



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **2**

Meeting Date: 25 October 2016

Subject: Project Update on ASAE 3500 Performance Engagements

Date Prepared: 13 October 2016

Action Required

For Information Purposes Only

Agenda Item Objectives

To give a status update on ED XX ASAE 3500 *Performance Engagements* project.

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.

Matters to Consider

Part A – General

1. At the 15 September 2016 PAG meeting a number of outstanding issues / comments were discussed the primary ones being:

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- Paras 3 – 9: Scope of a performance engagement and how this should be reflected at the front end of the standard
 - Para 16: Objectives of a performance engagement (this should be consistent with the scope paras)
 - Para 17: Definitions: Terminology used in the draft ED is currently too complex and needs to be simplified.
2. The above changes are quite fundamental and pervasive to the revised ED XX ASAE 3500 and as such have required a major re-write of the standard as it was previously drafted. All of the changes made have flow on effects to the rest of the standard and application material. The PAG were in agreement that the changes should be made to simplify the ED. The drafting of the changes is in progress however not yet completed due to resourcing constraints. The suggested changes to the terminology and objectives will bring ED XX ASAE 3500 closer in line with the current approach taken in ED 04/16 *Compliance Engagements*.
3. There are some unresolved technical issues that the AUASB technical Group are working through, where changes have been requested by the PAG that may not apply easily to a public sector performance engagement or to the current report prepared for Parliament. As the framework standard ASAE 3000 requires the assurance practitioner to undertake these requirements and ASAE 3500 is explicitly linked to ASAE 3000 then some of these areas will need to be retained to set the base requirements and maintain best practice. Some examples of these matters are:
- Retaining the requirement for Written Representations from the responsible party – AG's don't currently obtain written representations from the responsible party: Current wording in the draft ED - The assurance practitioner shall (may?) endeavour to obtain written representations, as appropriate for the engagement, from the responsible party.
 - Base elements in the report currently requires: a statement by the responsible party and the assurance practitioner as to their respective responsibilities – the AGs don't currently word their report accordingly to this requirement.

The PAG as a whole would be comfortable for these requirements to be removed from the current draft ED XX 3500 as they don't believe they apply in the current context of a performance engagement even though they are requirements under ASAE 3000 and the extant ASAE 3500.

4. Drafting of the ED XX 3500 will continue depending on resource constraints, the revised draft will then go back to the PAG so they can discuss it internally with their performance engagement teams. This version of the ED XX ASAE 3500 will also come to the Board for information at the 29 November 2016 meeting. A further PAG meeting will then be scheduled to discuss comments and resolve outstanding matters in the new year.

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*. Engagements under ASAE 3500 are distinct from engagements on Service Performance Information, consequently ASAE 3500 will not include those engagements.

Material Presented

Agenda Item 2

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