

Version 2

This draft of the *Preamble* is presented to the Board for the second time. It is formatted as an ED for the first time.

Agenda Item 6(b).2  
AUASB Meeting 1 December 2008  
Marked Up Version

**EXPOSURE DRAFT**

**ED XXX**  
(December 2008)

# **Proposed Auditing Standard ASA 101 *Preamble to Australian Auditing Standards (Revised and Redrafted)***

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

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This document contains draft proposals to be considered at a meeting of the AUASB, and does not necessarily reflect the final decisions and/or proposals to be contained in a published Exposure Draft or Auditing Standard. No responsibility is taken by the AUASB for the results of reliance, actions or omissions to act on the basis of any information contained in this document (including appendices), or for any errors or omissions in it.



**Australian Government**

**Auditing and Assurance Standards Board**

## **Commenting on this Exposure Draft**

Comments on this Exposure Draft should be forwarded so as to arrive by no later than 30 May 2009. Comments should be addressed to:

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A copy of all non-confidential submissions will be placed on public record on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au).

## **Obtaining a Copy of this Exposure Draft**

This Exposure Draft is available on the AUASB website: [www.auasb.gov.au](http://www.auasb.gov.au). Alternatively, any individual or organisation may obtain one printed copy of this Exposure Draft without charge until no later than 30 May 2009 by contacting:

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## PREFACE

### **Reasons for Issuing ED XXX**

The Auditing and Assurance Standards Board (AUASB) is proposing to re-issue Auditing Standard ASA **Error! Reference source not found.** pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board 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 Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

The International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC), has undertaken a programme to redraft, in “clarity” format, the entire suite of International Standards on Auditing (ISAs). In some cases, and in accordance with normal practice, the ISAs have been revised in addition to being redrafted. The redrafted ISAs are effective for audits of financial statements for periods beginning on or after 15 December 2009.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the ISAs and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

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## **Main Proposals**

This proposed Auditing Standard establishes mandatory Requirements and provides Application and Other Explanatory Material regarding the intentions of the Auditing and Assurance Standards Board (AUASB), as to how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied.

## **Proposed Operative Date**

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 January 2010.

## **~~Main changes from existing ASA Error! Reference source not found. ()~~**

~~The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA Error! Reference source not found. (), are included in the Tables of Differences provided as an attachment to this Exposure Draft.~~

## **Request for Comments**

~~Comments are invited on this Exposure Draft of the proposed re-issuance of Auditing Standard ASA Error! Reference source not found., by no later than 30 May 2009. The AUASB is seeking comments on the main changes from the existing ASA Error! Reference source not found.. In addition, respondents Respondents are asked to consider and respond to the following questions:~~

1. Have applicable laws and regulations been appropriately addressed in the proposed standard?
2. Are there any references to relevant laws or regulations that have been omitted?
3. Are there any laws or regulations that may, or do, prevent or impede the application of the proposed standard, or may conflict with the proposed standard?
4. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with

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the main changes to the Requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of audit services?

5. Are there any other significant public interest matters that constituents wish to raise?

The AUASB prefers that respondents express a clear opinion on whether the main changes to the Requirements of this proposed Auditing Standard are supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the above matters. The AUASB regards both supportive and critical comments as essential to a balanced review of the Auditing Standard.

**AUASB Information Note**

The IAASBs “Clarity” project is not yet complete, and accordingly there is a possibility that ~~the equivalent underlying ISA standard to this Exposure Draft will include~~ conforming amendments ~~arising may arise~~ from standards not yet approved by the IAASB. While all currently known conforming amendments are incorporated into this Exposure Draft, readers are advised that the AUASB may decide to make further conforming amendments, in line with those of the IAASB

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 101 *Preamble to Australian Auditing Standards (Revised and Redrafted)* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard ~~is to be read in conjunction with ASA 100 *Preamble to AUASB Standards*, which~~ sets out the intentions of the AUASB on how the Australian Auditing Standards are to be understood, interpreted and applied and is to be read in conjunction with other Australian Auditing Standards.

# AUDITING STANDARD ASA 101

## *Preamble to Australian Auditing Standards (Revised and Redrafted)*

### Application

- Aus 0.1 This Auditing Standard applies to:
- (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with [Part 2M.3 of the Corporations Act 2001](#); ~~and~~
  - (b) an audit of a financial report for any other purpose:-
  - (c) [a review, by the independent auditor of the entity, of a financial report for a half-year in accordance with the Corporations Act 2001; and](#)
  - (d) [a review, by the independent auditor of the entity, of an interim financial report for any other purpose.](#)
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

### Operative Date

- Aus 1.1 This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2010.

