Auditing Standard ASA 2021-1
Amendments to Australian Auditing Standards

Issued by the Auditing and Assurance Standards Board
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PREFACE

Reasons for Issuing ASA 2021-1

The AUASB issues Auditing Standard ASA 2021-1 Amendments to Australian Auditing Standards pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non corporate Commonwealth entity 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 Legislation Act 2003.

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.

Main Features

This Auditing Standard makes amendments to the requirements and/or application and other explanatory material and/or appendices of the following Auditing Standards:

ASA 102  Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements (Issued December 2019)
ASA 200  Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Issued October 2009 and amended to June 2020)
ASA 210  Agreeing the Terms of Audit Engagements (Issued October 2009 and amended to May 2017)
ASA 230  Audit Documentation (Issued October 2009 and amended to December 2018)
ASA 260  Communication With Those Charged with Governance (Issued December 2015 and amended to June 2020)
ASA 300  Planning an Audit of a Financial Report (Issued October 2009 and amended to December 2015)
ASA 315  Identifying and Assessing the Risks of Material Misstatement (Issued February 2020)
ASA 500  Audit Evidence (Issued October 2009 and amended to December 2018)
ASA 540  Auditing Accounting Estimates and Related Disclosures (Issued December 2018)
ASA 610  Using the Work of Internal Auditors (Issued November 2013)
ASA 620  Using the Work of an Auditor’s Expert (Issued October 2009 and amended to June 2020)
ASA 700    *Forming an Opinion and Reporting on a Financial Report* (Issued December 2015 and amended to June 2020)

ASA 701    *Communicating Key Audit Matters in the Independent Auditor’s Report* (Issued December 2015 and amended to December 2018)

ASA 720    *The Auditor’s Responsibilities Relating to Other Information* (Issued December 2015 and amended to June 2020)

The amendments arise from changes made by the International Auditing and Assurance Standards Board (IAASB) to ISQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, ISQM 2 *Engagement Quality Reviews* and ISA 220 (Revised) *Quality Management for an Audit of Financial Statements*. 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.
AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2021-1 Amendments 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.

Dated: 10 March 2021

W R Edge
Chair - AUASB
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). Rather, the IAASB issues a Conforming Amendments Pronouncement, *Conforming Amendments to ISAs and Related Material Arising from the Quality Management Projects*, ASA 2021-1 conforms to this Pronouncement.
AUDITING STANDARD ASA 2021-1

Amendments to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
   • an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the Corporations Act 2001; and
   • an audit of a financial report, or a complete set of financial statements, for any other purpose.

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 financial reporting periods commencing on or after 15 December 2022.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to Australian Auditing Standards. The amendments arise from consequential and conforming changes arising from the issuance of ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, ASQM 2 Engagement Quality Reviews and ASA 220 Quality Management for an Audit of a Financial Report and Other Historical Financial Information.

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:

   (a) ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements (Issued December 2019)

   (b) ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards (Issued October 2009 and amended to June 2020)

   (c) ASA 210 Agreeing the Terms of Audit Engagements (Issued October 2009 and amended to May 2017)

   (d) ASA 230 Audit Documentation (Issued October 2009 and amended to December 2018)

   (e) ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report (Issued May 2017 and amended to June 2020)

   (f) ASA 260 Communication With Those Charged with Governance (Issued December 2015 and amended to June 2020)
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(g) ASA 300 Planning an Audit of a Financial Report (Issued October 2009 and amended to December 2015)
(h) ASA 315 Identifying and Assessing the Risks of Material Misstatement (Issued February 2020)
(i) ASA 500 Audit Evidence (Issued October 2009 and amended to December 2018)
(j) ASA 540 Auditing Accounting Estimates and Related Disclosures (Issued December 2018)
(k) ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors) (Issued October 2009 and amended to June 2020)
(l) ASA 610 Using the Work of Internal Auditors (Issued November 2013)
(m) ASA 620 Using the Work of an Auditor's Expert (Issued October 2009 and amended to June 2020)
(n) ASA 700 Forming an Opinion and Reporting on a Financial Report (Issued December 2015 and amended to June 2020)
(o) ASA 701 Communicating Key Audit Matters in the Independent Auditor’s Report (Issued December 2015 and amended to December 2018)
(p) ASA 720 The Auditor's Responsibilities Relating to Other Information (Issued December 2015 and amended to June 2020)

Definition

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

Amendments to Auditing Standards

7. This Standard uses underlining, striking out and other typographical material to identify some of the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (…) are used to help provide the context within which amendments are made and also to indicate text that is not amended.

Amendments to ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements

8. Existing fourth paragraph of “Preface” is amended to read as follows:

ASA 102 is an Auditing Standard made under the Corporations Act 2001 for Australian legislative purposes. ASA 102 enables references to relevant ethical requirements in other AUASB Standards to remain current as they are explicitly linked to ASA 102. Under ASA 102 the auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards), issued by the Accounting Professional & Ethical Standards Board Limited (APESB) in November 2018, which are to be taken into account in determining whether relevant ethical requirements have been met. The AUASB proposes to amend or re-make ASA 102 whenever APES 110 is amended or revised, to ensure that such cross references remain current and to eliminate the need to amend other AUASB Standards.
9. Existing fifth paragraph of “Preface” is amended to read as follows:

The AUASB has made ASA 102 in a format that is consistent with the other 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 management in compliance with ASQCM 1 Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements and/or Related Services Engagements by 1 January 2010 and 15 December 2022.

