



Board Meeting Summary Paper

Subject: Service Organisations: Withdrawal of
AUS 522 & AGS 1026 and amendment to
AGS 1042

Date: 17 March 2008

AUASB AGENDA ITEM NO. 12(f), (g) & (h)
Meeting Date: 14 April
2008

Action Required

For Information Purposes Only

Agenda Item Objectives

1. Approve withdrawal of AUS 522 *Audit Evidence Implications of Externally managed Assets of Superannuation, Provident or Similar Funds.*
2. Approve withdrawal of AGS 1026 *Superannuation Funds – Auditor Reports on Externally Managed Assets.*
3. Approve amendments to AGS 1042 *Reporting on Control Procedures at Outsourcing Entities.*

Background

At the 27-28 November 2006 Board Meeting, the AUASB considered a staff paper on the revision of AUS 522 *Audit Evidence Implications of Externally Managed Assets of Superannuation, Provident or Similar Funds* and AGS 1026 *Superannuation Funds – Auditor's Reports on Externally Managed Assets*. The AUASB agreed that the best way to progress the revision of AUS 522 and AGS 1026 is to reissue AGS 1026 to include relevant guidance from AUS 522 as well as any necessary updates to reflect issues not currently included.

Consequently, a Project Advisory Group was set up and the project was completed when GS 007 *Audit Implications of the Use of Service Organisations for Investment Management Services* was issued on 12 March 2008, to be operative for reporting periods commencing on or after 1 July 2008.

Matters to Consider

The new guidance contained in GS 007 covers the topics of guidance contained in AGS 1026 and AUS 522. In addition GS 007 anchors that guidance to the mandatory requirements in the ASAs and ASAE 3000, eliminating the need for separate requirements as contained in AUS 522. AGS

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1026 and AUS 522 are both now outdated as they anchor to the standards of the former AuASB rather than the current ASAs and ASAEs and also due to changes in the industry terms and practice. AUS 522 is also industry specific which is at odds with the AUASB's current approach of using guidance statements to provide the industry specific interpretations of the generic requirements contained in the ASAs.

The guidance in GS 007 on controls reports overlaps with the guidance contained in AGS 1042 Reporting on Control Procedures at Outsourcing Entities as currently worded, because AGS 1042 is not industry specific guidance. This overlap in pronouncements may lead to confusion and potentially the selection of a pronouncement which suits the user rather than the one which is most appropriate in the circumstances.

Staff Recommendations

We recommend that:

1. AGS 1026 be withdrawn with effect from reporting periods commencing 1 July 2008 to coincide with the operative date for GS 007 of periods commencing 1 July 2008;
2. AUS 522 be withdrawn with effective from 1 July 2008; and
3. AGS 1042 be amended to exclude reporting on investment management services.

Material Presented

- Agenda Item 12(f), (g) & (h) Board Meeting Summary Paper
- Agenda Item 12(f), (g) & (h).1 Attachment to Board Meeting Summary Paper
- Agenda Item 12(f), (g) & (h).2 Schedule of requirements and guidance to be withdrawn

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approve withdrawal of AGS 1026	Approval	AUASB	14 April 2008	
2.	Approve withdrawal of AUS 522	Approval	AUASB	14 April 2008	
3.	Approve amendments to AGS 1042	Approval	AUASB	14 April 2008	

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