### Introduction

#### Scope of this ASA

- Aus 1.2 This ~~International Standard on Auditing (ISA)~~ Auditing Standard ~~[deals with the auditor's responsibilities to]~~ sets out the intentions of the Auditing and Assurance Standards Board (AUASB) as to how the Australian Auditing Standards, operative [for financial reporting periods commencing on or after](#) ~~from~~ 1 January 2010, are to be understood, interpreted and applied.

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Aus 1.3 [The AUASB makes auditing standards under sec 336 of the Corporations Act 2001 \(the Act\), for purposes of the Act. The AUASB continues to refer to the entire suite of these auditing standards as the “Australian Auditing Standards” and refers to an individual standard as an “Auditing Standard”.](#)

~~3.~~[This Auditing Standard, ASA 101 \*Preamble to Australian Auditing Standards \(Revised and Redrafted\)\*, is made under the Act and forms part of the Australian Auditing Standards.](#)

Aus 1.4 [This Auditing Standard is an interpretive pronouncement that relates only to the Australian Auditing Standards operative for financial reporting periods commencing on or after 1 January 2010. The AUASB issues \*Foreword to AUASB Pronouncements\* to set out:](#)

- (a) [the powers, functions, composition and operating procedures of the AUASB;](#)
- (b) [descriptions of the range of pronouncements, including the Australian Auditing Standards, issued by the AUASB; and](#)
- (c) [the framework within which the AUASB issues pronouncements on auditing and assurance services.](#)

[The \*Foreword to AUASB Pronouncements\* does not form part of the Australian Auditing Standards.](#)

**Effective Date**

~~3.1.~~ [\[Deleted by the AUASB. Refer Aus 0.3\]](#)

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**Objective(s)**

4.Aus 1.5 The objective of the auditor is to apply this Auditing Standard in conjunction with the other Australian Auditing Standards.

(a)

**Definition(s)**

5.Aus 1.6 For the purposes of ~~the~~ Australian Auditing Standards, the terms defined within the Australian Auditing Standards, have the same meaning. the following term(s) has(have) the meaning(s) attributed below:

(b)

**Requirements**

**Australian Auditing Standards**

Aus 1.7 This Auditing Standard is to be read in conjunction with other Australian Auditing Standards.

Aus 1.8 The auditor shall apply this Auditing Standard in conjunction with the application of the Australian Auditing Standards operative for financial reporting periods commencing on or after 1 January 2010. ~~An auditor shall apply the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, in conjunction with paragraphs 1 to XX of this Preamble~~

**Authority of the Paragraphs in Australian Auditing Standards**

7.Aus 1.9 The auditor shall recognise, when conducting an audit in accordance with the Australian Auditing Standards, that the paragraphs in an Auditing Standard do not have equal authority. ~~Paragraphs in Australian Auditing Standards do not have equal authority. The elements within Australian Auditing Standards consist of:~~

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- ~~(a)~~(a) an auditor's mandatory obligations, identified in the Australian Auditing Standards as which are contained under the following headings as:
- ~~(i)~~(i) Application paragraph Aus 0.1 (Ref: Para Aus A1.7-Aus A1.8);
  - ~~(ii)~~(ii) Operative Date (Ref: Para Aus A1.9-Aus 1.10);
  - ~~(iii)~~(iii) Objective(s) (Ref: Para Aus A1.12);
  - ~~(iv)~~(iv) Definition(s) (Ref: Para Aus A1.13); and
  - ~~(v)~~(v) Requirements (Ref: Para Aus A1.14- Aus 1.18); and
- ~~(b)~~(b) guidance-explanatory material, identified in the Australian Auditing Standards which is contained under the following headings as:
- (i) Application paragraph Aus 0.2 (Ref: Para Aus A1.7);
  - (ii) Introduction (Scope of the ASA) (Ref: Para Aus A1.11);
  - (iii) Application and Other Explanatory Material (Ref: Para Aus A1.19-Aus A1.22 and Aus A1.28);
  - (iv) Conformity paragraphs (Ref: Para Aus A1.23-Aus 1.27); and
  - ~~(v)~~(v) Appendices (Ref: Para Aus A1.28).