10. Existing first paragraph of “Main Features” is amended to read as follows:

This Auditing Standard establishes requirements and provides application and other explanatory material regarding the responsibilities of auditors, assurance practitioners, engagement quality control reviewers and firms to comply with relevant ethical requirements, including those pertaining to independence, relating to audits, reviews and other assurance engagements.

11. Existing second paragraph of “Conformity with International Standards on Auditing” is amended to read as follows:

However, the requirement and application and other explanatory material in this Auditing Standard have been drawn from ISQCM 1 Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or 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 Management for an Audit of Financial Statements, as issued by the IAASB, as listed in the following table:

…

12. Existing paragraph 1 is amended to read as follows:

This Auditing Standard applies to:

(a) …

(e) a firm required to comply with ASQCM 1 Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements and/or Related Services Engagements.

13. Existing paragraph 3 is amended to read as follows:

This Auditing Standard includes a requirement for auditors, assurance practitioners, engagement quality control reviewers and firms to comply with relevant ethical requirements, including those pertaining to independence, relating to audits, reviews and other assurance engagements.

14. Existing paragraph 4 is amended to read as follows:

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

15. Existing paragraph 5 is amended to read as follows:

For the purposes of this Auditing Standard, the following terms have the meanings attributed below:

(a) Assurance practitioner means assurance practitioner as defined in ASQCM 1.
(b) …

(c) Engagement quality control reviewer means engagement quality control reviewer as defined in ASQCM 1.

(d) Firm means firm as defined in ASQCM 1.

(e) Relevant ethical requirements means ethical requirements that apply to the auditor, assurance practitioner, engagement quality control reviewer and firm. In Australia, these include the applicable requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards), issued by the Accounting Professional & Ethical Standards Board Limited in November 2018, the applicable provisions of the Corporations Act 2001 and other applicable law or regulation.

16. Existing paragraph 6 is amended to read as follows:

The auditor, assurance practitioner, engagement quality control reviewer, and firm shall comply with relevant ethical requirements, including those pertaining to independence, when performing audits, reviews and other assurance engagements.

17. Existing paragraph A1 is amended to read as follows:

The auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of APES 110 Code of Ethics for Professional Accountants (including Independence Standards), issued by the Accounting Professional & Ethical Standards Board Limited in November 2018, which are to be taken into account in determining whether relevant ethical requirements referred to in paragraph 6 of this Auditing Standard have been met. In relation to audits and reviews undertaken in accordance with the Corporations Act 2001, the provisions of Division 3 Part 2M.4 of the Act may also apply.

18. Existing paragraph A2 is amended to read as follows:

APES 110 establishes the fundamental principles of ethics which are:

(a) …

The fundamental principles of ethics establish the standard of behaviour expected of the auditor, assurance practitioner, engagement quality control reviewer, and firm, when performing audits, reviews and other assurance engagements.

19. Existing paragraph A4 is amended to read as follows:

APES 110 specifies Independence Standards, which set out requirements and application material on how to apply the conceptual framework to maintain independence when performing audits, reviews or other assurance engagements. The auditor, assurance practitioner, engagement quality control reviewer, and firm are required to comply with these standards in order to be independent when conducting such engagements. The conceptual framework to identify, evaluate and address threats to compliance with the fundamental principles applies in the same way to compliance with independence requirements.

20. Existing paragraph A7 is amended to read as follows:

The definition of terms in APES 110 may differ from the definitions of those terms in Australian Auditing Standards including terms defined in ASQCM 1, ASA 200 and ASA 220 Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information.
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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 ASQCM 1, ASA 200 and ASA 220.

Amendments to ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards

21. Existing paragraph 14 is amended to read as follows:
The auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to a financial report audit engagement. (Ref: Para. A16–A19)

22. Existing paragraph A19 is amended to read as follows and footnotes 12 and 13 are inserted:

ASQCM 1 deals with the firm’s responsibilities to establish, design, implement and maintain a system of quality control for audit engagements. ASQC 1 sets out the responsibilities of management that provides the firm with reasonable assurance that the firm and its personnel comply with AUASB Standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements. As part of its system of quality management, ASQM 1 requires the firm to establish quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those pertaining to independence. ASA 220 sets out the engagement partner’s responsibilities with respect to relevant ethical requirements, including those pertaining to independence. These include remaining alert, through observation and making enquiries as necessary, for evidence of breaches of relevant ethical requirements by members of the engagement team, determining the appropriate action if matters come to the engagement partner’s attention that indicate that members of the engagement team have breached relevant ethical requirements, and forming a conclusion on compliance with independence requirements that apply to the audit engagement. ASA 220 recognises that the engagement team is entitled to rely on a firm’s system of quality control in meeting its responsibilities with respect to quality control procedures applicable to the individual audit engagement, unless information provided by the firm or other parties suggests otherwise. ASA 220 also describes when the engagement team may depend on the firm’s policies or procedures in managing and achieving quality at the engagement level.

23. As a result of the footnotes insertion and deletion above, subsequent footnotes of this Auditing Standard are re-numbered and references to these footnotes are updated accordingly.

24. Existing footnote 9 in paragraph A19 is amended to read as follows:
See ASQCM 1 Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements and/or Related Services Engagements.

25. Existing footnote 10 in paragraph A19 is amended to read as follows:
See ASA 220 Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information, paragraph A23.

