

(April 2006)

# **Explanatory Statement**

## ***ASA 600 Using the Work of Another Auditor***

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



**Australian Government**

---

**Auditing and Assurance Standards Board**

## **Explanatory Statement**

### **Reasons for Issuing ASA 600 *Using the Work of Another Auditor***

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 600 *Using the Work of Another Auditor* due to the requirements of the legislative provisions explained below.

The *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* established the AUASB as an independent statutory body under section 227A of the *Australian Securities and Investments Commission Act 2001*, as from 1 July 2004. 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*.

### **Process of making Auditing Standards**

Section 1455 of the *Corporations Act 2001* and *Corporations Regulation 10.5.01* gave interim legal endorsement from 1 July 2004 to the majority of Auditing Standards made by the former Auditing & Assurance Standards Board of the Australian Accounting Research Foundation. The AUASB has reviewed the Auditing Standards and has proceeded to make them as legally enforceable Auditing Standards under the *Corporations Act 2001*.

The Auditing Standards have been made also in accordance with the Financial Reporting Council's Strategic Direction to the AUASB dated 6 April 2005, pursuant to section 225 of the *ASIC Act*.

The Strategic Direction, *inter alia*, provides that the AUASB develops Auditing Standards that:

### **Explanatory Statement Auditing Standard ASA 600 *Using the Work of Another Auditor***

---

- have a clear public interest focus and are of the highest quality;
- use the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as a base;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

In implementing the Strategic Direction, the AUASB has undertaken a process of thorough review and revision that has:

- addressed the enforceability of mandatory requirements;
- clarified auditors' obligations under the Auditing Standards;
- provided for sector neutrality in the Auditing Standards; and
- included other amendments as necessary.

### **Purpose of Auditing Standard ASA 600 *Using the Work of Another Auditor***

The purpose of Auditing Standard ASA 600 is to establish mandatory requirements and to provide explanatory guidance when an auditor, reporting on the financial report of an entity, uses the work of another auditor on the financial information of one or more components included in the financial report of the entity.

Auditing Standard ASA 600 is to be read in conjunction with the *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Auditing Standards are to be understood, interpreted and applied.

## **Operative Date**

This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.

## **Main changes from Auditing Standard AUS 602 (July 2002) *Using the Work of Another Auditor***

The main differences between ASA 600 and AUS 602 are that in ASA 600:

1. The word ‘shall’, in the **bold-type** paragraphs, is the terminology used to describe an auditor’s mandatory requirements, whereas an auditor’s degree of responsibility is described in AUS 602 by the word ‘should’.
2. The explanatory guidance paragraphs provide guidance and illustrative examples to assist the auditor in fulfilling the mandatory requirements, whereas in AUS 602 some obligations are implied within certain explanatory paragraphs. Accordingly, these paragraphs have been re-drafted to clarify that the matter forms part of the explanatory guidance.
3. The following implied obligation in AUS 602 has been elevated and restated as a specific mandatory requirement:
  - (a) when the other auditor issues, or intends to issue, a modified auditor’s report, the principal auditor shall consider:
    - (i) the nature and significance of the modification, in relation to the financial report of the entity on which the principal auditor is reporting; and
    - (ii) whether a modification is also required to the principal auditor’s report, under ASA 701 *Modifications to the Auditor’s Report* (paragraph 25).

## **Consultation prior to issuing this Auditing Standard**

The AUASB has consulted publicly as part of its due process in developing this Auditing Standard. Exposure Draft ED 30/05 *Proposed Auditing Standard: Using the Work of Another Auditor (Re-issuance of AUS 602)* was issued on 9 December 2005 with a 45 day comment period. Submissions were received by the AUASB and it has considered these submissions as part of the development and finalisation of this Auditing Standard.