Explanatory material does not create or extend mandatory obligations.

**Type of Entity**

Aus 1.10 The auditor shall recognise, when conducting an audit in accordance with the Australian Auditing Standards, that the Australian Auditing Standards...

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- (a) Are neutral with respect to the audited or reviewed entity's sector and size; ~~and~~
- (b) Are intended to be applied, ~~as appropriate,~~ to all audit and review engagements conducted by an external firm in both the public and private sectors; ~~(Ref: Para Aus A1.31)~~
- (c) ~~include, where necessary, entity sector or size considerations in the body of the relevant Auditing Standard; and~~
- (d) ~~do not address specific circumstances affecting individual entities that are subject to audit or review.~~

~~Auditing Standards are:~~

~~If necessary, entity sector and size considerations are included, and identified, in the body of the relevant Auditing Standard.~~

~~Auditing Standards do not take into account any specific circumstances affecting entities that are subject to audit or review.~~

**Professional Judgement**

~~The auditor shall exercise professional judgement in planning and performing an audit of a financial report~~

**Ethics**

~~The AUASB takes the view that inclusion in the Auditing Standards of references to relevant ethical requirements is important to:~~

~~ensure a high level of public confidence in the audit and review functions;~~

~~enhance the rigour of Auditing Standards; and ensure conformity between Auditing Standards and the ISAs issued by the IAASB.~~

**Inability to Comply with Requirements**

~~Where, in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with a relevant Requirement, the auditor is required:~~

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~~\_\_\_\_\_ if possible, to perform appropriate alternative audit procedures; and~~

~~\_\_\_\_\_ in accordance with ASA 230 Audit Documentation (Revised and Redrafted), to document in the working papers:~~

~~\_\_\_\_\_ the circumstances surrounding the inability to comply;~~

~~\_\_\_\_\_ the reasons for the inability to comply; and~~

~~justification of how alternative audit procedures achieve the objective(s) of the Requirement.~~

~~When the auditor is unable to perform appropriate alternative audit procedures, the auditor is required to consider the implications for the auditor's report.~~

**Auditing Standard ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Revised and Redrafted)**

Aus 1.11 The auditor shall recognise that the definitions and Requirements in ASA 200 (Revised and Redrafted) are included in the AUASB's intentions as to how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. (Ref: )

Aus 1.12 When a Requirement is not relevant under paragraph 22 of ASA 200 (Revised and Redrafted), the auditor need not document the reason(s), however, the auditor shall do so when the auditor considers it appropriate in the circumstances of the engagement.

\* \* \*

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## **Application and Other Explanatory Material**

### Australian Auditing Standards

Aus A1.1 The AUASB derives its functions and powers under section 227B of the *Australian Securities and Investments Commission Act 2001*. ~~The AUASB:~~

~~\_\_\_\_\_ makes Auditing Standards under section 336 of the Corporations Act 2001 (the Act) for the purposes of the corporations legislation; and~~

~~formulates auditing and assurance standards for other purposes~~

### Engagements under the Corporations Act 2001

Aus A1.2 ~~The Application paragraph, identified as “Aus 0.1”, in each Auditing Standard refers to audits or reviews conducted in accordance with the Corporations Act 2001. This means that the Australian Auditing Standards made under section 336 of the Act apply specifically to:~~

~~(a) \_\_\_\_\_ an audit or a review conducted under Part 2M.3; and~~

~~(b) \_\_\_\_\_ an audit of a profit and loss statement and balance sheet conducted under section 989CA.~~

### Auditing Standards made under Section 336 of the Act

~~A1. \_\_\_\_\_ Section 307A of the Act requires auditors to conduct audits and reviews of the financial reports<sup>1</sup> prepared under Part 2M.3 of the Act, in accordance with Auditing Standards.~~

Aus A1.3 ~~AUASB Australian Auditing Standards may have legal enforcement under legislation other than the Act~~

### Auditing and Assurance Standards for Other Purposes

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<sup>1</sup> Financial Reports required by Part 2M.3 of the Act are:

- the annual financial report; and
- the half-year financial report (for certain entities).

