

Compiled Auditing Standard

ASA 100
(June 2020)

Auditing Standard ASA 100

Preamble to AUASB Standards

This compilation was prepared on 8 July 2020 taking into account amendments made by ASA 2020-2.

Compilation number: 1

Compilation date: 8 July 2020

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

The most recently compiled versions of Auditing Standards, original Standards and amending Standards (see Compilation Details) are available on the AUASB website: www.auasb.gov.au

Contact Details

Auditing and Assurance Standards Board
Podium Level
Level 14, 530 Collins Street
Melbourne Victoria 3000
AUSTRALIA

Phone: (03) 8080 7400
E-mail: enquiries@auasb.gov.au

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

COPYRIGHT

© 2020 Commonwealth of Australia. The text, graphics and layout of this Auditing Standard are protected by Australian copyright law and the comparable law of other countries. Reproduction within Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use subject to the inclusion of an acknowledgment of the source as being the Australian Auditing and Assurance Standards Board (AUASB).

Requests and enquiries concerning reproduction and rights for commercial purposes within Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Otherwise, no part of this Auditing Standard may be reproduced, stored or transmitted in any form or by any means without the prior written permission of the AUASB except as permitted by law.

This Auditing Standard reproduces substantial parts of the corresponding International Standard on Auditing issued by the International Auditing and Assurance Standards Board (IAASB) and published by the International Federation of Accountants (IFAC), in the manner described in the statement on Conformity with International Standards on Auditing. The AUASB acknowledges that IFAC is the owner of copyright in the International Standard on Auditing incorporated in this Auditing Standard throughout the world.

All existing rights in this material are reserved outside Australia. Reproduction outside Australia in unaltered form (retaining this notice) is permitted for personal and non-commercial use only.

Further information and requests for authorisation to reproduce this Auditing Standard for commercial purposes outside Australia should be addressed to the Technical Director, Auditing and Assurance Standards Board, PO Box 204, Collins Street West, Melbourne, Victoria 8007 or sent to enquiries@auasb.gov.au. Any decision to approve a request may also require the agreement of IFAC.

ISSN 1833-4393

CONTENTS

COMPILATION DETAILS
AUTHORITY STATEMENT

	<i>Paragraphs</i>
Operative Date.....	1
Introduction.....	2-8
Authority of the Paragraphs in AUASB Standards.....	9
Mandatory Requirements.....	10-14
Explanatory Guidance.....	15-17
Other Important Elements of AUASB Standards.....	18-32
Type of Entity.....	33-35
Applying AUASB Standards.....	36-39
Inability to Comply with Mandatory Requirements.....	40
Auditing Standards Made Under Section 336 of the Corporations Act 2001.....	41-44
AUASB Drafting Approach.....	45-48
Conformity with International Standards on Auditing.....	49

COMPILATION DETAILS

Auditing Standard ASA 100 *Preamble to AUASB Standards* (as Amended)

This compilation takes into account amendments made up to and including 30 June 2020 and was prepared on 8 July 2020 by the Auditing and Assurance Standards Board (AUASB).

This compilation is not a separate Auditing Standard made by the AUASB. Instead, it is a representation of ASA 100 (April 2006) as amended by another Auditing Standard which is listed in the Table below.

Table of Standards

Standard	Date made	Operative Date
ASA 100 [A]	28 April 2006	Financial reporting periods commencing on or after 1 July 2006
ASA 2020-2 [B]	30 June 2020	Financial reporting periods ending on or after 15 July 2020

[A] Federal Register of Legislation – registration number F2006L01321, 11 May 2006

[B] Federal Register of Legislation – registration number F2020L00885, 7 July 2020

Table of Amendments

Paragraph affected	How affected	By ... [paragraph]
39	Amended	ASA 2020-2 [18]
39 Footnotes 6 and 7	Deleted	ASA 2020-2 [18]

AUTHORITY STATEMENT

Auditing Standard ASA 100 *Preamble to AUASB Standards* (as amended to 30 June 2020) is set out in paragraphs 1 to 49.

This Preamble is to be read in conjunction with AUASB Standards.

