

**ASA 101**  
(October 2009)

# **Explanatory Statement**

## ***ASA 101 Preamble to Australian Auditing Standards***

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

For approval



**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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For approval

## **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 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 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 Australian Auditing 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.

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

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- the Auditing Standard for firms required to establish systems of quality control by 1 January 2010.

There is no equivalent extant or withdrawn pronouncement to ASA 101.

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

### **Operative Date**

ASA 101 *Preamble to Australian Auditing Standards* is operative for financial reporting periods commencing on or after 1 January 2010.

### **Purpose of Auditing Standard ASA 101 *Preamble to Australian Auditing Standards***

The purpose of the Auditing Standard is to set out mandatory components additional to those found elsewhere in the Australian Auditing Standards.

#### **Main Features**

The Auditing Standard:

- (a) sets out the authority of paragraphs in Australian Auditing Standards;
- (b) lists the 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.

### **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;

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- 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 18/09 *Proposed Auditing Standard: Preamble to Australian Auditing Standards*, was issued on 19 June 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 requirements under the Auditing Standard; and
- whether or not there exist any matters of public interest affecting the issuance of the Auditing Standard.

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

**Regulation Impact Statement**

A *Regulation Impact Statement* (RIS) has been prepared in connection with the redrafting of Australian Auditing Standards in “clarity” format, including ASA 101 *Preamble to Australian Auditing Standards*.

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.

For approval