

EXPOSURE DRAFT

**ED 04/13**  
(September 2013)

**Proposed Auditing Standard ASA 2013-4**  
*Amendments to Auditing Standard ASQC 1*  
*Quality Control for Firms that Perform*  
*Audits and Reviews of Financial Reports*  
*and Other Financial Information and Other*  
*Assurance Engagements*

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



**Australian Government**

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**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 21 October 2013. Comments should be addressed to:

The Chairman  
Auditing and Assurance Standards Board  
PO Box 204, Collins Street West  
Melbourne Victoria 8007 AUSTRALIA  
E-mail: [edcomments@auasb.gov.au](mailto:edcomments@auasb.gov.au)

A copy of all non-confidential submissions will be placed on public record on the Auditing and Assurance Standards Board (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)

## **Contact Details**

Auditing and Assurance Standards Board  
Level 7, 600 Bourke Street  
Melbourne Victoria 3000 AUSTRALIA

Phone: (03) 8080 7400  
Fax: (03) 8080 7450  
E-mail: [enquiries@auasb.gov.au](mailto:enquiries@auasb.gov.au)

**Postal Address:**  
PO Box 204, Collins Street West  
Melbourne Victoria 8007 AUSTRALIA

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ISSN 1030-603X

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## PREFACE

### **Reasons for Issuing ED 04/13**

The Auditing and Assurance Standards Board (AUASB) is proposing to issue Auditing Standard ASA 2013-4 *Amendments to Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements*, pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory committee 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 section 227B of the ASIC Act, the AUASB may formulate Assurance Standards for other purposes.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality, as well as continuing to develop auditing and assurance standards other than for historical financial information.

### **Main Proposals**

This proposed Auditing Standard makes amendments to the requirements and related application and other explanatory material in ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements* (27 October 2009).

The amendments proposed arise from a decision taken by the AUASB to incorporate related services engagements into the application and scope of ASQC 1 and to ensure consistency with the ISQC 1 *Quality Control for Firms that Perform Audit and Reviews of Financial Statements and Other Financial Information and Other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board (IAASB). 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 International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

### **Proposed Operative Date**

It is intended that this proposed Auditing Standard will be operative for financial reporting periods commencing on or after 1 January 2014.

### **Request for Comments**

Comments are invited on this Exposure Draft of the proposed issuance of ASA 2013-4 *Amendments to Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements* by no later than 21 October 2013. The AUASB is seeking comments from respondents on 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?

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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 the requirements of this proposed Auditing Standard? If there are significant costs, do these outweigh the benefits to the users of non-assurance 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 proposed Auditing Standard, as a whole, is 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.

**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2013-4 *Amendments to Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information 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*.

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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 (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

## AUDITING STANDARD ASA 2013-4

### *Amendments to Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements*

#### Operative Date

1. This Auditing Standard is operative for financial reporting periods commencing on or after 1 January 2014.

#### Introduction

##### Scope of this Auditing Standard

2. This Auditing Standard makes amendments to an Auditing Standard. The amendments arise from a decision taken by the AUASB to incorporate related services engagements into the application and scope of ASQC 1 and to ensure consistency with the ISQC 1 *Quality Control for Firms that Perform Audit and Reviews of Financial Statements and Other Financial Information and Other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board (IAASB).
3. This Auditing Standard uses underlying, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. However, the amendments made by this Auditing Standard do not include that underlying, striking out or other typographical material.

#### Objective

4. The objective of this Auditing Standard is to make amendments to Auditing Standard ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements* (27 October 2009, as amended).

#### Definition

5. For the purposes of this Auditing Standard, the meanings of terms are set out in ASQC 1 and the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

#### Amendments to Auditing Standard ASQC 1

6. Paragraph Aus 0.1 is amended to read as follows:
  - (d) an audit or review other than of historical financial information; ~~and~~
  - (e) other assurance engagements; ~~and~~ and
  - (f) related services engagements.

