



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **2**

Meeting Date: 26 April 2017

Subject: Final revised ED XX ASAE 3500 Performance Engagements

Date Prepared: 10 April 2017

Action Required

For Information Purposes Only

Agenda Item Objectives

To provide the AUASB with a final revised draft ED XX ASAE 3500 *Performance Engagements* for consideration and approval to expose for a 60 day period.

Background

1. ASAE 3500 was issued in 2008 and a post-implementation survey was conducted in 2012. The results of that survey identified a number of matters to be addressed in any future revisions to ASAE 3500.
2. The AUASB approved a project plan to revise ASAE 3500 at the AUASB meeting 24 February 2015 and an updated timetable at the 9 June 2015 meeting. Following approval of the project, the AUASB Technical Group met with the Australasian Council of Auditors-General (ACAG) Heads of Performance Audit at their annual meeting in late March, in order to bring the project to the attention of the auditors-general and to obtain initial feedback on the scope of the revised standard and issues to be addressed in the redrafting.
3. A Project Advisory Group was formed in April, with representatives from each of the audit offices which conduct performance engagements and an academic. PAG discussions were held in mid-May, to discuss the proposed approach to addressing issues identified and to recommend the scope of the revised standard; mid-June, to discuss an initial draft standard; late July and late August to discuss further drafts.
4. The revised draft ASAE 3500 was discussed at the September 2015 meeting and since this time no further work has progressed on the project due to resource constraints at the AUASB.
5. A PAG Meeting was held on 15 September 2016 to discuss the outstanding comments on the revised draft ED XX ASAE 3500 that went to the September 2015 meeting. At this meeting it was decided by the PAG that the terminology – inputs, outputs and outcomes would not be used in the revised standard because the PAG members felt that ASAE 3500 should reflect the current practice of a performance engagement which deals with the concepts of Economy, Efficiency and Effectiveness (EEE). The terminology of inputs, outputs and outcomes is more closely aligned with that used in Service Performance Reporting and Assurance however please note the comments under NZAuASB point 2 re: NAZB Service Performance Reporting Standard.

This document contains preliminary views and/or AUASB Technical Group recommendations to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions of the AUASB. No responsibility is taken for the results of actions or omissions to act on the basis of reliance on any information contained in this document (including any attachments), or for any errors or omissions in it.

6. A second PAG Meeting was held on 6 February 2017 to discuss the revised draft standard and incorporate any further suggested changes from the PAG. Minor changes from the 1 March 2017 AUASB meeting have also been incorporated in the revised draft.
7. A third PAG Meeting was held on 5 April 2017 to discuss the revised draft, comments from the Board and the questions to ask on exposure and for the PAG to provide detailed comments on the content of the revision to date. All changes from this meeting have been reflected in the marked up draft for the Board's consideration.

Matters to Consider

Part A – General

1. Drafting of the ED XX 3500 has continued post the 5 April 2017 PAG Meeting and all suggested changes have been incorporated in the revised draft ASAE 3500 as attached.
2. The key area that the PAG (and ACAG) have raised that needs to be considered by the Board is that of the Assurance Report Content para 45. The PAG's view is that some of the base element requirements under ASAE 3500 which are required by ASAE 3000, are not relevant to a performance engagement undertaken by an Auditor General as these areas are based in jurisdictional legislation and are currently not always explicitly reported in the Performance Audit Reports. These paragraphs include:

Paragraph 45:

- (a) a title, indicating that it is an independent assurance report;
- (d) a statement that the responsible party is responsible for the activity covered by the assurance practitioner's report;
- (e) a statement that:
 - (i) the office or firm of which the assurance practitioner is a member applies ASQC 1; and
 - (ii) the assurance practitioner complies with the independence and other relevant ethical requirements related to assurance engagements;
- (k) signature of the assurance practitioner, the Audit Office or location in the jurisdiction where the assurance practitioner practices and the date of the assurance report.

The requirement for these base elements in the Assurance report are contained in ASAE 3000, which the assurance practitioner is required to comply with in conducting a performance engagement in addition to the requirements in ASAE 3500. ASAE 3500 adapts the requirements specifically for a direct performance audit engagement.

The current suite of subject matter specific ASAE 3000 standards which includes: ASAE 3100 *Compliance Engagements*, ASAE 3150 *Controls*, ASAE 3402 *Service Organisations* and ASAE 3410 *Greenhouse Gas Statements* all require these base elements to be included in the assurance report. As such the revised ED XX ASAE 3500 is drafted consistently with this approach which maintains the minimum standard set by ASAE 3000 to be reported in the assurance report.

The AUASB Technical Group recommends these elements of the assurance report are retained in the ED to be exposed.

To be completed

1. OBPR Regulatory Impact Assessment and OBPR clearance; and
2. Internal quality control and sign off process

Part B – NZAuASB

1. This is not a joint project with NZAuASB, as currently NZAuASB does not plan to issue an equivalent of ASAE 3500, as this topic is not within its mandate.
2. The AUASB Technical Group is participating in the NZAuASB Working Group to support the NZ project to develop a standard on assurance of *Service Performance Information* and monitoring the joint AASB and NZ XRB project to develop an accounting standard on *Reporting Service Performance Information*. It was noted from the minutes of the December NZASB meeting that the NZ Accounting Standard on Service Performance Reporting has replaced the term “outcomes” with other words and phrases etc. The NZAuASB’s draft Assurance Standard on Performance Reporting will also follow the lead of the NZASB. Engagements under ASAE 3500 are distinct from engagements on Service Performance Information. Consequently ASAE 3500 does not include those engagements.

AUASB Technical Group Recommendation

The AUASB Technical Group recommends the revised ED XX ASAE 3500 be approved for a 60 day exposure period subject to OBPR clearance and internal quality control processes being completed and finalised.

Material Presented

Agenda Item 2	AUASB Board Meeting Summary Paper
Agenda Item 2.1	Revised Draft ED XX ASAE 3500 <i>Performance Engagements</i> (marked up)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	AUASB to provide feedback on final revised ASAE 3500.	Detailed comments on revised draft ASAE 3500.	AUASB	26 April 2017	