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~~Auditing and assurance standards for other purposes consist of standards that are designed for subject specific areas. They include, for example, assurance engagements that relate to:~~

~~reviews (other than a review by the independent auditor of the entity, of interim financial information, including interim financial reports, prepared for other purposes);~~

~~evaluating the efficiency and/or effectiveness of an entity's activities;~~

~~prospective financial information; and~~

~~the effectiveness of internal controls~~

**Authority of the Paragraphs in Australian Auditing Standards**

**Format of Auditing Standards**

Aus A1.4 Australian Auditing Standards are written using the equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB) as the underlying standard. Accordingly, the format of Australian Auditing Standards is the same as the format of the ISAs and contain the same elements. The elements of Australian Auditing Standards are explained in the following paragraphs - A8 to A34.

*Preface*

Aus A1.5 The purpose of the Preface is to:

- (a) ~~Identify-identify~~ the legislative authority under which the Auditing Standard is made;
- (b) ~~Outline-outline~~ the main features of the Auditing Standard;
- (c) ~~State-state~~ the operative date of the Auditing Standard; and
- (d) ~~Describe-describe~~ the main differences between the Auditing Standard and the Auditing Standard that it replaces

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*Authority Statement*

Aus A1.6 The purposes of the Authority Statement<sup>2</sup> ~~is~~ are to:

- (a) ~~link the issuance of each individual Auditing Standard to the mandating legislation; and~~
- (b) ~~set out the requirement to read the Auditing Standard in conjunction with this *Preamble*.~~

*Application Paragraphs*

~~Each Auditing Standard contains application paragraphs.~~

~~The application paragraphs identify the scope of the Auditing Standard.~~

Aus A1.7 Australian Auditing Standards made under section 336 of the Act<sup>3</sup> contain application paragraphs, identified as Aus 0.1, relating to:

- (a) ~~an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*; and~~
- (b) ~~an audit of a financial report for any other purpose.~~

Aus A1.8 It is intended that reference to the *Corporations Act 2001* in application paragraph Aus 0.1(a) relates specifically to section 307A and section 989CA of the Act.

~~A2. When an Auditing Standard is used for the audit of historical financial information that is not in the form of a financial report, application paragraph Aus 0.1 in that Auditing Standard is excluded from the mandatory obligations.~~

~~A3. Although the Auditing Standards are written mainly in the context of an external audit of a financial report,<sup>4</sup> they apply also, adapted as~~

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<sup>2</sup> With the exception of the Authority Statement to this *Preamble to Auditing Standards (Revised and Redrafted)* Auditing Standard, the purpose of which is to link to mandating legislation and to set out the requirement to read the *Preamble to Auditing Standards (Revised and Redrafted)* in conjunction with the other Australian Auditing Standards.

<sup>3</sup> With the exception of ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity* (Revised and Redrafted) and ASA 100 *Preamble to Auditing Standards (Revised and Redrafted)* this Auditing Standard.

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~~necessary, to the audit of other historical financial information (see paragraphs identified as Aus 0.2).~~

*Operative Date*

Aus A1.9 The operative date stipulates the date from which the Auditing Standard is to be applied. The operative date is stated in relation to the commencement date of the financial reporting period. The Requirements of an Auditing Standard remain in force until:

- (a) ~~the operative date of any amendment to those requirements~~ Requirements;
- (b) in relevant circumstances, the early adoption of such amendment; or
- (c) the Auditing Standard is withdrawn by the AUASB.

Aus A1.10 When early adoption of an Australian Auditing Standard is ~~allowed~~ permitted, a statement to that effect is included in the operative date paragraph of the relevant Auditing Standard.

*Introduction*

Aus A1.11 ~~The~~ introduction may include, as needed, ~~such~~ matters such as explanation of the purpose and scope of the Auditing Standard, including how the Auditing Standard relates to other Australian Auditing Standards; the subject matter of the Auditing Standard; specific expectations of ~~the~~ the auditor and others; and the context in which the Auditing Standard is ~~set~~ written.

*Objectives*

Aus A1.12 Each Auditing Standard contains an objective or objectives ~~of the auditor, which communicate the purpose and need for the Auditing Standard, provide the context in which the Requirements of the Auditing Standard are set.~~ The auditor aims to achieve these objectives, having regard to the

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<sup>4</sup> Reference to a 'financial report' includes not only a financial report as defined under Part 2M.3 of the Act, but also a financial report prepared for other purposes.

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interrelationships among the [Australian Auditing Standards](#). For this purpose, the auditor uses the objectives to judge whether, having complied with the Requirements of the [Australian Auditing Standards](#), sufficient appropriate audit evidence has been obtained in the context of the overall objective(s) of the auditor. Where an individual objective has not been or cannot be achieved, the auditor considers whether this prevents the auditor from achieving the auditor's overall objective.