7. Paragraph Aus 1.1 is amended to read as follows:

This Auditing Standard, ASQC 1 (the Standard), deals with the firm's responsibilities for its system of quality control for audits and reviews of financial reports, other financial information, ~~and~~ other assurance engagements and related services engagements. This

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Standard is to be read in conjunction with relevant ethical requirements. Relevant ethical requirements are defined in ASA 102.\*

8. Paragraph Aus 4.1 is amended to read as follows:

This Standard applies to all firms of assurance practitioners in respect of audits and reviews of financial reports and other financial information, ~~and~~ other assurance engagements and related services engagements. The nature and extent of the policies and procedures developed by an individual firm to comply with this Standard will depend on various factors such as the size and operating characteristics of the firm, and whether it is part of a network.

9. Paragraph 9 is amended to read as follows:

This Standard includes, under the heading “Definitions,” a description of the meanings attributed to certain terms for purposes of this Standard. These are provided to assist in the consistent application and interpretation of this Standard, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. The *AUASB Glossary* (~~October 2009~~) relating to AUASB Standards, and issued by the AUASB includes the terms defined in this Standard. It also includes descriptions of other terms found in this Standard to assist in common and consistent interpretation and translation.

10. Paragraph Aus 12.2 is amended as follows:

Assurance practitioner means a person or an organisation, whether in public practice, industry, commerce or the public sector, providing assurance services, or related services (including engagements to perform agreed-upon procedures).

11. Paragraph Aus 12.5 is amended as follows:

Engagement partner means the partner or other person in the firm who is responsible for the ~~assurance~~ engagement and its performance, and for the report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. Engagement partner should be read as referring to a public sector equivalent where relevant.

12. Paragraph Aus 12.9 is amended as follows:

Partner means any individual with authority to bind the firm with respect to the performance of an audit, review, ~~or~~ other assurance engagement or related services engagement. Partner should be read as referring to a public sector equivalent where relevant.

13. Paragraph Aus 12.10 is amended as follows:

AUASB Standards means standards issued by the AUASB, comprising:.....

- (b) Standards on Review Engagements; ~~and~~
- (c) Standards on Assurance Engagements; ~~and~~ and
- (d) Standards on Related Services.

14. Paragraph Aus 12.12 is amended as follows:

Suitably qualified external person means an individual outside the firm with the competence and capabilities to act as an engagement partner. For example:....

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\* See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

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***Amendments to Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information and Other Assurance Engagements***

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- a member (with appropriate experience) of a professional accountancy body\* whose members may perform audits and reviews of financial reports and other financial information, other assurance engagements or related services engagements, or .....
15. Paragraph 14 is amended as follows:
- The firm shall comply with each requirement of this Standard unless, in the circumstances of the firm, the requirement is not relevant to the services provided in respect of audits and reviews of financial reports, audits and reviews of other financial information, and other assurance engagements and related services engagements. (Ref: Para. A1-Aus A1.1)
16. Paragraph 35 is amended as follows:
- The firm shall establish policies and procedures requiring, for appropriate engagements, an engagement quality control review that provides an objective evaluation of the significant judgements made by the engagement team and the conclusions reached in formulating the report. Such policies and procedures shall: .....
- (b) Set out criteria against which all other audits and reviews of historical financial information, ~~and~~ other assurance engagements and related services engagements shall be evaluated to determine whether an engagement quality control review should be performed; and (Ref: Para. A41) ...
17. Paragraph Aus A7.1 is amended as follows:
- The firm is required to comply with relevant ethical requirements, including those pertaining to independence, when performing audits, reviews, ~~and~~ other assurance engagements, and related services engagements, as defined in ASA 102.
18. Paragraph A45, last paragraph, is amended as follows:
- These other matters, depending on the circumstances, may also be applicable for engagement quality control reviews for audits of the financial reports of other entities, as well as reviews of financial reports, audits and reviews of other financial information, ~~and~~ other assurance engagements and related services engagements.
19. The Conformity paragraph is amended as follows:
- ~~This Auditing Standard differs in scope from ISQC 1 as it does not apply to related services engagements.~~
- ~~Compliance with this Auditing Standard enables compliance with ISQC 1, to the extent that ISQC 1 applies to audits and reviews of financial reports and other financial information, and other assurance engagements.~~

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\* For example, the Institute of Chartered Accountants in Australia, CPA Australia and the Institute of Public Accountants.