



AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **6(a)**

Meeting Date: 28 July 2015

Subject: Revision of ASAE 3500 *Performance Engagements*

Date Prepared: 20 July 2015

Action Required

For Information Purposes Only

Agenda Item Objectives

To consider a draft revised ASAE 3500 *Performance Engagements*.

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, and in mid-June, to discuss an initial draft standard.
4. The initial recommendations of the first PAG discussion was that the scope of the revised ASAE 3500 should address:
 - (a) assurance over performance outcomes rather than outputs, so as to exclude assurance on service performance information or other information measured purely by key performance indicators (KPIs) or other performance metrics;
 - (b) both direct engagements and attestation engagements, including “follow-on” engagements but excluding assurance over service performance information reported;
 - (c) both reasonable and limited assurance;

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- (d) both long form and short form reporting;
 - (e) flexible scope and reporting to accommodate different Government reporting requirements; and
 - (f) broad objectives of a performance engagement not limited to economy, efficiency and effectiveness to allow flexibility to address other objectives.
5. The recommended content of the revised ASAE 3500 would include:
- (a) requirements anchoring to ASAE 3000, but as the subject matter specific standard would need to override ASAE 3000 if any inconsistency arose;
 - (b) tabular format to separate limited and reasonable assurance requirements;
 - (c) explanation of materiality and risk assessment in the context of performance engagements;
 - (d) consideration of the needs of users, such as plain English wording of conclusions so they are more meaningful to Parliament and other users;
 - (e) management representations supported by documentation at the entity;
 - (f) the manner in which “acceptance and continuance” of engagements is undertaken in a performance engagement, where the engagement is usually chosen by the Auditor General as part of strategic planning rather than requested by the entity; and
 - (g) incorporation of public sector specific needs in reporting such as descriptive sections as engagements are primarily public sector.

Matters to Consider

Part A – General

6. The second PAG discussion resulted in recommendations for the scope of the revised ASAE 3500 to address:
- (a) The subject matter of the engagement to be an “activity” rather than an “activity at an entity”, as the activity may run across multiple entities or be within an entity;
 - (b) Assurance over an activity evaluated against “performance objectives” rather than performance “outcomes”;
 - (c) Only direct engagements, which would exclude engagements on service performance information;
 - (d) Application to attestation engagements, “adapted and supplemented as necessary in the engagement circumstances”, so that “follow-on” performance engagements could use the standard;
 - (e) Initiation of the engagement by an AG or acceptance of the engagement in the private sector, rather than acceptance and continuation, as engagements do not usually continue; and
 - (f) The wording of the standard to reflect terminology used by performance auditors and minimise wording which is unique to AUASB standards which may not be well understood by performance auditors, including the terms used for modifications to the assurance conclusion for which clearer terms can be used.

7. The draft standard, Agenda Item 6(a).1, has been written for direct engagements and has adapted and supplemented the requirements of ASAE 3000 as necessary to address direct engagements, as that standard only addresses attestation engagements. Draft ASAE 3500, anchors to ASAE 3000 to the extent that the requirements of ASAE 3000 are relevant to direct engagements. Wherever possible, the draft standard has used terms which can be readily understood by performance auditors.
8. The PAG will meet on 30 July to discuss the draft standard.

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.

AUASB Technical Group Recommendations

The AUASB Technical Group recommends that the AUASB provide comments on the initial drafting of revised ASAE 3500.

Material Presented

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| Agenda Item 6(a) | AUASB Board Meeting Summary Paper |
| Agenda Item 6(a).1 | Draft revised ASAE 3500 <i>Performance Engagements</i> [Confidential] |

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1.	Consider draft revised ASAE 3500.	Provide comments on the draft standard.	AUASB	28 July 2015	Pending