*Definitions*

[Aus A1.13](#) An Auditing Standard may include, in a separate section under the heading "Definitions", a description of the meaning attributed to certain terms for purposes of the Auditing Standard. These are provided to assist in the consistent application and interpretation of the [Australian Auditing Standards](#), and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. Unless otherwise indicated, ~~those the defined~~ terms will carry the [same prescribed](#) meanings throughout the [Australian Auditing Standards](#). The AUASB Glossary contains a complete listing of terms defined in the [Australian Auditing Standards](#)

*Requirements*

[Aus A1.14](#) Requirements consist of basic principles and essential procedures. The Requirements of each Auditing Standard are contained in a separate section [under the heading "Requirements"](#); ~~listed sequentially~~ and, with few exceptions relating to basic principles<sup>5</sup>, ~~are expressed using~~ the word "shall" [to express the mandatory obligation\(s\) of the auditor](#). The auditor applies the Requirements in the context of other material included in the Auditing Standard.

[Aus A1.15](#) [Subject to paragraph 23 of ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards \(Revised and Redrafted\)](#) an auditor ~~shall comply with each~~ [required](#)

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<sup>5</sup> For example, [ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report](#) (Revised and Redrafted) [paragraph 31](#) does not use the word "shall".

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~~to comply with each requirement~~ Requirement of an ~~Australian~~ Auditing Standard unless, in the circumstances of the audit:

- (a) ~~the entire Auditing Standard is not relevant;~~ or
- (b) ~~the requirement~~ Requirement is not relevant because it is conditional and the condition does not exist; or
- (c) ~~application of the Requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial.~~

~~An auditor is required to comply with all Requirements except when:~~

~~application of the Requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial;~~

~~an auditor, using professional judgement, has chosen not to adopt a particular approach or procedure where the Auditing Standard permits or requires the auditor to choose from alternative approaches or procedures; or~~

~~a Requirement(s) is conditional, and the condition is not present.~~

Aus A1.16 ~~When one or more of the exceptions described in paragraph 4-A21 exist, a Requirement is not relevant and the auditor is not required to document the circumstances giving rise to the exception.~~

Aus A1.17 ~~In the case of an audit engagement, the Requirements of each relevant Auditing Standard are to be applied in conjunction with the Requirements of other relevant Auditing Standards.~~

Aus A1.18 ~~In the case of a review engagement, the auditor is required to apply the Requirements contained only in the specified standard applicable to that review engagement, in conjunction with this *Preamble to Auditing Standards*. There is no requirement to apply the Requirements of other Australian Auditing Standards.~~

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*Application and Other Explanatory Material*

Aus A1.19 ~~Application and Other~~ Explanatory ~~m~~Material (AOEM) ~~are~~ is contained in a separate section under the heading “Application and Other Explanatory Material” following the Requirements section. ~~AOEM-Application and Other Explanatory Material is~~ listed sequentially and ~~are is~~ identified by the paragraph number prefix “A”.

Aus A1.20 ~~AOEM-Explanatory material~~ is an integral part of ~~the an~~ Auditing Standard as it provides further explanation of, and guidance for carrying out, the Requirements of the Auditing Standard, ~~along together~~ with background information on the matters addressed in the Auditing Standard. ~~Explanatory material is not, however, intended to create, extend or imply Requirements.~~

Aus A1.21 ~~AOEM-Explanatory material~~ may include examples of procedures, some of which the auditor may judge to be appropriate in the circumstances. ~~Such guidance is, however, not intended to create or extend Requirements.~~

Aus A1.22 ~~AOEM-Explanatory materail~~ does not include all possible audit procedures that may be used in the application of Requirements. ~~Using-Exercising~~ professional judgement, the auditor may consider it necessary to perform alternative procedures to those contained within the explanatory material.

*Conformity Paragraphs*

Aus A1.23 The Conformity paragraphs explain the relationship of an Auditing Standard with its equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent board of the International Federation of Accountants (IFAC). The AUASB takes the position that an Auditing Standard conforms ~~to with~~ the equivalent international standard when:

- (a) the Requirements of the Auditing Standard correspond with those in the equivalent ~~International Standard~~ISA; or

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(b) the Auditing Standard contains additional Requirements which are not inconsistent with the equivalent [International Standard ISA](#); and

(c) other material in the Auditing Standard is substantially the same as the equivalent [International Standard ISA](#); or

(d) the Auditing Standard contains additional other material which is not inconsistent with the equivalent [International Standard ISA](#).