AUDITING STANDARD ASA 100

The Auditing and Assurance Standards Board (AUASB) made Auditing Standard ASA 100 *Preamble to AUASB Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*, on 28 April 2006.

This compiled version of ASA 100 incorporates subsequent amendments contained in another Auditing Standard made by the AUASB up to and including 30 June 2020 (see Compilation Details).

AUDITING STANDARD ASA 100

Preamble to AUASB Standards

Operative Date

- 1. This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.** [Note: For operative dates of paragraphs changed or added by an Amending Standard, see Compilation Details.]

Introduction

2. This Preamble sets out the intentions of the Auditing and Assurance Standards Board (AUASB), as to how AUASB Standards are to be understood, interpreted and applied. The AUASB issues AUASB Standards comprising:
 - (a) Auditing Standards (“ASAs”);
 - (b) Standards on Review Engagements (“ASREs”);
 - (c) Standards on Assurance Engagements (“ASAEs”); and
 - (d) Standards on Related Services (“ASRSs”).
- 3. An auditor shall apply AUASB Standards in conjunction with paragraphs 1 to 49 of this Preamble.**
4. The AUASB derives its functions and powers under section 227B of the *Australian Securities and Investments Commission Act 2001*. The AUASB:
 - (a) makes Auditing Standards under section 336 of the *Corporations Act 2001* (the Act) for the purposes of the corporations legislation; and
 - (b) formulates auditing and assurance standards for other purposes.

Auditing Standards made under Section 336 of the Act

Application

5. Auditing Standards apply to:

- (a) an audit of a financial report for a financial year, or an audit or review¹ of a financial report for a half-year, prepared in accordance with Part 2M.3 of the Act;
 - (b) an audit of a financial report prepared for any other purpose; or
 - (c) a review by the independent auditor of the entity, of interim financial reports, prepared for any other purpose.¹
6. Although Auditing Standards are written mainly in the context of an audit of a financial report, they apply also, as appropriate, to the audit of other financial information.

Enforcement

7. Section 307A of the Act requires auditors to conduct audits and reviews of the financial reports² prepared under Part 2M.3 of the Act, in accordance with Auditing Standards. AUASB Standards may have legal enforcement under legislation other than the Act.

Auditing and Assurance Standards for Other Purposes

8. Auditing and assurance standards for other purposes consist of standards that are designed for subject-specific areas. They include, for example, assurance engagements that relate to:
- reviews (other than a review by the independent auditor of the entity, of interim financial information, including interim financial reports, prepared for other purposes);
 - evaluating the efficiency and/or effectiveness of an entity's activities;
 - prospective financial information; and
 - the effectiveness of internal controls.

Authority of the Paragraphs in AUASB Standards

9. AUASB Standards consist of paragraphs that are either:
- (a) mandatory requirements, identified in **bold-type** (black lettering); or
 - (b) explanatory guidance, identified in normal-type (grey lettering).

The paragraphs in AUASB Standards do not have equal authority.

Mandatory Requirements

10. Within each AUASB Standard, an auditor's obligations are stated as mandatory requirements that are identified in **bold-type**. The mandatory requirements consist of basic principles and essential procedures.
11. An auditor is required to comply with all mandatory requirements except when:
- (a) application of the mandatory requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial;

¹ For legislative purposes, ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, is included in legislation as an "Auditing Standard". ASRE 2410 is to be applied in the review of a half-year financial report prepared under Part 2M.3 of the Act, and a review by the independent auditor of the entity of interim financial reports prepared for any other purpose.

² Financial Reports required by Part 2M.3 of the Act are:

- the annual financial report; and
- the half-year financial report (for certain entities).

- (b) an auditor, using professional judgement, has chosen not to adopt a particular approach or procedure where the AUASB Standard permits or requires the auditor to choose from alternative approaches or procedures; or
 - (c) a mandatory requirement(s) is conditional and the condition is not present.
12. When one or more of the exceptions described in paragraph 11 exist, a mandatory requirement is not relevant and the auditor is not required to document the circumstances giving rise to the exception.
13. In the case of an audit engagement, the mandatory requirements of each Auditing Standard are to be applied in conjunction with the mandatory requirements of other relevant Auditing Standards.
14. In the case of a review engagement, the auditor is required to apply the mandatory requirements contained only in the specified standard applicable to that review engagement, in conjunction with this Preamble to AUASB Standards. There is no requirement to apply the mandatory requirements of other AUASB Standards.

