



AUASB Agenda Paper

Project:	Audit Quality	Meeting:	20 April 2021
Topic:	Audit Quality	Agenda Item:	2.0
Strategic Objective:	Audit Quality	Decision-Making:	For Noting
ATG Staff:	Anne Waters	Project Status:	In Progress
AUASB Sponsor:	Bill Edge		

Objective of agenda item

- 1 To provide an update on developments relevant to the AUASB's strategic objective of enhancing audit quality. This is for noting and there are no specific actions for the AUASB.

Matters for discussion

UK Regulatory Reforms

- 2 In response to a number of large corporate failures the UK Government commissioned three independent reviews in 2018:
 - Sir John [Kingman](#) Independent Review of the Financial Reporting Council (FRC)
 - The [Competition and Markets Authority](#) Statutory Audit Services Market Study and
 - Sir Donald [Brydon](#) Independent Review of the Quality and Effectiveness of Audit.
- 3 On 18 March 2021 the UK government issued a consultation paper [Restoring trust in audit and corporate governance](#) to seek feedback on proposals to address and refine the recommendations of the these reviews. The consultation closes on 8 July 2021.
- 4 The consultation paper is very detailed (ie. 232 pages) and the proposals are very wide in scope. Many of the proposals are to give extensive new powers and responsibilities for the Audit, Reporting and Governance Authority which will replace the Financial Reporting Council. There are also extensive proposals which will impact directors and audit committees' responsibilities, and auditors and audit firms. Many of the recommendations of the reviews

have been accepted by the Government in principle and the consultation paper is seeking views on most specific details on implementation.

- 5 Refer to Appendix 1 which provides an overview on the more significant proposals of most relevance / importance to the AUASB.

FRC matters

- 6 Chair to provide a verbal update on the matters considered by the FRC at its 31 March 2021 meeting.

Collaboration with NZAuASB and other standard setters

- 7 N/A

Next steps/Way Forward

- 8 The AUASB Technical Group will continue to monitor developments in the UK.

Materials Presented

- 9 N/A.

Draft

Appendix 1

The following proposals are most relevant / of interest to the AUASB:

- Directors to carry out a review of the **effectiveness of internal controls**. The government's preferred option is:
 - an explicit director's statement on the effectiveness of internal controls and explain the basis on which they are making the statement.
 - Auditors to report more on what they've done on controls as part of their audit, but and no mandatory formal opinion on the internal controls' effectiveness, unless there has been a serious failure of internal controls in the past.
- Public Interest Entities (PIEs) to publish an annual **Resilience Statement** building on the existing going concern and viability statements. Requires short (12 months), medium (1 – 5 years) and longer term assumptions and stress testing scenarios relevant to the future prospects of an entity. The Government is proposing to require specific disclosures in the Resilience Statement and also exploring an option of the Resilience Statement to be a vehicle for TCFD reporting. The Government agree with this recommendation and are seeking views on the detail including whether this is subject to assurance.
- PIE to publish an annual **Audit and Assurance Policy** which describes the company's approach to seeking assurance of its external reporting information over the next three years. This would be subject to an advisory shareholder vote. This policy would determine what information outside the financial statements is subject to external assurance or other types of internal verification. The Government is not mandating other reporting must be subject to external assurance but is proposing entities determine this and communicate their approach. The Government is seeking input into the minimum content of this policy. ARGA (new regulator replacing FRC) would have powers to regulate all audit services under this policy.
- New **purpose and scope of audit** by broadening the focus from the financial statement's compliance with accounting standards. Exploring views on:
 - Establishing a new corporate audit profession and new professional body incorporating skills beyond accounting.
 - New statutory requirement for auditors to consider relevant director conduct and wider financial or other information in reaching their judgements.
 - Regulator to establish new, enforceable principles of corporate auditing.
- More reporting by directors and auditors on **fraud controls**. Auditors to report on the work they performed to conclude whether the director's statement is factually accurate, and what they've done to detect any material frauds and assess the effectiveness of relevant controls.
- Audit market
 - FTSE 350 companies would be mandated to use a "shared audit" model ie. big four plus smaller "challenger" firm to audit subsidiaries. Detailed requirements would be issued. Consultation asking about potential requirements, for example how much the challenger auditor should do. The other auditor would be liable for its audit of the relevant subsidiaries but would not bear joint and several joint liability for the group audit. (Would require extensive changes to ISA 600)
 - Power for the regulators to introduce a market cap if considered necessary in the future.
- ARGA's supervision of audit quality
 - Audit quality reports on individual audits to be published "in full" or in summary form.