~~A4. The Conformity paragraphs in Auditing Standards include necessary differences from the equivalent international Standard relating mainly to Australian regulatory requirements.~~

~~Aus A1.24 When an Auditing Standard and the equivalent [International Standard ISA](#) conform, the Conformity paragraphs contain a statement to this effect. Furthermore, where appropriate, the Conformity paragraphs contain the following sentence:~~

~~“Compliance with this Auditing Standard enables compliance with ISA ...”.~~

~~Aus A1.25 The Conformity paragraphs in Australian Auditing Standards include necessary differences from the equivalent ISA relating mainly to Australian regulatory requirements.~~

~~Aus A1.26 When an Auditing Standard and the equivalent [international Standard ISA](#) conform, but with one or more differences, the Conformity paragraphs detail the main differences.~~

~~Aus A1.27 The Conformity paragraphs in each Auditing Standard assist the auditor to determine to what extent (if any) compliance with Australian Auditing Standards might enable the engagement to be conducted also in compliance with [International Standards on Auditing the ISAs](#). It is the responsibility of the auditor to determine which standards apply to the particular engagement and circumstances. Furthermore, where appropriate, the Conformity paragraphs contain the following sentence:~~

~~“Compliance with this Auditing Standard enables compliance with ISA ...”.~~

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*Appendices*

Aus A1.28 Appendices, which form part of the AOEM explanatory material, are an integral part of an Auditing Standard. The purpose and intended use of ~~the~~ an appendix ~~are~~ is explained in the body of the related Auditing Standard or within the title and introduction of the appendix itself.

**Australian Content – prefix “Aus”**

Aus A1.29 Additions to Requirements or AOEM Australian Auditing Standards that the AUASB considers necessary, which are not included in the underlying ISAs, are identified by the paragraph number prefix “Aus”.

**Type of Entity**

Aus A1.30 An external audit firm can be an individual, a firm or an auditing company.

**Auditing Standard ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Revised and Redrafted) Applying Auditing Standards**

*Professional Judgement*

Aus A1.31 The Australian Auditing Standards are principles-based and the auditor is ~~expected~~ required to exercise professional judgement in light of the given circumstances in order to achieve the objectives of the auditor, review ~~or other~~ assurance engagement. Professional judgement is exercised:

- (a) in determining whether a Requirement is relevant under ASA 200 (Revised and Redrafted);
- (b) in applying relevant Requirements; and
- (c) in determining whether any of the exceptions, described in paragraph 11 of this Preamble, apply; and
- (d) in deciding how and whether to carry out procedures or actions, described in the

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~~AOEM~~explanatory material, in light of the circumstances and consistent with the objectives of the Australian Auditing Standards.

Aus A1.32 The ~~use~~exercise of professional judgement is required and applies in particular to:

- (a) the determination and application of materiality;
- (b) compliance with ethical requirements relevant to audit and review engagements;
- (c) the ~~selection and scope~~nature and extent of appropriate audit/review procedures;
- (d) the assessment ~~and evaluation~~ of the persuasiveness of audit/review evidence and available options and the results of audit testing; including the persuasiveness of audit/review evidence; and
- (e) the nature and extent of ~~documentation of~~ audit/review documentation, plans, procedures, results, conclusions and communications.

*Ethics*

A5. ~~Accordingly, references to compliance with relevant ethical requirements are included in applicable Requirements and AOEM in the Auditing Standards.~~

Aus A1.33 The ~~relevant~~ ethical requirements ~~relating relevant~~ to audit engagements referred to in Australian Auditing Standards are contained in APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board. APES 110 is aligned with the IFAC~~equivalent international~~ code of Ethics for Professional Accountants.

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**Conformity with International Standards on Auditing**

This ~~Auditing Standard conforms with International Standard on Auditing ISA—(Redrafted or Revised and Redrafted), issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).~~

~~Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.~~

~~Compliance with this Auditing Standard enables compliance with ISA. The AUASB’s intentions on how the Australian Auditing Standards are to be understood, interpreted and applied are necessary provided in the context of the Australian legislative environment. Accordingly, there is no equivalent International Standard on Auditing ISA issued by the IAASB.~~

