



# AUASB Board Meeting Summary Paper

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**AGENDA ITEM NO.**           **7(c)**  
**Meeting Date:**               24 February 2015  
**Subject:**                       Approval of Project Plan – ASAE 3500 Performance Engagements  
**Date Prepared:**               5 February 2015

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**Action Required**

**For Information Purposes Only**

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## Agenda Item Objectives

To present the project plan for the revision of ASAE 3500 *Performance Engagements* for approval.

## Background

1. The existing ASAE 3500 was issued in 2008. In the meantime, in addition to a new suite of auditing standards being issued in 2009 in clarity format, ASAE 3000 has been reissued in June 2014 with significant changes in terminology and far greater detail in the approach to assurance engagements. As ASAE 3000 is the overarching standard for other Standards on Assurance Engagements, these changes to ASAE 3000 need to be reflected in revisions to ASAE 3500. As a consequence, the revision of ASAE 3500 is on the AUASB's work program for 2014/15 financial year.

## Matters to Consider

### *Part A – General*

2. The AUASB conducted a post-implementation survey in 2012 to obtain feedback on ASAE 3500 and identify areas where improvements could be made when ASAE 3500 is revised. The responses to this survey, which are analysed in Agenda Item 7(c).3, identified a number of areas to be addressed in any revision including:
  - (a) Consideration of applicability of limited assurance and attestation engagements to performance engagements.
  - (b) Applicability of other objectives to performance engagements in addition to economy, efficiency and effectiveness.
  - (c) Allowing for conclusions on objectives at the overall objectives level and the sub-objective level, which was a matter addressed in the new standard ASAE 3150 for controls engagements.
  - (d) Whether the report format is always long form rather than short form and allowing for other information to be included.

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- (e) Further guidance required on evidence required for limited assurance engagements.
  - (f) Revised definition of materiality and material deficiency or variation and provide further guidance required on assessing materiality, including qualitative matters.
  - (g) Alignment with the terminology used in practice and avoidance of financial audit terms and concepts.
  - (h) Allowance for the discretion afforded to Auditors General in their engagement scope and reporting.
  - (i) Clarification of the requirements to assess appropriate subject matter and suitable criteria in a direct engagement when the assurance practitioner determines those matters.
  - (j) Differentiation of assertions (attestations) and written representations.
  - (k) Clarification of risk assessment and separation from the materiality concepts.
  - (l) Further guidance on understanding the performance engagement circumstances and the activity subject to the performance engagement.
  - (m) Clarify method of evaluation of deficiencies and modified reports.
  - (n) Provide for reporting to Parliament.
  - (o) Guidance on means of selective testing.
3. The AUASB Technical Group have commenced research on current performance engagement practice in Australia and are planning to meet with the Australasian Council of Auditors-General (ACAG) Performance Audit Heads and following that meeting will establish a Project Advisory Group to advise on development of the standard. The Project Plan is attached as Agenda Item 7(c).1, along with the Project Timeline (Agenda Item 7(c) 2).

#### ***Part B – NZAuASB***

4. The AUASB will advise the NZAuASB of this project so that they may remain apprised of progress of the project in the event that they wish to issue an equivalent standard in NZ.

#### ***Part C – “Compelling Reasons” Assessment***

5. There is no equivalent IAASB Standard on performance engagements.

#### **AUASB Technical Group Recommendations**

6. The AUASB Technical Group recommend approval of the project plan for the revision of ASAE 3500.

#### **Material Presented**

Agenda Item 7(c)	AUASB Board Meeting Summary Paper
Agenda Item 7(c).1	ASAE 3500 Revision Project Plan [confidential]
Agenda Item 7(c).2	Project Timeline [confidential]
Agenda Item 7(c).3	AUASB Comments Received and Proposed Disposition Paper for 2012 Post Implementation Survey Results for ASAE 3500 <i>Performance Engagements</i> [confidential]

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**Action Required**

<b>No.</b>	<b>Action Item</b>	<b>Deliverable</b>	<b>Responsibility</b>	<b>Due Date</b>	<b>Status</b>
1.	Approve of Project Plan	Approval	AUASB	24 February 2015	Pending