26. Existing footnote 11 in paragraph A19 is amended to read as follows:
See ASQCM 1, paragraphs 20–25, 29, 12 See ASA 220, paragraphs 16–21.

12 See ASA 220, paragraph A10.
27. Existing footnote 15 in paragraph A27 is amended to read as follows:
See ASA 220, paragraph 4835.

28. Existing paragraph A30 is amended to read as follows:

Audit evidence is necessary to support the auditor’s opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has determined whether changes have occurred since the previous audit that may affect its relevance to the current audit\(^1\)) or through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement—a firm’s quality control procedures for client acceptance and continuance. In addition to other sources inside and outside the entity, the entity’s accounting records are an important source of audit evidence. Also, information that may be used as audit evidence may have been prepared by an expert employed or engaged by the entity. Audit evidence comprises both information that supports and corroborates management’s assertions, and any information that contradicts such assertions. In addition, in some cases, the absence of information (for example, management’s refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence. Most of the auditor’s work in forming the auditor’s opinion consists of obtaining and evaluating audit evidence.

29. Existing footnote 17 in paragraph A30 is amended to read as follows:
See ASA 315 Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment, paragraph 916.

Amendments to ASA 210 Agreeing the Terms of Audit Engagements

30. Existing footnote 1 in paragraph 1 is amended to read as follows:
See ASA 220 Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information.

31. Existing paragraph A1 is amended to read as follows:

ASQM 1\(^7\) deals with the firm’s responsibilities regarding the acceptance and continuance of client relationships and specific engagements. Assurance engagements, which include audit engagements, may only be accepted when the practitioner considers that relevant ethical requirements such as independence and professional competence will be satisfied, and when the engagement exhibits certain characteristics.\(^2\) The auditor’s responsibilities in respect of relevant ethical requirements, including those related to independence, in the context of the acceptance of an audit engagement and in so far as they are within the control of the auditor are dealt with in ASA 220.\(^8\) This Auditing Standard deals with those matters (or preconditions) that are within the control of the entity and upon which it is necessary for the auditor and the entity’s management to agree.

32. Existing footnote 8 in paragraph A1 is amended to read as follows:
See ASA 220, paragraphs 9-11, 16-21.

Amendments to ASA 230 Audit Documentation

33. Existing paragraph 3 is amended to read as follows:

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\(^7\) See ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, paragraph 30.

\(^8\)
Audit documentation serves a number of additional purposes, including the following:

- Enabling the conduct of engagement quality control reviews, other types of engagement reviews and monitoring activities under the firm’s system of quality management and inspections in accordance with ASQC 1.

34. Existing footnote 2 in paragraph 3 is amended to read as follows:

See ASA 220 Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information, paragraphs 45-1729-34.

35. Existing paragraph A7 is amended to read as follows:

Audit documentation provides evidence that the audit complies with the Australian Auditing Standards. However, it is neither necessary nor practicable for the auditor to document every matter considered, or professional judgement made, in an audit. Further, it is unnecessary for the auditor to document separately (as in a checklist, for example) compliance with matters for which compliance is demonstrated by documents included within the audit file. For example:

- In relation to requirements that apply generally throughout the audit, there may be a number of ways in which compliance with them may be demonstrated within the audit file:
  - Similarly, that the engagement partner has taken responsibility for the direction, and supervision and performance of the audit in compliance with engagement team and the Australian Auditing Standards review of their work may be evidenced in a number of ways within the audit documentation. This may include documentation of that evidences the engagement partner’s timely sufficient and appropriate involvement in aspects of the audit, such as participation in the engagement team discussions required by ASA 315.

36. Existing paragraph A13 is amended to read as follows:

ASA 220 contains requirements and guidance on the requires the auditor to review the audit work performed through review of the audit documentation. The requirement to document who reviewed the audit work performed does not imply a need for each specific working paper to include evidence of review. The requirement, however, means documenting what audit work was reviewed, who reviewed such work, and when it was reviewed.

37. Existing footnote 8 in paragraph A13 is amended to read as follows:

See ASA 220, paragraphs 4729-34.

38. Existing paragraph A20 is amended to read as follows:

Examples of exceptional circumstances include facts which become known to the auditor after the date of the auditor’s report but which existed at that date and which, if known at that date,
might have caused the financial report to be amended or the auditor to modify the opinion in
the auditor’s report.\textsuperscript{12} The resulting changes to the audit documentation are reviewed in
accordance with the review responsibilities set out in ASA 220,\textsuperscript{13} with the engagement partner
taking final responsibility for the changes.

39. Existing footnote 13 in paragraph A20 is amended to read as follows:
See ASA 220, paragraphs 4629-34.

40. Existing paragraph A21 is amended to read as follows:
ASQCM 1 requires firms’ systems of quality management to establish a quality objective that
addresses the assembly of engagement documentation on a timely basis after the date of the
engagement report; policies and procedures for the timely completion of the assembly of audit
files.\textsuperscript{14} An appropriate time limit within which to complete the assembly of the final audit file
is ordinarily not more than 60 days after the date of the auditor’s report.\textsuperscript{15}

41. Existing footnotes 14 and 15 in paragraph A21 are amended to read as follows:
\textsuperscript{14} See ASQCM 1, paragraph 4531(f).
\textsuperscript{15} See ASQCM 1, paragraph A54A83.