- ARGA to have powers to require a UK group auditor to provide it with access to overseas component working papers, however is not proposing to have ability to enforce against auditors of overseas components ie. would continue to take enforcement against the UK group auditor.
- Shareholder engagement with audit
 - A formal mechanism should be established to enable audit committees to gather shareholder views on the audit plan.
 - Should there be more information provided to shareholders for the reason why an auditor resigns?
- Extensive new powers for ARGA to regulate directors and audit committees.
- ARGA to have extensive powers to monitor the audit firms including their resilience. ARGA to monitor and regularly report on competition and developments in the broader statutory audit market. ARGA to have appropriate information gathering powers to carry out that role effectively.
- Auditor appointment by ARGA - Government not in favour of giving ARGA powers of auditor appointment however is asking for views.
- Operational separation between audit and non-audit practices (proposed for firms who carry out statutory audits of 15% or more of the FTSE 350 by audit fees).

Draft



AUASB Agenda Paper

Project:	Implementation of recommendations from PJC Inquiry	Meeting:	20 April 2021
Topic:	Audit Engagement Related Disclosures	Agenda Item:	3
Strategic Objective:	Audit Quality	Decision-Making:	For Noting and Discussion
ATG Staff:	Anne Waters	Project Status:	In Progress
AUASB Sponsor:	Bill Edge		

Objective of this agenda item

- 1 To inform the AUASB on the status of the AASB's project on Auditor Remuneration Disclosures to respond to [PJC Inquiry into the Regulation of Auditing in Australia](#) – Recommendation 3.
- 2 For the AUASB to formally consider the recommendation of the AUASB Technical Group (ATG) in relation to disclosure of auditor tenure to respond to PJC Inquiry into the Regulation of Auditing in Australia - Recommendation 6.

ATG Recommendations Overview and Questions for the Board

Question for the Board	ATG Recommendation / Overview
Q1 Does the AUASB support the ATG's recommendation in relation to where the auditor's tenure is disclosed?	The ATG recommends that audit tenure is disclosed in the Directors' Report.

Q2 Does the AUASB have an initial view on which entities should disclose audit tenure?	The ATG's initial view and recommendation is that audit tenure disclosure is required for audits conducted under the <i>Corporations Act 2001</i> only. The ATG will consult further on this matter with the AASB and ACNC
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Background

- 3 The PJC final report was issued in November 2020 and is waiting for a formal government response. Representatives from the FRC, ASIC, AUASB, AASB and APESB (ie. the bodies responsible for the implementation of the recommendations) are meeting regularly to ensure there is a co-ordinated approach as many of the recommendations are inter-related.
- 4 Preparation for implementation of a number of the recommendations is already in progress, in particular those that were broadly supported by stakeholders in submissions to the PJC inquiry.

Matters for discussion and ATG Recommendations

Disclosure of Auditor Remuneration in the financial statements

Recommendation 3a

The FRC and ASIC by the end of the 2020-21 financial year, oversee consultation, development and introduction under Australian Standards of defined categories and associated fee disclosure requirements in relation to audit and non-audit services

- 5 The AASB have been aware of concerns that the current disclosure requirements in AASB 1054 *Australian Additional Disclosure* for the fees paid to auditors do not provide users with sufficient information to assess possible risks to auditor independence, and further, may result in inconsistent disclosures being made. In response they commenced a project to consider this matter and have prepared [AASB Research Report 15 Review of Auditor Remuneration Disclosure Requirements](#) to inform the board on how selected other jurisdictions classify and disclose auditor's remuneration, and to identify best practice.
- 6 The AASB have also been working with the Australian Accounting Professional and Ethics Standards Board (APESB) as this is relevant to their project on fees and to ensure that the requirements (when finalised) are consistent with the requirements of APES 110. The APESB discussed this at their meeting on 4 March 2021 including their preferred options for categories of fees disclosures ([link to paper](#)).
- 7 The AASB considered this matter in detail at its February 2021 meeting and agreed that there is a need to proceed with this project to revise auditor remuneration disclosure requirements in AASB 1054. The AASB directed staff to develop an Exposure Draft with proposed revised auditor remuneration disclosures based on the work presented in the research report, the International Ethics Standards Board for Accountants (IESBA) project on fees and non-assurance services, and other outreach and research activities. Refer to [Action Alert](#) from this meeting. A draft ED is expected to be presented to the AASB for consideration at its June

2021 meeting, but issuance of the ED may be subject to the Government's response to the PJC report.

- 8 The ATG will continue to monitor this project.

Disclosure of Audit Tenure in the Financial Report

Recommendation 6

The committee recommends that the Financial Reporting Council, by the end of the 2020–21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosure should include both the length of tenure of the entity's external auditor, and of the lead audit partner.

