



Board Meeting Summary Paper

AUASB AGENDA ITEM NO. 6(b)
Meeting Date: 7 December 2009
2009

Subject: Project Proposal to revise and reissue
AGS 1036 *The Consideration of
Environmental Matters in the Audit of a
Financial Report*

Date: 25 November 2009

Action Required

For Information Purposes Only

Agenda Item Objectives

To approve a Project proposal to revise and reissue AGS 1036 *The Consideration of Environmental Matters in the Audit of a Financial Report*.

Background

AGS 1036 was first issued by the former AuASB in 1998 and was revised in 2002. The AUASB is in the process of either withdrawing or revising and reissuing pronouncements of the AuASB.

Matters to Consider

Since AGS 1036 was issued, the focus on environmental matters and climate change in both business and government has increased dramatically. The potential effects of climate change appear to be even more severe than previously anticipated. Consequently, the issue of how to respond to this heightened threat is being debated at the highest level on the world stage. Potential impacts on business are far reaching, ranging from the costs of increased regulation to increased risk of losses from extreme weather events.

The introduction of the National Greenhouse and Energy Reporting Scheme (NGERS) in 2007, with the first reporting period ending on 30 June 2009, and the proposed introduction of a Carbon Pollution Reduction Scheme (CPRS) to commence in 2011 will impact not only the emitters captured by those schemes but also customers and suppliers. Potential threats from extreme weather events, including business interruption and damage to assets, are likely to become of greater concern and cost to business over the coming decades.

Consequently, the consideration of environmental matters is an increasingly important issue for auditors in the audit of a financial report. In addition to the significant changes in the environmental threats and reporting requirements since AGS 1036 was issued, the AUASB has issued two new suites of auditing standards. AGS 1036 is anchored to the former AuASB's standards which were current at the time of issue but are now outdated.

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Staff Recommendations

The matters addressed by AGS 1036 are relevant to the audit of a financial report more than ever, however the guidance will require updating to:

1. address the impact of the NGERS and the proposed CPRS;
2. anchor to the new suite of clarity standards, which are effective for periods commencing 1 January 2010; and
3. consider likely threats from climate change, such as extreme weather events, temperature rises, sea level rise and water shortages.

We recommend that the Board approve a project to revise AGS 1036 and confirm which of the three additional matters above should be incorporated into the new guidance.

Material Presented

Agenda Item 6(b) Board Meeting Summary Paper

Agenda Item 6(b).1 Project Proposal to revise and reissue AGS 1036

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1	Approve project to revise and reissue AGS 1036.	Approval	Board	7 Dec 2009	Outstanding
2	Identify key matters to be included in new guidance.	Matters approved for inclusion.	Board	7 Dec 2009	Outstanding

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