42. Existing paragraph A23 is amended to read as follows:
ASQCM 1 requires firms’ systems of quality management to establish a quality objective to
address the appropriate maintenance and policies and procedures for the retention of
engagement documentation to meet the needs of the firm and to comply with law, regulation,
relevant ethical requirements, or AUASB Standards.\textsuperscript{16} The retention period for audit
engagements ordinarily is no shorter than five years from the date of the auditor’s report, or, if
later, the date of the group auditor’s report on the group financial reports, when applicable.\textsuperscript{17}

43. Existing footnotes 16 and 17 in paragraph A23 are amended to read as follows:
\textsuperscript{16} See ASQCM 1, paragraph 4731(f).
\textsuperscript{17} See ASQCM 1, paragraph A64A85.

44. Existing paragraph A24 is amended to read as follows:
An example of a circumstance in which the auditor may find it necessary to modify existing
audit documentation or add new audit documentation after file assembly has been completed
is the need to clarify existing audit documentation arising from comments received during
monitoring inspections performed by internal activities or external parties inspections.\textsuperscript{2}

45. Existing footnote * in paragraph A24 is deleted.

46. Existing Appendix 1 of this Auditing Standard is amended to read as follows:

\textbf{Specific Audit Documentation Requirements in Other Australian Auditing Standards}

This appendix identifies paragraphs in other Australian Auditing Standards that contain
specific documentation requirements. The list is not a substitute for considering the
requirements and related application and other explanatory material in Australian Auditing
Standards.

\begin{itemize}
  \item …
  \item ASA 220 \textit{Quality Control Management for an Audit of a Financial Report and Other
  Historical Financial Information} – paragraphs 242-254
\end{itemize}
Amendments to ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report

47. Existing paragraph A25 is amended to read as follows:

In certain circumstances, the auditor may consider withdrawing from the engagement, where permitted by law or regulation, for example when management or those charged with governance do not take the remedial action that the auditor considers appropriate in the circumstances or the identified or suspected non-compliance raises questions regarding the integrity of management or those charged with governance, even when the non-compliance is not material to the financial report. The auditor may consider it appropriate to obtain legal advice to determine whether withdrawal from the engagement is appropriate. When the auditor determines that withdrawing from the engagement would be appropriate, doing so would not be a substitute for complying with other responsibilities under law, regulation or relevant ethical requirements to respond to identified or suspected non-compliance. Furthermore, paragraph A9.A55 of ASA 220\(^2\) indicates that some ethical requirements may require the predecessor auditor, upon request by the proposed successor auditor, to provide information regarding non-compliance with laws and regulations to the successor auditor.

48. Existing footnote 14 in paragraph A25 is amended to read as follows:

See ASA 220, Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information.

Amendments to ASA 260 Communication With Those Charged with Governance

49. Existing paragraph A28 is amended to read as follows:

To the extent not already addressed by the requirements in paragraphs 16(a)–(d) and related application material, the auditor may consider communicating about other matters discussed with, or considered by, the engagement quality control reviewer, if one has been appointed, in accordance with ASA 220.\(^2\)

50. As a result of the footnote deletion above, subsequent footnotes of this Auditing Standard are re-numbered and references to these footnotes are updated accordingly.

51. Existing paragraph A29 is amended to read as follows:

The auditor is required to comply with relevant ethical requirements, including those pertaining to independence, relating to financial report audit engagements.\(^2\)

52. Existing Appendix 1 of this Auditing Standard is amended to read as follows:

Specific Requirements in ASQCM 1 and Other Australian Auditing Standards that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ASQCM 1\(^2\) and other Australian Auditing Standards that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in Australian Auditing Standards.

- ASQCM 1 Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, and/or Other Assurance and/or Related Services Engagements - paragraph 30(a)34(e)

53. Existing footnote 28 in Appendix 1 is amended to read as follows:
Amendments to ASA 300 Planning an Audit of a Financial Report

54. Existing paragraph 2 and its heading are amended to read as follows:

**The Role and Timing of Planning**

Planning an audit involves establishing the overall audit strategy for the engagement and developing an audit plan. Adequate Quality management at the engagement level in accordance with ASA 220, in conjunction with adequate planning in accordance with this ASA, benefits the audit of a financial report in several ways, including the following: (Ref: Para. A1-A0-A3)

• …

55. Existing paragraph 6 is amended to read as follows:

The auditor shall undertake the following activities at the beginning of the current audit engagement:

(a) Performing procedures required by ASA 220 regarding the acceptance and continuance of the client relationship and the specific audit engagement;

(b) Evaluating compliance with relevant ethical requirements, including those related to independence, in accordance with ASA 220;

(c) …

56. Existing footnotes 1 and 2 in paragraph 6 are amended to read as follows:


2 See ASA 220, paragraphs 9-1416-21.

57. Existing paragraph 8 is amended to read as follows:

In establishing the overall audit strategy, the auditor shall consider the information obtained from complying with the requirements of ASA 220 and:

(a) …

58. The following footnote 4, is inserted to paragraph 8 of this Auditing Standard, following the wording “Ascertain the nature, timing and extent of resources necessary to perform the engagement.”

See ASA 220, paragraph 25.

59. As a result of the footnote insertion above, subsequent footnotes of this Auditing Standard are re-numbered and references to these footnotes are updated accordingly.