- 9 Representatives from ASIC, the AASB and AUASB have had initial discussions on how to address this recommendation including where to require this disclosure and which entities should be required to comply. This will determine how this is enacted. Whilst this recommendation is to “audited entities to require disclosure in the financial report”, there are other options which may be more appropriate.
- 10 In previous initial discussions AUASB have expressed a preference for audit tenure to be disclosed by directors in the Director's Report as they have a responsibility to assess their auditor's independence and they have other disclosures relevant to this (note though that some of these are only for listed entities). The AUASB acknowledged that other jurisdictions include this in the auditor's report but are not of the view that this is the most logical place.
- 11 At its February 2021 meeting the AASB had an initial discussion about whether to include this disclosure in the financial statements and agreed that whilst this is possible, further consideration was required to ensure all options are considered including the auditor's report and the director's report. The AASB instructed staff to discuss further with the AUASB and ASIC and they will be consider this further at their June 2021 meeting.
- 12 In preparation of more detailed discussions with the AASB and ASIC in the coming months, the ATG have prepared the following to provide a more complete analysis of the different options and to inform the AUASB to enable a formal recommendation to be made.

Where	Advantages	Disadvantages	Relevant legislation
Financial Report	Disclosed with the audit remuneration disclosures. Could scope to certain entities as considered appropriate ie. apply for all entities who prepare financial statements in accordance with Accounting Standards, or all entities required to prepare financial	The disclosure of audit tenure in the financial report may not have context without further detail on the directors' view on auditor independence.	Accounting Standards

	<p>reports under Chapter 2M.3 of the <i>Corporations Act 2001</i> (the Act), or listed entities only.</p> <p>The AASB could enact this relatively quickly after public exposure.</p>		
Directors' Report	<p>Directors have a responsibility to assess if their auditor is independent and disclosure of audit tenure is relevant to this.</p> <p>Would complement other required disclosures relevant to auditor's independence which includes the auditor's independence declaration and for listed entities only additional disclosures required by S 300(11AA), (11A) (exemption on auditor rotation), (11B) and (11C) (non-audit services).</p> <p>It is also logical to disclose audit tenure with the information required by PJC's Recommendation 7¹ on audit tendering for entities required to have their financial report audited under the Act (if /when that is enacted).</p>	<p>Would only apply to entities required for audits under the Act. Therefore, would need another legislative way to require for other entities (if considered necessary).</p> <p>Would require a change to the Act which may take a longer time to enact.</p>	The Act
Auditor's independence declaration required by S 307C	<p>PJC Recommendation 4² requires this declaration to be expanded, so this could also be expanded to include audit tenure.</p>	<p>Would only apply to entities required to prepare audited financial reports under the Act. Therefore, would need another legislative way to require for other</p>	The Act

¹ Recommendation 7 is for entities required to have an audit under the Corporations Act to undertake a public tender process every ten years, or if they elect not to, disclose why not in their annual report.

² Recommendation 4 for the Corporations Act 2001 be amended to that an auditor's independence declaration is expanded to require the auditor to specifically confirm that no prohibited non-audit services have been provided.

	This declaration is required for audits conducted under the Act (not just listed)	entities (if considered necessary). Would require a change to the Act which may take a longer time to enact.	
Audit Committee Report or other Corporate Governance reporting within the Annual Report	Complimentary to other narrative on Audit Committee's monitoring of the auditor including partner tenure. This would also be logical to disclose with the information required by PJC's Recommendation 7 on audit tendering.	Not mandatory. Would only apply to listed entities or those required to have an Audit Committee ie. ASX 500.	ASX Listing Rules ASX Corporate Governance Principles and Recommendations
Auditor's report	Consistent with some other jurisdictions ie. UK and US. Could scope to certain entities if necessary ie. apply to all entities required to have an audit under the ASAs, or listed entities only. AUASB could enact this change relatively quickly after public exposure.	Length of audit tenure of the firm is not a factor in the auditor's consideration as to whether they are independent so not relevant.	Auditing Standards – ASA 700

13 The above analysis is also impacted by which entities should be required to disclose this information. The PJC recommendation is “audited entities”. But it may be an option to limit this disclosure to certain entities such as:

- (a) Listed entities only (consistent with the audit partner rotation requirements)
- (b) Those entities required to prepare audited financial reports by the Act
- (c) Other options?

This has not been discussed in detail with ASIC or the AASB however the ATG are looking for views from the AUASB in order to inform this discussion.

14 ATG Recommendation

Where to disclose?

In summary as it is the director's responsibility to assess their auditor's independence it is appropriate that they make this disclosure, and that this is made in the Directors' Report. However, it is logical that this disclosure be made with the disclosures on audit tendering (recommendation 7) and it is not yet known if this will proceed, or where this disclosure will be located. So this may need to be reconsidered once this is known. Also, if this disclosure is required for all audited entities ie. not just audits under the Act it may need to be legislated for other entities separately.

Which entities should disclose?

The ATG's initial view is that disclosure of audit tenure should be required for audits conducted under the Act. There appears little benefit in requiring this for audits conducted for other purposes as there are likely to be a small number of users who are more likely to be closely involved in the appointment of the auditor.

