



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **12.1.0**

Meeting Date: 4-5 December 2018

Subject: AUASB Bulletin – Other Assurance

Date Prepared: 27 September 2018

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Action Required

For Information Purposes Only

Agenda Item Objectives

1. The objective of this agenda item is for the AUASB to provide direction to the ATG by responding to questions regarding:
 - (a) Agreeing the structure of the framework bulletin (qns. 1 and 2);
 - (b) Agreeing the scope of the bulletin, including example topics to include (qns. 3 and 4); and
 - (c) Agreeing the timeline for preparation (qn. 5).

Background

2. At the September 2018 AUASB meeting, the AUASB Technical Group (ATG) presented a paper responding to a request from an AUASB member to explore possible assurance implications of the recently effective ‘safe harbour’ legislation in the *Corporations Act 2001*.
3. The view of the ATG, based on the research undertaken, was that although there may be some potential assurance implications in relation to the new ‘safe harbour’ provision, the legislation had been drafted with a focus on restructuring and turnaround experts, rather than assurance providers. The ATG proposed, that in response to this issue rather than just focusing on the ‘safe harbour’ provisions, a principles-based publication based on a range of possible engagements that can be performed under the AUASB Assurance Framework be developed.
4. The AUASB agreed that a principles-based publication, in the form of a bulletin, could assist practitioners with navigating through the appropriate other assurance or related services standard for a range of subject-matter other than historical-financial information. The AUASB requested a draft bulletin to be brought to the AUASB for further consideration.
5. Since the September 2018 AUASB meeting, the ATG have undertaken targeted outreach to determine what would be of most value to stakeholders and what examples should be considered for

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inclusion in a publication to demonstrate how to apply the suite of other assurance standards. Taking into account the feedback received, the ATG consider the following to be important in ensuring the publication is useful to stakeholders:

- (a) Other assurance engagements need to be grouped in an intuitive way;
- (b) Ensuring the publication does not overlap with Emerging Forms of External Reporting (EER) Assurance publications;
- (c) Examples will need to be topical and the bulletin evolve to include new subject-matters; and
- (d) Assurance needs may not fit neatly into one standard, the bulletin will need to appropriately highlight multi-scope engagements (for example, drawing attention to GS 022 *Grant Acquisitions and Multi-Scope Engagements*).

Structure of the Framework Bulletin

6. The proposed structure of the bulletin will follow a similar framework as previous bulletins issued by the AUASB. The proposed structure of this bulletin is:
 - (a) Part 1 – What is the issue we are trying to resolve and what will stakeholders gain from the publication; and
 - (b) Part 2 – Scenarios, consequences and considerations.

Part 1 – What is the problem and how this publication benefits stakeholders

7. This part of the bulletin will outline what is the issue, what is the public-interest benefit from addressing it and what stakeholders are expected to gain from the bulletin.
 - (a) **Issue** – Possible assurance or related-service activities are emerging from current events such as the introduction of ‘safe harbour’ legislation and the Banking Royal Commission. Stakeholders may lack knowledge of the other assurance or related-services engagements available under the suite of AUASB standards which could enhance the credibility of activities undertaken to respond to them.
 - (b) **Public-interest** – Boards, regulators and other stakeholders can benefit from the enhanced credibility achieved through these engagements.
 - (c) **Benefits** – Stakeholders will gain an understanding of some of the subject-matters that other assurance and related-services engagements apply to and how these engagements can enhance credibility of information.

Part 2 – Scenarios, consequences and considerations

8. This part of the bulletin will include a table which groups other assurance and related-services engagements in an intuitive way. This will be discussed further below in paragraph 9. The table will be followed by practical examples which use flowcharts. Possible examples are outlined below in paragraphs 14 and 15.

Scope of the Framework Bulletin

Grouping of Standards

9. As outlined above, the bulletin will include a table outlining other assurance and related-services engagements and group them in an intuitive way.

10. At the September 2018 AUASB meeting, the ATG brought a draft grouping of Other Assurance Standards based on the *Categorisation of Underlying Subject Matters* contained in Appendix 4 of the *AUASB Framework for Assurance Engagements*. The AUASB Framework, broadly groups engagements under three subject-matters:
 - (a) Non-financial – Performance/use of resources, value for money and condition;
 - (b) System/Process – Description, design and operation/performance; and
 - (c) Aspects of Behaviour – Compliance, human behaviour and ‘other’.
11. Based on the targeted outreach, the following alternative grouping may be of more easily understood by stakeholders:
 - (a) Historical – Financial and non-financial;
 - (b) Future orientated – Reasonableness of assumptions;
 - (c) Compliance;
 - (d) Controls;
 - (e) Performance; and
 - (f) Non-assurance – AUPs and compilations.
12. Both methods of grouping other assurance and related-services standards have been illustrated below in Appendix 1 – Example Grouping of Other Assurance and Related-Services Standards.

Questions

1. Which of the examples in Appendix 1 does the AUASB view as the most intuitive for the purposes of this bulletin?
2. Does the AUASB have an alternative to the options presented by the ATG?

Interaction with EER Publications

13. The ATG will ensure that the bulletin does not duplicate information in EER guidance currently being considered by the IAASB. Where appropriate the bulletin may refer to the EER guidance.

Topical Examples for the Bulletin

14. At the September 2018 AUASB meeting, the ATG outlined a number of examples which could be included in the bulletin. These examples were:
 - (a) Assurance implications of safe harbour legislation;
 - (b) Remediation requirements of the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry; and
 - (c) Voluntary disclosures recommended by the Task Force on Climate related Financial Disclosures (TCFD).