60. Existing paragraph 9 is amended to read as follows:

The auditor shall develop an audit plan that shall include a description of:
(a) The nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work. (Ref: Para. A16-A17)

(ab) The nature, timing and extent of planned risk assessment procedures, as determined under ASA 315.⁴

(bc) The nature, timing and extent of planned further audit procedures at the assertion level, as determined under ASA 330.⁵

(ed) Other planned audit procedures that are required to be carried out so that the engagement complies with the Australian Auditing Standards. (Ref: Para. A12-A14)

61. Existing paragraph 11 is deleted:

   The auditor shall plan the nature, timing and extent of direction and supervision of engagement team members and the review of their work. (Ref: Para. A15-A17)

62. Existing paragraph 12 is amended to read as follows:

   The auditor shall include in the audit documentation:⁶

   (a) …

   (c) Any significant changes made during the audit engagement to the overall audit strategy or the audit plan, including significant changes to the nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work, and the reasons for such changes. (Ref: Para. A18-A21)

63. Existing paragraph 13 is amended to read as follows:

   The auditor shall undertake the following activities prior to starting an initial audit:

   (a) Performing procedures required by ASA 220 regarding the acceptance of the client relationships and the specific audit engagements;⁷ and

   (b) …

64. Existing footnote 7 in paragraph 13 is amended to read as follows:

   See ASA 220, paragraphs 30 and A91-A92.

65. The following paragraph A1 is inserted before the sub-heading “The Role and Timing of Planning”:

   ASA 220 deals with the specific responsibilities of the auditor regarding quality management at the engagement level for an audit of financial reports, and the related responsibilities of the engagement partner. Information obtained from complying with the requirements of ASA 220 is relevant to this ASA. For example, in accordance with ASA 220, the engagement partner is required to determine that sufficient and appropriate resources to perform the engagement have been assigned or made available to the engagement team, taking into account the nature and circumstances of the audit engagement. Such a determination is directly relevant when ascertaining the nature, timing and extent of resources necessary to perform the engagement in the overall strategy, as required by paragraph 8 of this ASA.

66. As a result of the insertion of the paragraph above, subsequent paragraphs of this Auditing Standard are re-numbered and references to these paragraphs are updated accordingly.

⁴ See ASA 220, paragraphs 30 and A91-A92.
67. Existing paragraph A1 is amended to read as follows:

The nature and extent of planning activities will vary according to the size and complexity of the entity, the key engagement team members’ previous experience with the entity, and changes in circumstances that occur during the audit engagement. In planning the audit, the auditor may use project management techniques and tools. ASA 220 describes how such techniques and tools may support the engagement team in managing the quality of the engagement.

68. Existing paragraph A3 is amended to read as follows:

The auditor may decide to discuss elements of planning with the entity’s management, or those charged with governance, to facilitate the conduct and management of the audit engagement. These discussions often occur, the overall audit strategy and the audit plan remain the auditor's responsibility. When discussing matters included in the overall audit strategy or audit plan, care is required in order not to compromise the effectiveness of the audit. For example, discussing the nature and timing of detailed audit procedures with management, or those charged with governance, may compromise the effectiveness of the audit by making the audit procedures too predictable.

69. Existing paragraph A5 is amended to read as follows:

Performing the preliminary engagement activities specified in paragraph 6 at the beginning of the current audit engagement assists the auditor in identifying and evaluating events or circumstances that may adversely affect the auditor's ability to plan and perform the audit engagement. 

Performing initial procedures on both client continuance and evaluation of relevant ethical requirements (including independence) at the beginning of the current audit engagement means that they are completed prior to the performance of other significant activities for the current audit engagement. For continuing audit engagements, such initial procedures often occur shortly after (or in connection with) the completion of the previous audit.

70. Existing paragraph A6 is amended to read as follows:

Performing these preliminary engagement activities enables the auditor to plan an audit engagement for which, in order to:

- The auditor maintains the necessary independence and ability to perform the engagement.
- There are no issues with management integrity that may affect the auditor’s willingness to continue the engagement.
- There is no misunderstanding with the client as to the terms of the engagement.

71. Existing paragraph A7 is amended to read as follows and footnote * will be placed following the wording “relevant ethical requirements”:

The auditor’s consideration of client continuance and relevant ethical requirements, including independence, occurs throughout the audit engagement as conditions and changes in circumstances occur. Performing initial procedures on both client continuance and evaluation of relevant ethical requirements (including independence) at the beginning of the current audit engagement means that they are completed prior to the performance of other significant activities for the current audit engagement. For continuing audit engagements, such initial procedures often occur shortly after (or in connection with) the completion of the previous audit.

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* See ASA 220, paragraphs A73–A74.
72. Existing paragraph A8 is amended to read as follows:

The process of establishing the overall audit strategy assists the auditor to determine, subject to the completion of the auditor’s risk assessment procedures, may include such matters as:

- The nature of resources (human, technological or intellectual) to be deployed for specific audit areas, such as. For example, the use deployment of appropriately experienced team members for high risk areas or the involvement assignment of experts to address complex matters;
- The amount of resources to be allocated to specific audit areas, such as. For example, the number of team members assigned to observe attend the physical inventory count at material multiple locations, the extent of review of other auditors’ work in the case of group audits, or the audit budget in hours to allocate to high risk areas;
- …
- How such resources are managed, directed, and supervised, such as or used. For example, when team briefing and debriefing meetings are expected to be held, how engagement partner and manager reviews are expected to take place (for example, on-site or off-site), and whether to complete engagement quality control reviews.

73. The following paragraph A9 is inserted following existing paragraph A8 of this Auditing Standard:

ASA 220 contains requirements and guidance on engagement resources and engagement performance (including direction and supervision of the members of the engagement team and the review of their work).

