

ASA 101
(October 2009)

Auditing Standard ASA 101
Preamble to Australian
Auditing Standards

Issued by the Auditing and Assurance Standards Board

For approval



Australian Government

Auditing and Assurance Standards Board

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CONTENTS

PREFACE

AUTHORITY STATEMENT

	<i>Paragraphs</i>
Application	1-2
Operative Date	3-4
Introduction	
Scope of this Auditing Standard	5-6
Objective	7
Definitions	8
Requirements	
Authority of the Paragraphs in Australian Auditing Standards	9-10
Engagements under the <i>Corporations Act 2001</i>	11
Compliance with Requirements	12
Application and Other Explanatory Material	
Authority of the Paragraphs in Australian Auditing Standards	A1
Compliance with Requirements	A2
Conformity with International Standards on Auditing	

PREFACE

Reasons for Issuing Auditing Standard ASA 101 *Preamble to Australian Auditing Standards*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 101 *Preamble to Australian Auditing Standards* 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 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. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs. The revised Australian Auditing Standards are operative for engagements with financial reporting periods commencing on or after 1 January 2010; and for firms required to establish systems of quality control by 1 January 2010.

ASA 101 *Preamble to Australian Auditing Standards*

As the Australian Auditing Standards are legally enforceable, the AUASB considers it necessary for an interpretive document to form part of the suite of standards. The purpose of ASA 101 *Preamble to Australian Auditing Standards* is to deal with matters that are additional to those dealt with elsewhere in the Australian Auditing Standards.

Auditing Standard ASA 101
Preamble to Australian Auditing Standards

ASA 101 does not replace or amend ASA 100 *Preamble to AUASB Standards*, which continues to be applicable to all AUASB standards other than:

- the Australian Auditing Standards operative for engagements with financial reporting periods commencing on or after 1 January 2010; and
- the Auditing Standard for firms required to establish systems of quality control by 1 January 2010.

ASA 101 relates to the Australian legislative environment and accordingly, there is no equivalent ISA.

Main Features

This Auditing Standard sets out mandatory components additional to those found elsewhere in the Australian Auditing Standards.

This Auditing Standard:

- (a) sets out the authority of paragraphs in Australian Auditing Standards;
- (b) lists those parts of the *Corporations Act 2001* to which the “Application” paragraph in each Auditing Standard refers to; and
- (c) describes the circumstances when an auditor need not document the reasons why a requirement is not relevant.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 101 *Preamble to Australian Auditing Standards* 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 the Australian Auditing Standards, operative on and after 1 January 2010.

AUDITING STANDARD ASA 101

Preamble to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit or a review of a financial report for a half-year, in accordance with the *Corporations Act 2001*;
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose;
 - (c) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose; and
 - (d) a firm¹ required to comply with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Auditing Standard is operative for engagements with financial reporting periods commencing on or after January 2010, and for firms required to establish systems of quality control in compliance with ASQC 1 by January 2010.
4. This Auditing Standard supersedes interpretive information contained in ASA 100 *Preamble to AUASB Standards* to the extent that ASA 100 applies to the Australian Auditing Standards.

¹ See ASQC 1 paragraphs Aus 4.1 and Aus 12.6.

Proposed Auditing Standard ASA 101
Preamble to Australian Auditing Standards

Introduction

Scope of this Auditing Standard

5. The purpose of this Auditing Standard is to set out mandatory components additional to those included elsewhere in the Australian Auditing Standards that are operative for:
- financial reporting periods commencing on or after 1 January 2010; and
 - firms required to establish systems of quality control by 1 January 2010.
6. *ASA 100 Preamble to AUASB Standards* applies to all AUASB Standards other than the Australian Auditing Standards referred to in paragraph 5 of this Auditing Standard.

Objective

7. The objective of the auditor and the firm is to use this Auditing Standard in order to understand, interpret and apply the Australian Auditing Standards that are operative for engagements with financial reporting periods commencing on or after 1 January 2010; and for firms required to establish systems of quality control by 1 January 2010.

Definitions

8. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:
- (a) Auditing Standards means auditing standards made under section 336 of the *Corporations Act 2001* (the “Act”), and include:
- (i) *ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*; and
 - (ii) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*.

Proposed Auditing Standard ASA 101
Preamble to Australian Auditing Standards

- (b) Australian Auditing Standards means the suite of auditing standards issued by the AUASB, comprising:
- Auditing Standards made under section 336 of the *Corporations Act 2001*;
 - *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*.

Requirements

Authority of the Paragraphs in Australian Auditing Standards

9. The auditor shall apply the mandatory components of the Australian Auditing Standards when conducting an audit or review in accordance with those Standards. The mandatory components are included in each Auditing Standard under the headings listed below:
- (i) Application (paragraph Aus 0.1).
 - (ii) Operative Date.
 - (iii) Objective(s).
 - (iv) Definition(s).
 - (v) Requirements.
10. The auditor shall consider the whole text of an Auditing Standard to understand, interpret and apply the mandatory components. The explanatory material is included in each Auditing Standard under the headings listed below:
- (i) Application (paragraph Aus 0.2).
 - (ii) Introduction.
 - (iii) Application and Other Explanatory Material.
 - (iv) Conformity with International Standards on Auditing.

Proposed Auditing Standard ASA 101
Preamble to Australian Auditing Standards

- (v) Appendices.

Explanatory material does not create or extend mandatory components. (Ref: Para. A1)

Engagements under the *Corporations Act 2001*

- 11. The “Application” paragraph in each Auditing Standard that refers to audits or reviews conducted in accordance with the *Corporations Act 2001* applies specifically to:
 - (a) an audit or a review conducted under Part 2M.3 of the Act; and
 - (b) an audit conducted under Part 7.8 of the Act.

Compliance with Requirements

- 12. When, in the circumstances of the audit, a requirement is not relevant due to the conditions described in *ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, the auditor is not required to document the reason(s) why the requirement is not relevant. (Ref: Para. A2)

* * *

Application and Other Explanatory Material

Authority of the Paragraphs in Australian Auditing Standards

(Ref: Para. 10)

- A1. Included within the requirements section of a standard are references to paragraphs in the “Application and Other Explanatory Material” section of the standard. Such references do not extend or create requirements.

Compliance with Requirements (Ref: Para. 12)

- A2. Under paragraph 12, an auditor need not document the reasons why a requirement is not relevant. However, where in rare and exceptional circumstances, factors outside the auditor’s control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor is required under ASA 230 or ASRE 2410², as applicable, to document:
- (a) the circumstances surrounding the inability to comply;
 - (b) the reasons for the inability to comply; and
 - (c) justification of how alternative procedures achieve the objectives of the mandatory requirement.

² See ASA 230 *Audit Documentation* and ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

Proposed Auditing Standard ASA 101
Preamble to Australian Auditing Standards

Conformity with International Standards on Auditing

This Auditing Standard relates to the Australian legislative environment and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Compliance with this Auditing Standard enables compliance with the ISAs.