

ASA 800
(October 2009)

Explanatory Statement

ASA 800 Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks

Issued by the Auditing and Assurance Standards Board



Australian Government

Auditing and Assurance Standards Board

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For approval

Explanatory Statement ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

Reasons for Issuing Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* 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 Act), 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 to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards. The IAASB has undertaken a programme to redraft, and in some cases, revise, in “clarity” format, the entire suite of ISAs. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

The Auditing Standard conforms with ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*.

Operative Date

ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* is operative for financial reporting periods commencing on or after 1 January 2010.

Purpose of Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*

The purpose of the Auditing Standard is to establish requirements and to provide application and other explanatory material to auditors regarding special considerations in the application of Australian Auditing Standards to an audit of a financial report prepared in accordance with a special purpose framework.

Main Features

The Auditing Standard:

- (a) details the auditor's considerations when accepting the engagement and planning and performing the audit;
- (b) requires the auditor to apply the requirements in ASA 700 *Forming an Opinion and Reporting on a Financial Report* when forming an opinion, and reporting on, a special purpose financial report; and
- (c) requires the auditor to include in the auditor's report an Emphasis of Matter paragraph to alert readers of the financial report that it is prepared in accordance with a special purpose framework.

Preamble and Overall Objectives

ASA 800 is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. ASA 800 is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

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.

In implementing the FRC's Strategic Direction, the AUASB has undertaken a process of revision and redrafting of the Australian Auditing Standards that has:

- updated the form, layout and content of the Australian Auditing Standards;
- addressed the legal enforceability of mandatory obligations;
- maintained clarity of the auditor's obligations;
- incorporated appropriate references to Australian laws and regulations;
- clearly identified, by use of the prefix "Aus", AUASB additions to paragraphs in the requirements or the application and other explanatory material; and
- included other amendments as necessary.

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 06/09 *Proposed Auditing Standard: Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Re-issuance of ASA 800), was issued on 6 March 2009 with a 30 day comment period.

As an integral part of its consultation with the public, the AUASB sought comments on specific questions including:

- the completeness and accuracy of references in the Auditing Standard to relevant laws and regulations;
- the significant costs, if any, and benefits, of compliance with any additional requirements under the Auditing Standard; and
- whether or not there exist any matters of public interest affecting the issuance of the Auditing Standard.

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* (RIS) has been prepared in connection with the redrafting of Australian Auditing Standards in “clarity” format, including ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks*.

The RIS has considered both the expected benefits and expected costs of the introduction of clarified auditing standards, including comments provided by stakeholders during the redrafting process. It concluded that expected benefits to users of audit services, users of audit reports, auditors and the Australian economy in general are, on balance, likely to outweigh expected costs.

Main Differences from ASA 800 *The Auditor's Report on Special Purpose Audit Engagements* (April 2006, as amended)

The main differences between the Auditing Standard and the Auditing Standard that it supersedes, ASA 800 *The Auditor's Report on Special Purpose Audit Engagements* (April 2006, as amended), are:

1. Auditing Standard ASA 800 *Special Considerations—Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* is written in the “clarity” format using the equivalent International Standard on Auditing (ISA 800 *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*) as the underlying Auditing Standard. Consequently, the format, layout, and paragraph numbering styles are different from the extant Auditing Standard.
2. The extant Auditing Standard contains additional mandatory obligations and guidance paragraphs dealing with the audits of other historical financial information. The majority of these additional mandatory obligations and guidance paragraphs are now incorporated into two new Auditing Standards, ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*, and ASA 810 *Engagements to Report on Summary Financial Statements*. The remainder are incorporated in ASA 700 *Forming an Opinion and Reporting on a Financial Report*.
3. The following requirements included in the Auditing Standard are in part, or full, additional compared to the extant Auditing Standard:
 - (a) ASA 200 requires the auditor to comply with all Australian Auditing Standards relevant to the audit. In planning and performing an audit of a special purpose financial report, the auditor shall determine whether application of the Australian Auditing Standards requires special consideration in the circumstances of the engagement. (Ref: Para. 9)
 - (b) The auditor’s report on the special purpose financial report shall include an Emphasis of Matter paragraph alerting users of the auditor’s report that the financial report is

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prepared in accordance with a special purpose framework and that, as a result, the financial report may not be suitable for another purpose. The auditor shall include this paragraph under an appropriate heading. (Ref: Para. 14)

4. Certain guidance material in the extant Auditing Standard has been elevated to requirements.
5. To improve clarity, certain requirements and guidance in the extant Auditing Standard have been re-written, however, the equivalent meanings have been retained.
6. Application and other explanatory material, linked to the requirements listed at 3. above is also included in the Auditing Standard.

For approval