74. As a result of the insertion of the paragraph above, subsequent paragraphs of this Auditing Standard are re-numbered and references to these paragraphs are updated accordingly.

75. Existing paragraph A16 is amended to read as follows:

ASA 220 deals with the engagement partner’s responsibility for the nature, timing and extent of direction and supervision of the members of the engagement team and the review of their work. The nature, timing and extent of the direction and supervision of engagement team members and review of their work vary depending on many factors, including:

- The size and complexity of the entity,
- The area of the audit.
- The assessed risks of material misstatement (for example, an increase in the assessed risk of material misstatement for a given area of the audit ordinarily requires a corresponding increase in the extent and timeliness of direction and supervision of engagement team members, and a more detailed review of their work).
- The capabilities and competence of the individual team members performing the audit work.

ASA 220 contains further guidance on the direction, supervision and review of audit work.

76. Existing footnote 10 in paragraph A16 is amended to read as follows:


77. Existing paragraph A17 is deleted and subsequent paragraphs of this Auditing Standard are re-numbered and references to these paragraphs are updated accordingly.
78. Existing paragraph A18 is amended to read as follows:

The documentation of the overall audit strategy is a record of the key decisions considered necessary to properly plan the audit and in managing quality at the engagement level and a means to communicate significant matters to the engagement team. For example, the auditor may summarise the overall audit strategy in the form of a memorandum that contains key decisions regarding the overall scope, timing and conduct of the audit.

79. The following paragraph A21 is inserted following existing paragraph A20 of this Auditing Standard:

Documentation of the direction and supervision of engagement team members and the review of their work in accordance with ASA 220 may also provide a record of significant changes to the planned nature, timing and extent of the direction, supervision and review.

80. As a result of the insertion of the paragraph above, subsequent paragraphs of this Auditing Standard are re-numbered and references to these paragraphs are updated accordingly.

81. Existing paragraph A22 is amended to read as follows:

The purpose and objective of planning the audit are the same whether the audit is an initial or recurring engagement. However, for an initial audit, the auditor may need to expand the planning activities because the auditor does not ordinarily have the previous experience with the entity that is considered when planning recurring engagements. For an initial audit engagement, additional matters the auditor may consider in establishing the overall audit strategy and audit plan include the following:

- …
- Other procedures required responses designed and implemented by the firm’s system of quality control (for example, the firm’s system of quality control management may include responses that require the involvement of another partner or senior individual with appropriate authority to review the overall audit strategy prior to commencing significant audit procedures or to review reports prior to their issuance).

82. Existing Appendix 1 is amended to read as follows:

CONSIDERATIONS IN ESTABLISHING THE OVERALL AUDIT STRATEGY

This appendix provides examples of matters the auditor may consider in establishing the overall audit strategy and managing quality at the engagement level. Many of these matters will also influence the auditor’s overall audit strategy and detailed audit plan. The examples provided cover a broad range of matters applicable to many engagements. While some of the matters referred to below may be required by other Auditing Standards, not all matters are relevant to every audit engagement and the list is not necessarily complete.

Characteristics of the Engagement

…

Nature, Timing and Extent of Resources

- The selection of human, technological and intellectual resources assigned or made available to the engagement (e.g., assignment of the engagement team (including, where necessary, the engagement quality control reviewer) and the assignment of audit work to the team members, including the assignment of appropriately experienced team members to areas where there may be higher risks of material misstatements).
Amendments to ASA 315 Identifying and Assessing the Risks of Material Misstatement

83. Existing footnote 25 in paragraph A38 is amended to read as follows:


84. Existing paragraph A69 is amended to read as follows:

The industry in which the entity operates may give rise to specific risks of material misstatement arising from the nature of the business or the degree of regulation.

Example:

In the construction industry, long-term contracts may involve significant estimates of revenues and expenses that give rise to risks of material misstatement. In such cases, it is important that the engagement team include members with sufficient relevant knowledge and experience to ensure the appropriate competence and capabilities.

85. Existing footnote 33 in paragraph A69 is amended to read as follows:


86. Existing footnote 56 in paragraph A218 is amended to read as follows:

See ASA 220, paragraphs A32-A38.

Amendments to ASA 500 Audit Evidence

87. Existing paragraph A5 is amended to read as follows:

Audit evidence is necessary to support the auditor’s opinion and report. It is cumulative in nature and is primarily obtained from audit procedures performed during the course of the audit. It may, however, also include information obtained from other sources such as previous audits (provided the auditor has evaluated whether such information remains relevant and reliable as audit evidence for the current audit) or a firm’s quality control procedures for client acceptance and continuation through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement. In addition, the entity’s accounting records and other sources internal to the entity are important sources of audit evidence. Information that may be used as audit evidence may have been prepared using the work of a management’s expert or be obtained from an external information source. Audit evidence comprises both information that supports and corroborates management’s assertions, and any information that contradicts such assertions. In addition, in some cases the absence of information (for example, management’s refusal to provide a requested representation) is used by the auditor, and therefore, also constitutes audit evidence.

88. Existing paragraph A30 is amended to read as follows:

As noted in paragraph A5, while audit evidence is primarily obtained from audit procedures performed during the course of the audit, it may also include information obtained from other sources such as, for example, previous audits, in certain circumstances, a firm’s quality control procedures for client acceptance and continuation through the information obtained by the firm in the acceptance or continuance of the client relationship or engagement and in complying with certain additional responsibilities under law, regulation or relevant ethical requirements (e.g., regarding an entity’s non-compliance with laws and regulations).
quality of all audit evidence is affected by the relevance and reliability of the information upon which it is based.

