

**ASA 700**  
(December 2015)

# **Explanatory Statement**

## ***ASA 700 Forming an Opinion and Reporting on a Financial Report***

Issued by the **Auditing and Assurance Standards Board**



**Australian Government**

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**Auditing and Assurance Standards Board**

## **Obtaining a Copy of this Explanatory Statement**

This Explanatory Statement is available on the Auditing and Assurance Standards Board (AUASB) website: [www.auasb.gov.au](http://www.auasb.gov.au)

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## **Reasons for Issuing Auditing Standard ASA 700**

The AUASB issues Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

The Auditing Standard conforms with ISA 700 *Forming an Opinion and Reporting on Financial Statements* issued by the International Auditing and Assurance Standard Board.

## **Purpose of Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report***

The purpose of the Auditing Standard represents the Australian equivalent of revised ISA 700 *Forming an Opinion and Reporting on Financial Statements* (January 2015) and replaces the current ASA 700 issued by the AUASB in October 2009 (as amended).

## **Main Features**

This Auditing Standard contains differences from the revised ISA 700, which have been made to accord with the Australian legislative environment and to maintain audit quality where the AUASB has considered there are compelling reasons to do so.

The revision of ASA 700 reflects:

- (a) Recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board; and
- (b) Revisions to guidance that seek to focus the auditor's attention more explicitly on financial statement disclosures throughout the audit process.

## **Operative Date**

ASA 700 *Forming an Opinion and Reporting on a Financial Report* is operative for financial reporting periods ending on or after 15 December 2016.

## **Process of making Australian Auditing Standards**

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

### **Consultation Process prior to issuing the Auditing Standard**

The AUASB has consulted publicly as part of its due process in developing the Auditing Standard. Exposure Draft ED 01/15 Proposed Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report* was issued on 30 April 2015 with a 60 day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

### **Regulatory Impact Statement**

A Regulatory Impact Statement Preliminary Assessment (RIA) has been prepared in connection with the preparation of ASA 700 *Forming an Opinion and Reporting on a Financial Report*. The RIA has been cleared by the Office of Best Practice Regulation (OBPR).

## **STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS**

*Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011*

**Legislative Instrument:**            **Auditing Standard ASA 700 *Forming an Opinion and Reporting on a Financial Report***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

### **Overview of the Legislative Instrument**

#### *Background*

The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

#### *Purpose of Auditing Standard ASA 700*

The purpose of ASA 700 is to conform with the equivalent revised international standard on auditing, ISA 260; and to replace the pre-existing auditing standard.

#### *Main Features*

The revision of ASA 700 reflects:

- Recent enhancements to auditor reporting developed by the International Auditing and Assurance Standards Board.
- Revisions to guidance that seek to focus the auditor's attention more explicitly on financial statement disclosures throughout the audit process.

### **Human Rights Implications**

The Auditing Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

#### *Conclusion*

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues due to the nature and content of the revised auditing standard.