

ASA 102
(October 2009)

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

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

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Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* 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*.

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.

ASA 102 is an Auditing Standard made under the *Corporations Act 2001* for Australian legislative purposes and accordingly, there is no equivalent ISA issued by the IAASB. However, certain Application and Other Explanatory Material in ASA 102 has been drawn from several standards of the IAASB.

The AUASB has made ASA 102 in a format that is consistent with the other revised and redrafted Australian Auditing Standards operative for financial reporting periods commencing on or after 1 January 2010 and for firms required to establish systems of quality control in compliance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial*

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*Reports, Other Financial Information and Other Assurance Engagements by
1 January 2010.*

Draft

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Main Features

This Auditing Standard establishes Requirements and provides Application and Other Explanatory Material regarding the responsibilities of the auditor, the assurance practitioner, and the firm for compliance with relevant ethical requirements when performing audits, reviews and other assurance engagements.

Draft

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* 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 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.

Dated: 27 October 2009

M H Kelsall
Chairman - AUASB

AUDITING STANDARD ASA 102

Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements

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 or review of a financial report, or a complete set of financial statements, for any other purpose;
 - (c) an audit or review of other financial information;
 - (d) other assurance engagements; and
 - (e) a firm required to comply with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Financial Information and Other Assurance Engagements*.

Operative Date

2. This Auditing Standard is operative for engagements with reporting periods commencing on or after 1 January 2010 and for firms required to establish systems of quality control in compliance with ASQC 1 by 1 January 2010.

Objective

3. The objective of the auditor, assurance practitioner and firm is to comply with relevant ethical requirements, including those pertaining to independence, relating to audits, reviews and other assurance engagements.

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Definitions

4. The following terms have the meanings attributed below:
- (a) Assurance practitioner means a person or an organisation, whether in public practice, industry, commerce or the public sector, providing assurance services.¹
 - (b) Auditor means the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an Auditing Standard expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “auditor” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents where relevant.²
 - (c) Firm means a sole practitioner, partnership or corporation or other entity of assurance practitioners. “Firm” should be read as referring to a public sector equivalent where relevant.³

Requirements

Compliance with Relevant Ethical Requirements (Ref: Para. A1-A6)

5. The auditor, assurance practitioner, and firm shall comply with relevant ethical requirements, including those pertaining to independence, when performing audits, reviews and other assurance engagements.
6. The auditor, assurance practitioner, and firm shall apply the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008), which are to be taken into account in determining whether relevant ethical requirements referred to in paragraph 5 of this Auditing Standard have been met.

* * *

¹ See ASQC 1.

² See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

³ See ASQC 1.

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Application and Other Explanatory Material

Compliance with Relevant Ethical Requirements (Ref: Para. 5-6)

- A1. APES 110 establishes the fundamental principles of professional ethics and provides a conceptual framework for applying those principles.
- A2. The fundamental principles of professional ethics, as described in APES 110, include:
- (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behaviour.
- A3. APES 110 illustrates how the conceptual framework is to be applied in specific situations. It provides examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles and also provides examples of situations where safeguards are not available to address the threats.
- A4. In the case of an audit engagement, it is in the public interest and required by APES 110, that the auditor be independent of the entity subject to the audit. APES 110 describes independence as comprising both independence of mind and independence in appearance. The auditor's independence from the entity safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional scepticism.
- A5. The fundamental principles in APES 110 are reinforced in particular by:
- The leadership of the firm;
 - Education and training;

ISA 200 para A15

ISQC 1 para A7
ISA 200 para A15
ISA 220 para A4

ISQC 1 para A8

ISA 200 para A16

ISQC 1 para A9

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- Monitoring; and
- A process for dealing with non-compliance.

A6. The definitions of terms in APES 110 may differ from the definitions of those terms in Australian Auditing Standards, including terms defined in ASQC 1 and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*.

For example, APES 110 defines the “firm” as:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties through ownership, management or other means;
- (c) An entity controlled by such parties through ownership, management or other means; and
- (d) An auditor-general’s office or department.

whereas ASQC 1 defines the “firm” as:

“Firm means a sole practitioner, partnership or corporation or other entity of assurance practitioners. “Firm” should be read as referring to a public sector equivalent where relevant”.

APES 110 also provides guidance in relation to the terms “network” and “network firm.”

In complying with the Requirements of this Auditing Standard, the definitions used in APES 110 apply in so far as is necessary to interpret the ethical requirements of ASQC 1 and ASA 220.

ISQC 1 para A10 ISA 220 para A5

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Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly, there is no equivalent International Standard on Auditing issued by the International Auditing and Assurance Standards Board (IAASB).

However, the following Application and Other Explanatory Material in this Auditing Standard has been drawn from ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*, ISA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing* and ISA 220 *Quality Control for an Audit of Financial Statements* as issued by the IAASB (April 2009):

- Paragraph A1 from ISA 200 paragraph A15
- Paragraph A2 from ISQC 1 paragraph A7, ISA 200 paragraph A15 and ISA 220 paragraph A4;
- Paragraph A3 from ISQC 1 paragraph A8;
- Paragraph A4 from ISA 200 paragraph A16;
- Paragraph A5 from ISQC 1 paragraph A9; and
- Paragraph A6 from ISQC 1 paragraph A10 and ISA 220 paragraph A5.

Compliance with this Auditing Standard, together with other Australian Auditing Standards, enables compliance with the ISAs and ISQC 1.