Explanatory Guidance

15. Explanatory guidance:
- (a) is to be used to improve knowledge and understanding of the scope and application of the basic principles and essential procedures (the mandatory requirements); and
 - (b) may include practical examples to assist in understanding the application of mandatory requirements.
16. Explanatory Guidance consists of suggested (or typical) audit procedures, practical examples and other explanatory details and procedures that are included for the purposes of understanding and fulfilling mandatory requirements. Explanatory guidance does not include all possible audit procedures that may be used in the application of mandatory requirements. The auditor may consider it necessary to perform alternative procedures to those contained within the explanatory guidance.
17. Explanatory Guidance does not create or extend mandatory requirements or the auditor's obligations under AUASB Standards.

Other Important Elements of AUASB Standards

18. In addition to mandatory requirements (see paragraphs 10 to 14 above), and explanatory guidance (see paragraphs 15 to 17 above), each AUASB Standard contains the following elements that impact on its application:

Authority Statement

19. The purposes of the Authority Statement³ are to:
- (a) link the issuance of each individual AUASB Standard to the mandating legislation;
 - (b) identify the paragraphs that comprise the AUASB Standard;

³ With the exception of the Authority Statement to this *Preamble to AUASB Standards*, the purpose of which is to link to mandating legislation, to identify the paragraphs comprising the standard and to set out the requirement to read the *Preamble to AUASB Standards* in conjunction with the AUASB Standards.

- (c) set out the requirement to read the AUASB Standard in conjunction with this Preamble; and
- (d) identify the mandatory requirements of the AUASB Standard.

Application Paragraphs

- 20. Each AUASB Standard contains application paragraphs that, in part or in whole, form part of the mandatory requirements.
- 21. The application paragraphs identify the scope of the AUASB Standard.
- 22. Auditing Standards made under section 336 of the Act⁴ contain mandatory application paragraphs relating to:
 - (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with Part 2M.3 of the *Corporations Act 2001*; and
 - (b) an audit of a financial report for any other purpose.
- 23. When an Auditing Standard is used for the audit of financial information that is not in the form of a financial report, the application paragraph in that Auditing Standard is excluded from the mandatory requirements.
- 24. Although the Auditing Standards are written mainly in the context of an external audit of a financial report,⁵ they apply also, adapted as necessary, to the audit of other financial information.

Operative Date

- 25. The operative date stipulates the date from which the AUASB Standard is to be applied. The operative date is stated in relation to the commencement date of the financial reporting period. The requirements of an AUASB Standard remain in force until:
 - (a) the operative date of any amendment to those requirements;
 - (b) in relevant circumstances, the early adoption of such amendment; or
 - (c) the AUASB Standard is withdrawn by the AUASB.
- 26. When early adoption of an AUASB Standard is allowed, a statement to that effect is included in the operative date paragraph of the AUASB Standard.

Definitions

- 27. Definitions, contained within AUASB Standards, and/or contained within the *AUASB Glossary*, as issued from time to time, are to be applied in the interpretation of AUASB Standards.

Conformity Paragraphs

- 28. The Conformity paragraphs explain the relationship of an AUASB Standard with its equivalent international standard issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC). The

⁴ With the exception of ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity* and ASA 100 *Preamble to AUASB Standards*.

⁵ Reference to a 'financial report' includes not only a financial report as defined under Part 2M.3 of the Act, but also a financial report prepared for other purposes.