Collaboration with NZAuASB and other standard setters

15 N/A

Next steps/Way Forward

16 The ATG will continue working with ASIC and AASB on the implementation of these recommendations and will report back to the AUASB as this progresses.

Materials Presented

17 N/A



AUASB Agenda Paper

Project:	AUASB Framework and Processes Plan	Meeting:	20 April 2021
Topic:	ASA 100 and ASA 101 – Preamble to AUASB Standards	Agenda Item:	4.0
Strategic Objectives:	1 & 2	Decision-Making:	For Discussion
ATG Staff:	Johanna Foyster	Project Status:	In Progress

A. Action Required and Decisions to be Made

1 For the AUASB to:

- review the AUASB Technical Group's (ATG's) proposed amendments to ASA 101, and provide feedback - see Agenda Item 4.1 (clean version) and Agenda Item 4.2 (marked up version); and
- consider the ATG's proposal to publicly expose the proposed revised ASA 101 for a 30-day comment period.

Note: As changes to the extant ASA 101 have been extensive, the ATG recommend that the Board undertake a cold read of the clean version of the updated document in Agenda Item 4.1, rather than work through the numerous changes. Comment boxes have been added to the marked-up version of the document at Agenda Item 4.2, to provide references to the paragraphs added from ASA 100 and from other AUASB Standards.

B. ATG Recommendations Overview and Questions for the Board

Question for the Board	ATG Recommendation Overview
<p><i>Proposed amendments to ASA 101</i></p> <ol style="list-style-type: none">Does the AUASB agree with the ATG's proposed amendments to ASA 101 included in Agenda Item 4.1 (clean version) and Agenda Item 4.2 (marked up version), and as summarised in Section E of this paper?<i>Specific matters identified for Board consideration:</i> In addition to undertaking a full review of the proposed revised ASA 101, the Board is asked to also consider and respond to the specific matters identified in Section E of this paper (Questions (a) to (d) in Paragraphs 22 - 34).	<p>Endorse all amendments to ASA 101 as recommended by the ATG.</p>

Question for the Board	ATG Recommendation Overview
<p>Public Exposure - see Section F of this paper.</p> <p>3. Does the AUASB agree with the ATG's proposal to publicly expose the proposed revised ASA 101 for a 30-day comment period?</p> <p>4. Does the AUASB agree with the ATG's timeline for issuing the Exposure Draft and finalising the Standard?</p> <p>5. Does the AUASB have any further questions for inclusion in the Exposure Draft that it wishes respondents to comment on?</p>	<p>Support the ATG's recommendation that a draft of the proposed revised ASA 101 be publicly exposed for a 30-day comment period.</p>

C. Background

- 2 At the **May 2020 AUASB Meeting**, the ATG presented a project plan outlining the proposed process to update the AUASB framework, processes and related pronouncements. The purpose of this plan was to present a clear way forward to the AUASB as to how the ATG planned to understand, consider and respond to several process issues which have been highlighted by AUASB Members. The Preambles were specifically identified in the plan as part of a review of AUASB 'drafting conventions'.
- 3 The AUASB currently has two Preambles, *ASA 100 Preamble to AUASB Standards* (issued 2006) and *ASA 101 Preamble to AUASB Auditing Standards* (issued 2009).
An overview of each Preamble is outlined in **Appendix 1** to this paper.
- 4 As outlined in **Appendix 1**, ASA 100 states that mandatory components of a standard are identified in **bold-type**, which is the pre-clarity format of present standards. With the exception of ASRE 2405, no AUASB standard on issue is in pre-clarity format¹.
- 5 ASA 100 is referenced in the authority statement of all standards which are **not** auditing standards. Whilst the scope of the ATG's review of ASA 100 and ASA 101 was limited to considering 'drafting conventions', the ATG brought this to the attention of the AUASB at the September 2020 AUASB meeting, as all Authority Statements of those standards do not correctly outline how those standards are to be understood and applied and will require standard-setting action to rectify.

IAASB Drafting Conventions

- 6 In 2006, the IAASB approved amendments to the [*Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services*](#) (IAASB Preface). The amended IAASB Preface established the conventions to be used by the IAASB in drafting future ISAs, and the obligations of auditors who follow those Standards. This version of the IAASB preface was effective as of December 15, 2008.
- 7 To account for the fact that the IAASB Preface may not be reproduced or adopted in certain jurisdictions, the IAASB incorporated provisions of the IAASB Preface into the clarity version of *ISA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing*. For ISAEs, this information is included in *ISAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information*. The current IAASB Preface which was effective from December 15, 2011 does not contain explanatory material related to 'Objectives', 'Requirements', 'Application and Other Explanatory Material; or 'Introductory Material and Definitions' that appeared in the 2006 version.
- 8 Presently, as part of the IAASB's Audits of Less Complex Entities project, the IAASB has established a workstream to develop drafting principles and guidelines to address complexity, understandability, scalability and proportionality (CUSP).

