **Targeted outreach activities with specific key stakeholders and stakeholder representative groups** — targeted stakeholders/stakeholder groups to be agreed with the Board Sponsor³ for the project, AUASB Chair and Technical Director.
 - (b) **A stakeholder survey** that aims to solicit input from, for example, smaller Audit Offices and Professional Accounting Bodies — to occur concurrently with formal targeted consultation.
 - (c) **Limited public consultation** — to occur concurrently with formal targeted consultation - see paragraph 21(d) below).
19. Views will be sought from:
 - **Audit Offices of Commonwealth, State and Territory Auditors-General** that undertake Performance Engagements in conjunction with financial report assurance or as part of their mandates.
 - **ACAG Heads of Performance Audit (HoPA)** – a sub-committee of the Australasian Council of Auditors General (ACAG). HoPA provides an avenue through which the heads of performance audit (i.e. ACAG representatives who have responsibility for the methodology and delivery of performance audit engagements in each of their Audit Offices) can establish relationships and come together to share, collaborate and leverage ideas and practices. The Committee further provides an opportunity to discuss and exchange intelligence about the practical challenges and solutions for managing a performance audit business.
 - **ACAG Auditing Standards Committee (ASC)** – a sub-committee of ACAG. The ASC provides ACAG with advice on emerging issues that impact audit quality in both financial and performance audits and developments in auditing and assurance standards.
 - **Professional Accounting Bodies representing practitioners** – CA ANZ, CPA Australia and IPA.
 - **Private sector assurance practitioners providing performance engagements** — big 4 and mid-tier firms.
 - **Institute of Internal Auditors (IIA- Australia).**
20. AUASB Technical Staff will also attend the 2023 biennial *International Meeting of Performance Audit Critical Thinkers (IMPACT)* Conference in Canberra, scheduled for 19-20 April 2023. The 2023 conference is co-hosted by ACAG, ANAO and ACT Audit Office.

Communication Plan

21. It is proposed that the Communication Plan include the following key activities as a minimum:
 - (a) Determine which stakeholders/stakeholder groups should be the focus of individual targeted outreach activities.
 - (b) Directly invite key stakeholders to participate in individual targeted outreach activities.

³ The Board Sponsor for the project will be Julie Crisp, AUASB Deputy Chair and Chair of the Public Sector Audit Issues Project Advisory Group.

- (c) Directly invite remainder of stakeholders to participate in the PIR by completing a survey.
- (d) The AUASB will concurrently undertake limited public outreach. The communication to a broad range of stakeholders could be undertaken through a news item on the AUASB website/newsletter, promotion on LinkedIn and/or through the Professional Accounting bodies' newsletters/technical updates.

Issues Out of Scope of this Project

- 22. If any issues come to the AUASB Technical Staff's attention during the PIR that may require consideration of whether the Standard needs to be amended, these issues will be considered by the AUASB as part of a separate full-scope or narrow-scope revision of ASAE 3500 project.

Collaboration with NZAuASB (or NZ Audit Office)

- 23. Not applicable as ASAE 3500 is a local Standard.

What are the major risks/issues that need to be addressed?

- 24. The main risks/issues to be addressed by the PIR are:
 - (a) Lack of engagement with relevant stakeholders via targeted outreach activities.
 - (b) Targeted outreach does not illicit useful feedback to evaluate the overall effectiveness and efficiency of the Standard in meeting its original objectives, including whether the Standard remains appropriate.
- 25. To manage these risks, the Board Sponsor, AUASB Chair and Technical Director will agree on the Project Plan and consultation steps to be undertaken for conducting the PIR of ASAE 3500.

Project Governance

Why is this in the public interest⁴?

- 26. The AUASB is an independent standard-setting body that serves the public interest by setting high-quality standards for audit, review, other assurance and related services engagements, and including standards on quality management for those engagements. In doing so, the AUASB contributes to enhanced engagement quality and consistency of practice nationally and throughout the world and strengthened public confidence in the auditing and assurance profession.
- 27. One of the AUASB's strategic objectives is to develop and maintain Australian specific Standards and/or Guidance for topics not specifically addressed by IAASB Standards, where required.⁵
- 28. AUASB Technical Staff consider it is in the public interest to seek stakeholder feedback about the implementation and application of any new or comprehensively revised AUASB Standard to understand specific implementation issues and to evaluate the overall effectiveness and efficiency of the new/revised Standard in meeting its intended objectives, including considering whether the

⁴ The AUASB's *Public Interest Framework for the Development of AUSB Pronouncements* does not define public interest; however, provides a framework and considerations to provide structure to the AUASB's when considering whether its standard-setting activities are appropriate and responsive to the public interest – See Appendix 1 of the AUASB's *Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications*.

⁵ See [AUASB Corporate Plan](#).

Standard continues to remain appropriate — also see paragraph 12 above. The PIR will provide the AUASB with information to determine what actions, if any, need to be undertaken by the AUASB.

Action Plan and Timing

Date	Description
March 2023	<ul style="list-style-type: none"> ○ Project Plan approved by AUASB Chair. ○ Identify key stakeholders/stakeholder groups to include in formal targeted consultation. ○ Initial research and limited targeted outreach with key stakeholders to discuss the objective and scope of the proposed PIR and to gather preliminary information about the implementation and application of ASAE 3500. ○ Based on initial research and informal outreach, develop PIR Questions for formal targeted consultation/stakeholder survey.
April 2023	<p>Gather evidence:</p> <ul style="list-style-type: none"> ○ Invite key stakeholders/stakeholder groups to participate in individual targeted outreach activities. ○ Invite remainder of stakeholders to participate in a survey (2-3 week response time). ○ Undertake targeted stakeholder consultation. ○ Meet with HoPA — meeting scheduled for 18 April 2023. ○ Attend the 2023 IMPACT Conference in Canberra — 19-20 April 2023. ○ Limited public consultation as per Communication Plan (see para 21(d)).
2 May 2023	<ul style="list-style-type: none"> ○ AUASB Meeting –Update: ASAE3500 PIR Project Plan; PIR Questions. ○ Collate and analyse stakeholder feedback, evaluate findings and conclude.
14-15 June 2023	<ul style="list-style-type: none"> ○ Present Draft <i>AUASB Feedback Statement</i> at AUASB Meeting. ○ Publish <i>AUASB Feedback Statement</i>.