AUASB takes the position that an AUASB Standard conforms to the equivalent international standard when:

- (a) the mandatory requirements of the AUASB Standard correspond with those in the equivalent international standard or the AUASB Standard contains additional mandatory requirements; and
 - (b) the explanatory guidance is substantially the same as the equivalent international standard or the AUASB Standard contains additional explanatory guidance.
29. The Conformity paragraphs in AUASB Standards include necessary differences from the equivalent international standard relating to terminology, referencing and Australian regulatory requirements.
30. When an AUASB Standard and the equivalent international standard conform, the Conformity paragraphs contain a statement to this effect.
31. When an AUASB Standard and the equivalent international standard are not equivalent, the Conformity paragraphs detail the main differences.
32. The Conformity paragraphs in each AUASB Standard assist the auditor to determine to what extent (if any) compliance with AUASB Standards might enable also the engagement to be conducted in compliance with international standards. It is the responsibility of the auditor to determine which standards apply to the particular engagement and circumstances. Furthermore, where appropriate, the Conformity paragraphs contain the following sentence:

“Compliance with this Standard enables compliance with the equivalent international standard”.

Type of Entity

33. AUASB Standards are:
- (a) neutral with respect to the audited or reviewed entity’s sector and size; and
 - (b) intended to be applied, as appropriate, to all audit, review, assurance and related service engagements conducted by an external firm in both the public and private sectors.
34. If necessary, entity sector and size considerations are included, and identified, in the body of the relevant AUASB Standard.
35. AUASB Standards do not take into account any specific circumstances affecting entities that are subject to audit or review.

Applying AUASB Standards

Professional Judgement

36. AUASB Standards are principles-based and the auditor is expected to use professional judgement in light of the given circumstances in order to achieve the objectives of the audit, review or other assurance engagement. Professional judgement is exercised:
- (a) in applying relevant mandatory requirements;
 - (b) in determining whether any of the exceptions, described in paragraph 11 of this Preamble, apply; and

- (c) in deciding how and whether to carry out procedures or actions, described in explanatory guidance, in light of the circumstances and consistent with the objectives of the Standards.

37. The use of professional judgement is required and applies in particular to:

- (a) the determination and application of materiality;
- (b) compliance with ethical requirements relevant to audit and review engagements;
- (c) the selection and scope of appropriate audit/review procedures;
- (d) the assessment and evaluation of available options and results, including the persuasiveness of audit/review evidence; and
- (e) the extent of documentation of audit/review plans, procedures, results, conclusions and communications.

Ethics

38. The AUASB takes the view that inclusion in AUASB Standards of references to relevant ethical requirements is important to:

- (a) ensure a high level of public confidence in the audit and review functions;
- (b) enhance the rigour of AUASB Standards; and
- (c) ensure conformity between AUASB Standards and the Standards issued by IAASB.

Accordingly, references to compliance with relevant ethical requirements are included in certain mandatory requirements and explanatory guidance paragraphs in AUASB Standards.

39. The auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to audit engagements as defined in ASA 102.

Inability to Comply with Mandatory Requirements

40. Where, in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained in a relevant mandatory requirement, the auditor is required:

- (a) if possible, to perform appropriate alternative audit procedures; and
- (b) in accordance with ASA 230 *Audit Documentation*, to document in the working papers:
 - (i) the circumstances surrounding the inability to comply;
 - (ii) the reasons for the inability to comply; and
 - (iii) justification of how alternative audit procedures achieve the objective(s) of the mandatory requirement.

When the auditor is unable to perform appropriate alternative audit procedures, the auditor is required to consider the implications for the auditor's report.

Auditing Standards Made Under Section 336 of the Corporations Act 2001

41. This Preamble to AUASB Standards is written in the context of the Auditing Standards issued pursuant to section 336 of the Act, and is relevant to understanding and applying AUASB Standards issued for other purposes.
42. The initial Auditing Standards, issued as legislative instruments, are operative for audits and reviews pertaining to financial reporting periods commencing on or after 1 July 2006.
43. In fulfilling its standard-setting function, the AUASB develops Auditing Standards that have a clear public interest focus and are of a high quality. Wherever possible, the AUASB uses, as appropriate, International Standards on Auditing (ISA) as a base from which to develop Auditing Standards. The Auditing Standards are designed to strengthen confidence in the assurance provided by an audit or review.
44. The AUASB has adopted certain drafting principles (see below) in making Auditing Standards under the Australian regulatory environment, wherein the Auditing Standards are legally enforceable and registered as legislative instruments under the *Legislation Act 2003*.

