



Proposed modification (2) to international standard ISA 800 and ISA 805

Proposed modification

Inability to Comply with Requirements

Delete ISA 800 Para A9 and replace with ASA 800 Aus A9.1

Delete ISA 805 Para A5 and replace with ASA 805 Aus A5.1

ASA 200 requires the auditor to comply with (a) relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements, and (b) all Australian Auditing Standards relevant to the audit. It also requires the auditor to comply with each requirement of an Australian Auditing Standard unless, in the circumstances of the audit, the entire Auditing Standard is not relevant or the requirement is not relevant because it is conditional and the condition does not exist; or application of the requirement(s) would relate to classes of transactions, account balances or disclosures that the auditor has determined are immaterial. In rare and exceptional circumstances, when there are factors outside the auditor’s control that prevent the auditor from complying with a requirement, the auditor where possible, performs appropriate alternative audit procedures

Rationale for the proposed modification

The international standard is not consistent with Australian regulatory arrangements.

The ISAs are not inconsistent with Australian legislation, however:

- a. The Ethics in Australia sit outside of the ASAs but are captured in ASA 102;
- b. the above modification clarifies the auditor’s responsibilities, consistent with the existing “Aus” requirement in ASA 200 (paragraph Aus 23.1). The modification in ASA 200 was considered necessary as the Auditing Standards are legislative instruments.

OR

The international standard does not reflect principles and practices that are considered appropriate in Australia.

- c. Reference to materiality: the board considers the concept of materiality in determining the relevance of requirements.

A. Consideration of compelling reason criteria where the international standard is not consistent with Australian regulatory requirements.

Compelling reason criteria as per agreed Principles of Convergence

Consideration whether the proposed modification meets the criteria

1. The standard can be modified so as to result in a standard the application of which results in effective and efficient compliance with the legal framework in Australia.

Yes.



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2. The proposed modification does not result in a standard that conflicts with, or results in lesser requirements than the international standard.	There is no conflict or lessening of the ISA requirements.
B. Consideration of compelling reason criteria where the international standard does not reflect principles and practices that are considered appropriate in Australia.	
<u>Compelling reason criteria as per agreed Principles of Convergence</u>	<u>Consideration whether the proposed modification meets the criteria</u>
1. The application of the proposed modification will result in compliance with principles and practices considered appropriate by the AUASB.	Yes – the AUASB took this position from the first enforceable Australian Standards
2. The proposed modification results in a standard that is clear and that promotes consistent application by all practitioners. (For example, excluding options not relevant in Australia and New Zealand)	Yes
3. The proposed modification will promote significant improvement in audit quality in Australia (With improvement in audit quality being linked to one or more of the Applicable Elements in the IAASB’s Framework for Audit Quality)	Yes
4. The relative benefits of the modification outweigh the cost (with cost being compliance cost and the cost of differing from the international standard, and benefit relating to audit quality).	Yes
5. The proposed modification does not conflict with or result in lesser requirements than the international standard.	No
6. The proposed modification overall does not result in the standard being overly complex and confusing.	No
7. The proposed modification does not inadvertently change the meaning of the international standard wording by placing more onerous requirements on a practitioner in Australia than necessary to meet the intent of the international standard.	No



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C. Conclusion

Compelling reasons test met/not met?

The compelling reasons test has been met.

Does the AUASB agree that retaining the proposed “Aus” paragraph modification meet the compelling reason test, and that ASA 800 and ASA 805 should consequently retain the “Aus” paragraphs?