¹ ASRE 2405 is yet to be converted to Clarity format by the IAASB and to date the AUASB has not determined it necessary to update the standard independently. The AUASB Technical Group will raise the need to update the suite of ISRE standards with the IAASB.

D. Previous Discussions on Topic

9 Refer to the following AUASB meetings:

- Meeting 117 - **May 2020 (Agenda Item 2: AUASB Framework and Process Update)**
- Meeting 119 - **September 2020 (Agenda Item 3: AUASB Framework and Process Plan).**

10 At the **September 2020 AUASB Meeting**, the ATG tabled an analysis of the Preambles as well as recommendations for Board consideration (**Agenda Item 3.3.1**). This analysis was based on the ATG's preliminary review of:

- (a) the 'Clarity drafting conventions' underpinning the current suite of standards in the 2006 version of the IAASB's Preface (**Part A** of the analysis); and
- (b) the 'drafting conventions' contained in ASA 100 but not carried forward to ASA 101 (**Part B** of the analysis); and

included consideration of whether this material is relevant to the current suite of AUASB Standards.

11 At the **September 2020 AUASB meeting**, the AUASB:

- (a) endorsed the ATG's proposed actions outlined in the ATG's analysis of the Preambles;
- (b) supported the ATG's proposal to explore the feasibility of replacing ASA 100 and ASA 101 with only one Preamble that will apply to all AUASB Standards - that is, expand the scope of ASA 101 to also include standards other than Auditing Standards); and
- (c) amend ASA 101 to improve stakeholder understanding of key components of AUASB Standards.

Matters for Discussion and ATG Recommendations

E. Proposed Amendments to ASA 101

12 The ATG used the September preliminary analysis of the Preambles (see paragraphs 10-11 of this paper) as starting point for the update of ASA 101. For a high-level summary of the recommended actions that was endorsed by the AUASB at the September 2020 meeting, refer to the September meeting papers at **Agenda Item 3.3.0** (paragraphs 13-16).

Note: The September analysis has been updated where appropriate for the April 2021 AUASB meeting, and includes cross references to the revised ASA 101 to show where relevant content has been added to the extant document. Refer to **Agenda Item 4.3** of this paper.

13 In line with the recommended actions endorsed by the Board at the September meeting, the ATG:

- (a) Amended the application paragraph of ASA 101 to expand the scope of ASA 101 to apply to all AUASB Standards (similar to ASQM 1 and ASA 102).
- (b) Added relevant content from ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* and ASAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (or, alternatively, included references to these standards) where the ATG considered this would enhance stakeholder understanding of how AUASB Standards are to be applied.
- (c) Added content from extant ASA 100 and/or the IAASB Preface that could enhance stakeholders' understanding of how AUASB Standards are to be applied.
- (d) Included an explanation of the 'Compilation Details' section of a compiled Auditing Standard, including the purpose of the tables within the Compilation Details.

14 In addition, the ATG is proposing that (see '**Specific Matters for Board Consideration**' below):

- The "Requirements" set out in paragraphs 11 and 12 of the extant ASA 101 be moved to the "Application and Other Explanatory Material" section of the standard – see paragraphs 21-25 of this paper – Question (a).
- Explanatory material on 'words and phrases' used in AUASB Standards not be included in the proposed revised ASA 101 – see paragraphs 33-34 – Question (c).

15 As the revised ASA 101 will apply to all AUASB Standards, the term "auditor" has been replaced with "assurance practitioner" throughout the document, and a definition of the term "assurance

practitioner” (which mirrors the definition used in ASQM 1) included in the Definitions section of the proposed standard.

- 16 The ATG has engaged the services of a legal firm to provide the necessary legal advice. The ATG attended an initial meeting with the legal team and shared relevant preliminary information. No initial concerns were identified that could prevent the finalisation of this project.
- 17 Once the AUASB has reached in principle agreement on the proposed revised ASA 101, the ATG will seek specific legal advice:
- (a) to confirm the scope of ASA 101 can be expanded to apply to all AUASB Standards (similar to ASA 102 application);
 - (b) on the necessary changes to ASA 101 as a result of the expansion of application to standards other than Australian Auditing Standards; and
 - (c) on the likelihood of any unintended consequences flowing from the proposed amendments to ASA 101.
- 18 The ATG has engaged the services of a legal firm to provide the necessary legal advice. The ATG attended an initial meeting with the legal team and shared relevant preliminary information. No initial concerns were identified that could prevent the finalisation of this project.
- 19 The proposed revised ASA 101 has been subjected to a high-level review by the AUASB Deputy Chair and Technical Director, and their feedback have been addressed in the attached documents.