15. Based on the targeted outreach, the following additional examples will be considered:
 - (a) Climate change risks;
 - (b) Modern Slavery Statements;
 - (c) Clean Energy Schemes;
 - (d) Sustainability Reporting; and
 - (e) Compliance with Corporate Governance Principles.
16. The ATG will explore and include the most important in the bulletin to ensure that the length of the publication does not become a barrier to its usefulness.

Questions

3. Which examples outlined in paragraphs 14 and 15 does the AUASB consider to be the most important to include?
4. Does the AUASB have any additional examples for the ATG to explore?

Timeline

17. Based on the AUASB Technical Work Programme, the aim is to complete the bulletin by the end of Q1 2019. Based on this, the ATG anticipates a fatal-flaw bulletin will be brought to the AUASB March 2019 meeting. The bulletin will be distributed out-of-session for comment by AUASB Members in January and February 2019.

Questions

5. Do AUASB Members agree with the proposed timing of the bulletin?

Material Presented

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BMSP – AUASB Bulletin – Other assurance

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider and respond to questions 1-5.	Provide responses to questions.	AUASB	4-5 December 2018	N/A

APPENDIX 1 – EXAMPLE GROUPING OF OTHER ASSURANCE AND RELATED-SERVICES STANDARDS

Presentation Method 1 –AUASB Framework Appendix 4

This presentation method is based on Appendix 4 *Categorisation of Underlying Subject Matters* of AUASB *Framework for Assurance Engagements*. The relevant standards columns have been included by the ATG. The information in these columns is incomplete and for illustration only at this stage.

Information about:		Historical Information	Future Orientated Information	Relevant standard(s)	
Non-Financial	Performance / Use of Resources/ Value for Money	<ul style="list-style-type: none"> Greenhouse Gas Statement Sustainability Report KPIs Statement on effective use of resources Statement on Value for Money Corporate social responsibility reporting 	<ul style="list-style-type: none"> Expected emissions reductions attributable to a new technology, or Greenhouse Gases to be captured by planting trees Statement that a proposed action will provide value for money 	ASAE 3410	<i>Assurance Engagements on Greenhouse Gas Statements</i>
	Condition	<ul style="list-style-type: none"> Description of a system / process as implemented at a point in time Physical characteristics, for example, the size of leased property 		ASAE 3610	<i>Assurance Engagements on General Purpose Water Accounting Reports (AWAS 2)</i>
System/ Process	Description	<ul style="list-style-type: none"> The description of a system of internal control 		ASAE 3000	<i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
	Design	<ul style="list-style-type: none"> The design of controls at a service organisation 	<ul style="list-style-type: none"> The design of proposed controls for a forthcoming production process 	ASAE 3150	<i>Assurance Engagements on Controls</i>
	Operation/ Performance	<ul style="list-style-type: none"> The operating effectiveness of procedures for hiring and training staff. 		ASAE 3402	<i>Assurance Reports on Controls at a Service Organisation</i>
				ASAE 3500	<i>Performance Engagements</i>

Information about:		Historical Information	Future Orientated Information	Relevant standard(s)	
Aspects of Behaviour	Compliance	<ul style="list-style-type: none"> An entity's compliance with e.g., loan covenants, or specific legal or regulatory requirements 		ASAE 3100	<i>Compliance Engagements</i>
	Human Behaviour	<ul style="list-style-type: none"> Evaluation of audit committee effectiveness 		ASAE 3000	<i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
	Other	<ul style="list-style-type: none"> The fitness for purpose of a software package 		ASRS 4400	<i>Agreed-Upon Procedures Engagements to Report Factual Findings</i>

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Presentation Method 2 – Alternative Presentation Method

This presentation method is based on groupings suggested during targeted outreach. The table has been prepared by the ATG for illustration only. The example subject matter and relevant standards are incomplete.

Information type:	Example Subject matter:	Relevant Standards	
Historical <i>(Financial and non-financial)</i>	Greenhouse Gas Statement. Sustainability Report. Assurance over information contained in the ACNC AIS.	ASAE 3000	<i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
		ASAE 3410	<i>Assurance Engagements on Greenhouse Gas Statements</i>
		ASAE 3610	<i>Assurance Engagements on General Purpose Water Accounting Reports (AWAS 2)</i>
Future-orientated	Prospective information including assumptions etc.	ASAE 3450	<i>Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information</i>
Compliance	An entity's compliance with e.g., loan covenants, or specific legal or regulatory requirements	ASAE 3100	<i>Compliance Engagements</i>
Controls	Report on the suitability of the design of controls to achieve identified control objectives. Report on implementation of the controls as designed and/or operating effectiveness of controls as designed.	ASAE 3150	<i>Assurance Engagements on Controls</i>
		ASAE 3402	<i>Assurance Reports on Controls at a Service Organisation</i>
Performance	Performance audits performed by Auditors-General. Direct performance engagements.	ASAE 3500	<i>Performance Engagements</i>
		ASAE 3000	<i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>
Non-assurance	Report of factual findings. Compilation of tax return. Compilation of information for inclusion in the ACNC AIS.	ASRS 4400	<i>Agreed-Upon Procedures Engagements to Report Factual Findings</i>
		ASRS 4450	<i>Comfort Letter Engagements</i>
		APES 315	<i>Compilation of Financial Information</i>