



Board Meeting Summary Paper

Subject: Updates to Auditing Standard ASA 102
*Compliance with Ethical Requirements
when Performing Audits, Reviews and
Other Assurance Engagements*

Date: 14 February 2011

AUASB AGENDA ITEM NO. 9(b)
Meeting Date: 28 February 2011

Action Required

For Information Purposes Only

Agenda Item Objectives

To inform the Board about changes required to Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* (ASA 102) and obtain the Board's approval to make the required changes using Amending Standard ASA 2011-1.

Background

ASA 102 was developed as a separate standard to provide a mechanism for ensuring that references to *relevant ethical requirements* remain current throughout the body of AUASB standards.

ASA 102 contains a definition of *relevant ethical requirements*, that is, ethical requirements that apply to the auditor, assurance practitioner, engagement quality control reviewer and firm. The application material in ASA 102 explains that, in Australia, relevant ethical requirements include APES 110 *Code of Ethics for Professional Accountants* (APES 110) issued by the APESB (February 2008), applicable provisions of the *Corporation Act 2001* and other applicable law and regulation.

ASA 102 requires the auditor, assurance practitioner, engagement quality control reviewer and firm to comply with relevant ethical requirements when performing audits, reviews and other assurance engagements. Other AUASB standards are explicitly linked to ASA 102. In this way, when changes occur to what may be regarded as *relevant ethical requirements* in Australia, only ASA 102 needs to be updated.

In issuing ASA 102 (October 2009), the AUASB stated its intention to amend or re-make ASA 102 whenever APES 110 is amended or revised.

In December 2010, the Accounting Professional and Ethical Standards Board (APESB) issued a revised version of APES 110, which will replace the existing version of APES 110 (February 2008). The new Code will be effective from 1 July 2011 (although early adoption is permitted).

As a result of the issuance of the revised APES 110 (December 2010), ASA 102 needs to be updated.

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Matters to Consider

(a) Minimal changes to ASA 102

It is proposed that minimal changes be made to ASA 102; only paragraphs 4(e) and A1 require change. A draft Compiled Auditing Standard is presented at Agenda Item 9(b).1 to demonstrate the changes.

The proposed changes include consideration of the following matters:

- The rationale for introducing ASA 102 as a separate standard was to enable timely changes to be made, as required.
- The requirement in ASA 102 to comply with *relevant ethical requirements* is constant and only the application material referring to APES 110 (or other relevant ethical requirements) is impacted by the issuance of APES 110 (December 2010). The application material currently points to APES 110 (February 2008) and therefore needs to include reference to APES 110 (December 2010).
- ASA 102 does not expand on the detailed ethical requirements contained within APES 110, as this is remit of the APESB, and not the AUASB. Therefore, other than reference to the current version of APES 110, no other changes are required to ASA 102 arising from the issuance of APES 110 (December 2010).

(b) Amending Standard

It is proposed existing ASA 102 (October 2009) be amended, rather than withdrawn and re-issued as a new standard. Amendment will enable the existing standard to remain in place, with minor changes to the application material. Withdrawal of existing ASA 102 and re-issuance as a new standard is unnecessary in this instance, as the proposed changes do not introduce new requirements or change the substance or form of the standard. The changes are easily accommodated in an Amending Standard.

It is proposed that the amendments to ASA 102 be included in Amending Standard ASA 2011-1, discussed at Agenda Item 9(a). The changes to ASA 102 will be highlighted in the Amending Standard under a separate heading, "Consequential Amendments", to distinguish them clearly from other changes being made to Australian Auditing Standards resulting from editorial amendments.

The amendments to ASA 102 will be exposed for comment, as part of the Amending Standard.

Once finalised, Amending Standard 2011-1 (a legislative instrument) will be lodged formally with FRLI. Compiled Auditing Standards (such as Compiled ASA 102 at Agenda Item 9(b).1) are not legislative instruments, but are prepared for completeness, for publication on the AUASB website.

(c) Operative Date

ASA 102 will continue to be operative for engagements with reporting periods commencing on or after 1 January 2010. The operative date of ASA 102 is not impacted by the issuance of APES 110 (December 2010), which is effective from 1 July 2011, with early adoption permitted.

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Recommendations

It is recommended that the Board:

1. approve the proposed changes to ASA 102 (October 2009); and
2. approve the inclusion of the proposed changes in Amending Standard ASA 2011-1.

Material Presented

Agenda Item 9(b)	Board Meeting Summary Paper
Agenda Item 9(b).1	Draft Compiled Auditing Standard ASA 102 (Marked Up Version)
Agenda Item 9(b).2	Draft Compiled Auditing Standard ASA 102 (Clean Version) (Electronic Only)
Agenda Item 9(b).3	Existing ASA 102 (October 2009) (Electronic Only)

Action Required

No.	Action Item	Deliverable	Responsibility	Due Date	Status
1	Consider the proposed changes to ASA 102	Board approval	AUASB	28 Feb 2011	O/S
2	Consider inclusion of ASA 102 changes in Amending Standard ASA 2011-1	Board approval	AUASB	28 Feb 2011	O/S

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