



# Board Meeting Summary Paper

**Subject:** Withdrawal of AGS 1036 *The Consideration of Environmental Matters in the Audit of a Financial Report*

**Date:** 23 February 2011

AUASB  
AGENDA  
ITEM NO.

**14(b)**

**Meeting Date:  
28 February**

**2011**

## X Action Required

## For Information Purposes Only

### Agenda Item Objectives

To withdraw AGS 1036 *The Consideration of Environmental Matters in the Audit of a Financial Report*.

### Background

AGS 1036 was issued in July 2002 by the former AuASB and is compliant with IAASB Auditing Practice Statement IAPS 1010. IAPS 1010 *The Consideration of Environmental Matters in the Audit of Financial Statements* was issued in March 1998. It is applicable to audits of financial reports where environmental matters are significant to the entity and there may be a risk of material misstatement in the financial report arising from such matters. AGS 1036 provides guidance on the application of AUS 304, AUS 402, AUS 218 and AUS 606, where environmental matters are significant to the entity. All of these standards have been twice superseded, when the AUASB issued a new suite of statutory auditing standards (ASAs) in 2006 and again when the AUASB issued a new suite of clarity ASAs in 2009.

### Matters to Consider

AGS 1036 is out dated due to the references to superseded standards. In addition there have been some significant developments in environmental considerations since AGS 1036 was issued, not least of which is the introduction in Australia of the National Greenhouse and Energy Reporting Scheme (NGERS). NGERS is a precursor to an emissions trading scheme which, if introduced, will have a significant impact on high emitters financial reports.

The IAASB issued an exposure draft proposing to withdraw all existing Practice Statements, including IAPS 1010, in October 2009. The exposure period expired on 11 February 2011. The IAASB has already agreed in principle to withdraw the six existing IAPSs, subject to the views on consultation. The IAASB sees this as necessary to create a clean slate approach to any new IAPS in relation to the issue of status and authority, and allows the IAASB to determine what new IAPSs should

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be developed for the future. Similarly, the AUASB has been seeking to withdraw or replace all remaining pronouncements issued by the former AuASB. AGS 1036 is one of the few remaining pronouncements which have not been either withdrawn or replaced.

We have reviewed the 43 responses to the IAASB exposure draft with respect to withdrawal of IAPS 1010 and note that they are all supportive of the withdrawal. The only additional comments provided with respect to IAPS 1010 was from the ICAEW and the International Organization of Securities Commission (IOSCO). The ICAEW which expressed the view that the “IAASB should nevertheless give further consideration to updating IAPSs 1010 on the audit of environmental matters in a financial statement audit” and also pointed out that “IAPS 1010 notes that *Environmental matters are becoming significant to an increasing number of entities and may, in certain circumstances, have a material impact on their financial statements.* This is more true now than it was in 1998 when the IAPS was issued. There is greater public concern about such matters and legislation has developed reflecting that concern.” IOSCO submitted that consideration needed to be given to the content of all of the existing IAPS as to where and whether it should be captured elsewhere, but did not specifically mention IAPS 1010.

The IAASB have proposed standard ISAE 3410 *Assurance on a Greenhouse Gas Statement* on exposure currently, which the AUASB intend to issue as ASAE 3410 in Australia in due course. It may be appropriate to consider whether a Guidance Statement on environmental matters may be helpful to stakeholders in due course, however it would not be appropriate to develop any such Guidance Statement before ASAE 3410 is issued or until the future of any Australian emissions trading scheme is determined. Consequently, it is timely for AGS 1036 to be withdrawn but premature for a replacement to be developed at this stage.

### **AUASB Technical Group Recommendations**

We recommend withdrawal of AGS 1036 and consideration of a replacement Guidance Statement, if considered useful to stakeholders, once ASAE 3410 is issued and the future of emissions trading in Australia is determined.

### **Material Presented**

Agenda Item 14(b) Board Meeting Summary Paper

Agenda Item 14(b).1 AGS 1036 *The Consideration of Environmental Matters in the Audit of a Financial Report*

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### **Action Required**

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Approval to withdraw AGS 1036	Board approval	AUASB	28 February 2011	Pending

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