Mapping of changes to extant ASA 100 and ASA 101

- 20 The updated September 2020 ATG analysis of the Preambles includes paragraph references to the revised ASA 101, to enable tracking of ASA 100 content that has been carried over (**Part B** of attached **Agenda Item 4.3**).
- 21 Comment boxes have been added to the marked-up version of the revised ASA 101 (**Agenda Item 4.2**) to show the source of amendments and/or material added to the extant document.
- 22 The following changes made throughout the document have not been marked up:
- Replaced “auditor” with “assurance practitioner”.
 - ~~Mandatory~~ requirements (terminology used in ASA 100).
 - Explanatory guidance material (terminology used in ASA 100).
 - Replaced references to “mandatory requirements” (used in ASA 100) with “mandatory components” (used in ASA 101) (where appropriate).

Specific Matters for Board Consideration

- (a) Does the AUASB agree with the ATG’s proposal to move the “Requirements” set out in paragraphs 11 and 12 of the extant ASA 101 to the “Application and Other Explanatory Material” section of the revised standard, on the basis that these paragraphs are essentially providing further clarification of requirements already included elsewhere in AUASB Standards?

- 23 ASA 101, paragraph 11 states:

Engagements under the *Corporations Act 2001*

The “Application” paragraph in each Auditing Standard that refers to audits or reviews conducted in accordance with the *Corporations Act 2001* applies specifically to:

- (a) an audit or a review conducted under Part 2M.3 of the Act; and
 - (b) an audit conducted under Part 7.8 of the Act.
- 24 The ATG does not consider paragraph 11 to be a requirement in addition to existing requirements in other AUASB Standards. The ATG believes this paragraph provides clarification and a link to the relevant Parts of the Corporations Act, where the Application paragraph of an Auditing Standard refers to an audit or review conducted in accordance with the Act.

25 ASA 101, paragraph 12 states:

Compliance with Requirements

When, in the circumstances of the audit, a requirement is not relevant due to the conditions described in ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, the auditor is not required to document the reason(s) why the requirement is not relevant. (Ref: Para. A2)

Related application and explanatory material in ASA 101, paragraph A2, states:

Under paragraph 12, an auditor need not document the reasons why a requirement is not relevant. However, where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor is required under ASA 230 or ASRE 2410, as applicable, to document:

- (a) the circumstances surrounding the inability to comply;
- (b) the reasons for the inability to comply; and
- (c) justification of how alternative procedures achieve the objectives of the requirement.

26 The ATG does not believe paragraph 12 is a requirement in addition to existing requirements in other AUASB Standards:

- ASA 230 (paragraph A19 explains): "The documentation requirement applies only to requirements that are relevant in the circumstances"
- ASA 230 (paragraph Aus 12.1) includes a documentation *requirement* that mirrors that of ASA 101, paragraph A2 for those rare and exceptional circumstances where the auditor is prevented from complying with an essential procedure contained within a relevant requirement, due to factors outside the auditor's control.

27 Therefore, the ATG is proposing that the requirements in paragraphs 11 and 12 in extant ASA 101 be moved to application and other explanatory material in the revised ASA 101. It is the view of the ATG that these requirements are essentially providing further clarification of requirements already included elsewhere in AUASB Standards.

(b) Does the AUASB agree with the ATG's proposal to replace ASA 100, paragraph 26 - explanatory material on early adoption of standards, with wording that aligns closer to that included in paragraph A56 of ISA 200 and section 336(4) of the Corporations Act?

28 ASA 100, paragraphs 25-26 contain an explanation of the operative dates of AUASB Standards, in particular that the standards apply for a financial reporting period.

29 A question that arises is whether a standard can be adopted early if the "Operative Date" paragraph in a standard is silent on the matter.

ASA 101 (paragraph 26) states: "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". It therefore follows that if such a statement is not included in a standard, the standard cannot be adopted early.

This may be confusing to readers in light of paragraph A56 of ASA 200. **We note that ASA 200 differs from its international equivalent ISA 200 on early adoption of standards.**

ASA 200 (paragraph A56) reads: "Unless otherwise stated in the Auditing Standard, the auditor **is not permitted** to apply an Auditing Standard before the effective date specified therein."

However, the equivalent paragraph in ISA 200 states "Unless otherwise stated in the Auditing Standard, the auditor **is permitted** to apply an Auditing Standard before the effective date specified therein." This wording is also included in the IAASB Preface (2011).

30 Finally, we note that under section 336(4) of the Corporations Act, the auditor may elect to apply an Auditing Standard earlier than the operative date stated in the standard unless the standard says otherwise. Therefore, it follows that if a standard does not specifically prohibit early adoption, or is silent on the matter of early adoption, the auditor may elect to apply the standard earlier.