Amendments to ASA 540 Auditing Accounting Estimates and Related Disclosures

89. Existing footnote 39 in paragraph A61 is amended to read as follows:


Amendments to ASA 600 Special Considerations-Audits of a Group Financial Report (Including the Work of Component Auditors)

90. Existing paragraph 4 is amended to read as follows:

In accordance with ASA 220, the group engagement partner is required to determine that those performing the group audit engagement, including component auditors, collectively have the appropriate competence and capabilities, including sufficient time. The group engagement partner is also responsible for the direction and supervision of members of the group engagement team and performance of the group audit engagement review of their work.1.

91. Existing footnote 1 in paragraph 4 is amended to read as follows:

See ASA 220 Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information, paragraphs 14 and 15.

92. As a result of the footnote insertion above, subsequent footnotes of this Auditing Standard are re-numbered and references to these footnotes are updated accordingly.

Amendments to ASA 610 Using the Work of Internal Auditors

93. Existing paragraph A11 is amended to read as follows:

Factors that may affect the external auditor’s determination of whether the internal audit function applies a systematic and disciplined approach include the following:

• …

• Whether the internal audit function has appropriate quality control policies and procedures, for example, such as those policies and procedures in ASQC 14 that would be applicable to an internal audit function (such as those relating to leadership, human resources and engagement performance) or quality control requirements in standards set by the relevant professional bodies for internal auditors. Such bodies may also establish other appropriate requirements such as conducting periodic external quality assessments.

94. As a result of the footnote deletion above, subsequent footnotes of this Auditing Standard are re-numbered and references to these footnotes are updated accordingly.

Amendments to ASA 620 Using the Work of an Auditor’s Expert

95. Existing footnote 1 in paragraph 2 is amended to read as follows:

1 See ASA 220, paragraphs 29-31.

97. Existing paragraph 8 is amended to read as follows:

The nature, timing and extent of the auditor’s procedures with respect to the requirements in paragraphs 9-13 of this Auditing Standard will vary depending on the circumstances. In determining the nature, timing and extent of those procedures, the auditor shall consider matters including: (Ref: Para. A10)

(a) …

(e) Whether that expert is subject to the auditor’s firm’s system of quality control policies and procedures management. (Ref: Para. A11-A13)

98. Existing paragraph A6 is amended to read as follows:

If the preparation of the financial report involves the use of expertise in a field other than accounting, the auditor, who is skilled in accounting and auditing, may not possess the necessary expertise to audit that financial report. The engagement partner is required to determine be satisfied that the engagement team, and any auditor’s experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement. Further, the auditor is required to ascertain the nature, timing and extent of resources necessary to perform the engagement. The auditor’s determination of whether to use the work of an auditor’s expert, and if so when and to what extent, assists the auditor in meeting these requirements. As the audit progresses, or as circumstances change, the auditor may need to revise earlier decisions about using the work of an auditor’s expert.

99. Existing footnote 5 in paragraph A6 is amended to read as follows:


100. Existing footnote 7 in paragraph A7 is amended to read as follows:


101. Existing paragraph A10 is amended to read as follows:

The nature, timing and extent of audit procedures with respect to the requirements in paragraphs 9-13 of this Auditing Standard will vary depending on the circumstances. For example, the following factors may suggest the need for different or more extensive procedures than would otherwise be the case:

• …

• The expert is an auditor’s external expert and is not, therefore, subject to the firm’s system of quality control policies and procedures management.

102. Existing paragraph A11 and its sub-heading are amended to read as follows:

The Auditor’s Firm’s System of Quality Control Policies and Procedures Management (Ref: Para. 8(e))

An auditor’s internal expert may be a partner or staff (i.e., personnel), including temporary staff, of the auditor’s firm, and therefore subject to the system of quality control policies and procedures management of that firm in accordance with ASQCM 1. Alternatively, an auditor’s internal expert may also be a partner or staff, including temporary staff, of a network firm, and is subject to the firm’s policies or procedures for network requirements and network services in accordance with ASQM 1. In some instances, the auditor’s internal expert of a
network firm may be subject to which may share common quality control management policies and procedures as with the auditor’s firm, given that they are part of the same network.

103. Existing footnotes 9 and 10 in paragraph A11 are amended to read as follows:

9 See ASQC 1 Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, and/or Other Assurance or Related Services Engagements, paragraph 12(f)16(w).

10. See ASA 220, paragraphs 2 and A13.

104. Existing paragraph A12 is amended to read as follows:

ASQC 1 requires the firm to address the use of resources from a service provider, which includes the use of an external expert.11 An auditor’s external expert is not a member of the engagement team and may not be subject to quality control policies and procedures in accordance with ASQC 1.12 In some jurisdictions, however, the firm’s policies or procedures under its system of quality management.12 Furthermore, the firm’s policies or procedures for relevant ethical requirements may include policies or procedures that apply to the auditor’s external expert.13 In some cases, relevant ethical requirements or law or regulation may require that an auditor’s external expert be:

- Treated as a member of the engagement team (i.e., the external expert and may therefore be subject to relevant ethical requirements, including those pertaining to independence); or
- Subject to, and other professional requirements, as determined by that law or regulation.

105. As a result of the footnotes insertion above, subsequent footnotes of this Auditing Standard are re-numbered and references to these footnotes are updated accordingly.