AUASB Drafting Approach

45. The following drafting principles and conventions have been adopted to implement the objectives discussed above:
 - (a) mandatory requirements and explanatory guidance are shown in separate paragraphs;
 - (b) paragraphs containing mandatory requirements are shown in **bold-type** text;
 - (c) the word ‘shall’ is used within mandatory requirements paragraphs to denote the obligations an auditor is required to comply with in the conduct of an audit or review;
 - (d) the present tense of verbs is used in the explanatory guidance when it is the best form of expression. Use of the present tense does not create or imply mandatory requirements. The present tense is used in examples and other explanatory guidance that relate to professional judgement and professional scepticism; and
 - (e) practical examples are used in explanatory guidance. Practical examples do not constitute basic principles or essential procedures (mandatory requirements).
46. The drafting utilised in AUASB Standards reflects the AUASB’s intention that:
 - (a) the auditor is required to exercise professional judgement, as described in paragraph 36, according to the given circumstances; and
 - (b) explanatory guidance does not extend:
 - (i) mandatory requirements; or
 - (ii) the auditor’s obligations under AUASB Standards.
47. AUASB Standards, as mentioned above, are based commonly on their ISA-equivalent standard. For each AUASB Standard, obligations implied within the explanatory guidance of the equivalent ISA have been:
 - (a) when appropriate, elevated to a mandatory requirement (**bold-type**); or
 - (b) linked to a mandatory requirement(s), thereby demonstrating the AUASB’s intention that the explanatory guidance is interpreted in the context of the relevant mandatory requirement; or

- (c) prefaced by inserting the word ‘ordinarily’ as a qualifier (see below).

Words and Phrases

48. The following words and phrases are used in AUASB Standards for the respective stated purposes (alphabetically):

- (a) *explanatory guidance* means suggested or typical audit procedures, practical examples and other explanatory details and procedures that are included for the purposes of understanding, and complying with, mandatory requirements. Explanatory guidance does not create or extend mandatory requirements or the auditor’s obligations under AUASB Standards.
- (b) *‘in accordance with...the auditor is required to...’* means explanatory guidance that is directly linked to a mandatory requirement, either in the same AUASB Standard or in another AUASB Standard. The phrase is used only where the wording in the explanatory guidance is identical to that in the mandatory requirement.
- (c) *including* means a list of items or examples is provided but the list does not purport to contain all relevant items or examples and intentionally is not exhaustive.
- (d) *mandatory requirements* means relevant basic principles and essential procedures that must be applied in order for the audit or review engagement to comply with AUASB Standards.
- (e) *ordinarily* means the explanatory guidance indicates practical methods or means by which mandatory requirements may be complied with and is to be read in the following context:
- (i) where the word ‘ordinarily’ is used, the auditor exercises professional judgement in considering:
- whether the noted circumstances apply to the current audit, review or other assurance engagement; and
 - if so, whether the suggested procedures are appropriate to perform; or
 - where there are alternative procedures which are more appropriate, whether these alternative procedures are to be performed.
- (ii) the word ‘ordinarily’ does not create a rebuttable presumption nor a mandatory requirement.
- (f) *shall* means an imperative obligation on auditors when appearing in **bold-type** mandatory requirements. In certain circumstances, imperative obligations are legally binding and enforceable.
- (g) *‘Under...the auditor needs to...’* means words contained within the explanatory guidance that highlight a linkage between mandatory requirements (**bold-type**) and the relevant explanatory guidance that:
- (i) in part, or in whole, restates the meaning of the mandatory requirement; and
- (ii) may describe audit or review procedures, more detailed than those contained in the relevant mandatory requirement. However, these described audit or review procedures do not create or extend mandatory requirements.

Furthermore, an auditor may judge it necessary, in order to comply with the relevant mandatory requirement, to:

- perform alternative audit or review procedures in place of some or all of those described in the explanatory guidance; or
- perform some, but not all, of the audit or review procedures described in the explanatory guidance.

The purpose of the linkage between the mandatory requirements and the relevant explanatory guidance is to:

- direct the auditor to the relevant mandatory requirement(s); and
- emphasise that interpretation of the explanatory guidance is to be made in the context of that mandatory requirement.

Conformity with International Standards

49. There is no corresponding Standard issued by IAASB.