31 The ATG proposes the following wording for inclusion in the proposed revised ASA 101:

“Unless otherwise stated in an AUASB Standard, the assurance practitioner is permitted to apply an Auditing Standard before the operative date specified therein.”

This wording is in line with the IAASB Preface (2011) (paragraph 18), ISA 200 (paragraph A56), and section 336(4) of the Corporations Act. **ASA 200 will need to be amended accordingly.**

(c) Does the AUASB agree with the ATG’s proposal not to include ASA 100 (paragraph 48) explanatory material on ‘words and phrases’ used in AUASB Standards in the proposed revised ASA 101 until the IAASB has completed its project to develop drafting principles and guidelines around complexity, understanding, scalability and proportionality of international standards (CUSP project)?

32 An updated list of ‘words and phrases’ identified in paragraph 48 of ASA 100 as commonly used in AUASB Standards for the stated purposes, has been attached to the proposed ASA 101 for Board consideration (see Appendix 1).

33 The ATG has undertaken a limited review of a sample of AUASB Standards to establish whether these ‘words and phrases’ continue to be used in AUASB Standards as intended. The ATG could not find evidence that the phrases “in accordance with ...” and “under ...” are used in the manner originally intended in ASA 100.

34 At this stage, the ATG does not recommend inclusion of this Appendix of ‘words and phrases’ in the revised ASA 101. The ATG recommends the AUASB wait until the IAASB has completed its project to develop drafting principles and guidelines to address complexity, understanding, scalability and proportionality of international standards (CUSP project).

35 However, if the Board sees merit in retaining this material in the revised ASA 101, the ATG will do further work to update Appendix 1 and seek legal advice regarding the risk of any unintended consequences that may arise in specifying in the Preamble how those terms should be interpreted and applied.

(d) Does the AUASB have any other comments on the proposed amendments to ASA 101?

F. Public Exposure of proposed revised ASA 101 for 30-day comment period

36 The AUASB’s Due Process Framework² requires that an Exposure Draft (ED) of the proposed standard, accompanied by an Explanatory Memorandum, be released for public comment prior to issuance as an AUASB pronouncement.

37 The ATG will table an ED of the proposed revised ASA 101 for Board consideration and approval at the June 2021 AUASB meeting or, if possible, request out of session Board approval to issue the ED before the June meeting. This timing will depend on the nature and volume of feedback provided by the Board at the April AUASB meeting and how soon legal advice can be obtained.

38 The ATG is proposing a comment period of only 30 days, as the subject matter is considered to be narrow in scope and not complicated. The 30-day comment period aligns with the 2009 public exposure period when ASA 101 was issued for the first time.

² Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications (December 2020)

Questions

1. Does the AUASB agree with the ATG's proposal to publicly expose the proposed revised ASA 101 for a 30-day comment period?
2. Does the AUASB agree with the ATG's timeline for issuing the ED and finalising the Standard?
3. Does the AUASB have any further questions for inclusion in the ED that it wishes respondents to comment on?

G. Further Actions

Ineffective Authority Statement reference in certain AUASB Standards

- 39 As outlined in the September 2020 meeting papers at **Agenda Item 3** (paragraphs 18-21), ASA 100 is referenced by all AUASB Standards which are not Australian Auditing Standards.
- 40 Whilst there are no legislative instruments issued by the AUASB which references ASA 100, the ATG brought this to the attention of the AUASB as there may be implications for stakeholders, as the AUASB encourages the use of AUASB standards as best practice for subject-matters other than historical financial information. The ATG considers it important that the Authority Statements to all standards clearly outline the mandatory components of the standard and how the standards are intended to be read and applied, especially for assurance practitioners who are not auditors.
- 41 To respond to this matter:
 - (a) ASA 100 was repealed from the Federal Register of Legislation in November 2020 as part of a bulk repeal of redundant standards. ASA 100 will be preserved on the AUASB website for the purposes of ASRE 2405; and
 - (b) All relevant AUASB Standards will need to be reissued with updated Authority Statements to reference ASA 101 instead of ASA 100.

Conforming Amendments to ASA 200 and ASA 700

- 42 As part of the ATG's review of the AUASB's Preambles, the ATG identified the following Auditing Standards that needed updating:
 - (a) ASA 200 – will require an amendment to align the wording of paragraph A56 with that of its international equivalent.
 - (b) ASA 700 – will require an "Aus" para amendment to require that where an assurance practitioner is conducting an audit of a financial report and the practitioner elects to early adopt an auditing standard made under s336 of the Corporations Act, in accordance with section 336(4), that election must be recorded in the audit report.

H. Next steps

Action	Timeline (2021)
Process feedback from the April 2021 AUASB meeting and finalise an Exposure Draft of the proposed revised ASA 101, including accompanying Explanatory Memorandum Undertake a regulatory impact assessment and prepare a Regulatory Impact Statement (if required). Communicate with the OBPR.	April – May
Seek legal advice	April - May
AUASB consider and approve Exposure Draft to issued	June 8-9 AUASB meeting ³ (or May out of session)

³ Timing will depend on the nature and volume of feedback provided at the April 2021 AUASB meeting, and timing of legal advice.