106. Existing paragraph A13 is amended to read as follows:

Engagement teams are entitled to rely on the firm’s system of quality control, unless information provided by the firm or other parties suggests otherwise.14 The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the auditor’s procedures with respect to such matters as described in ASA 220, quality management at the engagement level is supported by the firm’s system of quality management and informed by the specific nature and circumstances of the audit engagement.15 For example, the auditor may be able to depend on the firm’s related policies or procedures in respect of:

- …
- Objectivity. Auditor’s internal experts are subject to relevant ethical requirements, including those pertaining to independence.
- The auditor’s evaluation of the adequacy of the auditor’s expert’s work. For example, the firm’s training programs may provide auditor’s internal experts with an appropriate understanding of the interrelationship of their expertise with the audit process. Reliance on such training and other firm processes, such as protocols for

11 See ASQC 1, paragraph 32.
12 See ASQC 1, paragraph 16(f).
13 See ASQC 1, paragraph 29(b).
14 See ASA 220, paragraph A4.
scoping the work of auditor’s internal experts, may affect the nature, timing and extent of the auditor’s procedures to evaluate the adequacy of the auditor’s expert’s work.

• ...

Such reliance Matters that the auditor may take into account when determining whether to depend on the firm’s policies or procedures are described in ASA 220.\(^\text{15}\) Depending on the firm’s policies or procedures does not reduce the auditor’s responsibility to meet the requirements of this Auditing Standard.

107. Existing paragraph A15 is amended to read as follows:

Information regarding the competence, capabilities and objectivity of an auditor’s expert may come from a variety of sources, such as:

• ...

• The auditor’s firm’s system of quality control policies and procedures management (see paragraphs A11-A13).

108. Existing paragraph A26 is amended to read as follows:

When there is no written agreement between the auditor and the auditor’s expert, evidence of the agreement may be included in, for example:

• ...

• The policies and procedures of the auditor’s firm’s system of quality management. In the case of an auditor’s internal expert, the established policies and procedures to which that expert is subject firm’s system of quality management may include particular policies and procedures in relation to that expert’s work. The extent of documentation in the auditor’s working papers depends on the nature of such policies and procedures. For example, no documentation may be required in the auditor’s working papers if the auditor’s firm has detailed protocols covering the circumstances in which the work of such an expert is used.

Amendments to ASA 700 Forming an Opinion and Reporting on a Financial Report

109. Existing paragraph A36 is amended to read as follows:

Law or regulation, Australian Auditing Standards or the terms of an audit engagement may require the auditor to provide in the auditor’s report more specific information about the sources of the relevant ethical requirements, including those pertaining to independence, that applied to the audit of the financial report.

110. Existing paragraph Aus A61.1 is amended to read as follows:

ASQC 1\(^\text{36}\) requires that The objective of the firm in ASQM 1\(^\text{36}\) is to design, implement and operate a system of quality management that provides the firm with policies and procedures to provide reasonable assurance that engagements are performed:

• The firm and its personnel fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and

\(^{15}\) See ASA 220, paragraphs 4(b) and A10.

\(^{36}\) See ASQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, paragraph 14.
• Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.

Notwithstanding the objective of these ASQCM 1 requirements, naming the engagement partner in the auditor’s report is intended to provide further transparency to the users of the auditor’s report.

Amendments to ASA 701 Communicating Key Audit Matters in the Independent Auditor’s Report

111. Existing paragraph A15 is amended to read as follows:

Various Australian Auditing Standards require specific communications with those charged with governance and others that may relate to areas of significant auditor attention. For example:

• ...

• ASA 220 establishes requirements for the engagement partner in relation to undertaking appropriate consultation on difficult or contentious matters, matters on which the firm’s policies or procedures require consultation, and other matters that in the engagement partner’s professional judgement, require consultation. For example, the auditor may have consulted with others within the firm or outside the firm on a significant technical matter, which may be an indicator that it is a key audit matter. The engagement partner is also required to discuss, among other things, significant matters and significant judgements arising during the audit engagement with the engagement quality control reviewer.

112. Existing footnotes 21 and 22 in paragraph A15 are amended to read as follows:

21 See ASA 220 Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information, paragraph 4835.

22 See ASA 220, paragraph 4936.

113. Existing paragraph A63 is amended to read as follows:

The requirement in paragraph 17(b) to communicate with those charged with governance when the auditor has determined there are no key audit matters to communicate in the auditor’s report may provide an opportunity for the auditor to have further discussion with others who are familiar with the audit and the significant matters that may have arisen (including the engagement quality control reviewer, where one has been appointed). These discussions may cause the auditor to re-evaluate the auditor’s determination that there are no key audit matters.

Amendments to ASA 720 The Auditor’s Responsibilities Relating to Other Information

114. Existing paragraph A24 is amended to read as follows:

In accordance with ASA 220, the engagement partner is required to take responsibility for the direction, supervision and performance of the audit engagement direction and supervision of the members of the engagement team and the review of their work, and determine that the nature, timing and extent of direction, supervision and review is planned and performed in accordance with the firm’s policies or procedures, Australian Auditing Standards and applicable legal and regulatory requirements. In the context of this Auditing Standard,
factors that may be taken into account when determining the appropriate engagement team members to address the requirements of paragraphs 14–15, include:

• …

115. As a result of the footnotes insertion above, subsequent footnotes of this Auditing Standard are re-numbered and references to these footnotes are updated accordingly.
Commencement of the legislative instrument

For legal purposes, each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

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Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.