AUASB Agenda Paper

Issue the ED for a 30-day comment period	Post June AUASB meeting Comments due: by end of July
Consider feedback from public consultation and finalise standard. Prepare Basis for Conclusions document.	July-August
AUASB approve final standard to issue AUASB approve Amending Standard - amendments to ASA 200 and ASA 700	September 7 & 10 AUASB meeting
Reissue all relevant AUASB Standards with updated Authority Statements to reference ASA 101 instead of ASA 100	September

I. Attachments to the Agenda Paper

Agenda Item	Description
4.1	Proposed revised ASA 101 <i>Preamble to AUASB Standards</i> CLEAN VERSION
4.2	Proposed revised ASA 101 <i>Preamble to AUASB Standards</i> MARKED UP VERSION
4.3	AUASB Agenda Paper Attachment – Updated September 2020 ATG Analysis of AUASB Preambles

Appendix 1 – Overview of AUASB Preambles

	ASA 100 Preamble to AUASB Standards	ASA 101 Preamble to AUASB Auditing Standards
Reason for issuance	<p>ASA 100 was issued in April 2006 as part of the suite of legally enforceable standards issued by the AUASB under the authority given to it through the <i>Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004</i> (CLERP 9 amendments).</p> <p>To improve the legal enforceability of the standards issued for the purposes of the CLERP 9 amendments, the AUASB sought legal advice and undertook a process to re-draft the standards made by the former Auditing & Assurance Standards Board of the Australian Accounting Research Foundation (AARF)⁴. The types of changes made to the standards included replacing the term “should” with “shall” and the inclusion of material for legislative purposes such as an Authority Statement which provided a mechanism to delineate between mandatory requirements and explanatory guidance within a standard.</p> <p>Purpose of ASA 100:</p> <p>ASA 100 was published to elaborate on the Authority Statements included in the revised standards and clearly set out the intentions of the AUASB, as to how the redrafted AUASB Standards were to be understood, interpreted and applied.</p>	<p>ASA 101 was issued in October 2009 in response to the redrafting of the AUASB Standards in clarity format. The “Clarity Project” initiated by the IAASB aimed to enhance the clarity, and thereby the consistent application of the ISAs through a number of fundamental changes including clarifying obligations imposed by the auditor requirements, setting objectives for each standard and improving the overall readability and understandability through restructure and drafting changes.</p> <p>Purpose of ASA 101:</p> <p>The purpose of ASA 101 in 2009 was to set out mandatory components additional to those found elsewhere in the Australian Auditing Standards.</p> <p>ASA 101:</p> <ul style="list-style-type: none"> (a) sets out the authority of paragraphs in Australian Auditing Standards; (b) lists the parts of the <i>Corporations Act 2001</i> to which the “Application” paragraph in each Auditing Standard refers; and (c) describes the circumstances when an auditor need not document the reasons why a requirement is not relevant.
Application	<p>ASA 100 applies to the full suite of Standards issued by the AUASB which comprises:</p> <ul style="list-style-type: none"> (a) Auditing Standards (ASAs); (b) Standards on Review Engagements (ASREs); (c) Standards on Assurance Engagements (ASAEs); and (d) Standards on Related Services (ASRSs). <p>Upon issue, ASA 101 superseded ASA 100 to the extent that ASA 100 applied to ASAs.</p>	<p>ASA 101 applies to all ASAs (including ASQMs and ASREs issued as “auditing standards”) for financial reporting periods commencing on or after 1 January 2010.</p> <p>Upon issue, ASA 101 superseded ASA 100 to the extent that ASA 100 applied to ASAs; ASA 101 did not fully supersede ASA 100 for other pronouncements.</p> <p>The AUASB intended ASA 100 to remain in force for a period after 1 January 2010 whilst the pre-clarity ASAs remained operative and planned to withdraw ASA 100 in 2011.</p> <p>The AUASB initially considered whether amendments could be made to ASA 100 for the clarity changes but agreed that a standalone document was necessary.</p>

⁴ Section 1455 of the *Corporations Act 2001* and *Corporations Regulation 10.5.01* gave interim legal endorsement to the AARF standards from 1 July 2004 to financial reporting periods ending after 29 June 2007.

AUASB Agenda Paper

	ASA 100 Preamble to AUASB Standards	ASA 101 Preamble to AUASB Auditing Standards
Mandatory paragraph identification	Mandatory components of AUASB standards are identified by bold-type .	Mandatory components of the ASAs are those included under the headings: (a) Application (paragraph Aus 0.1). (b) Operative Date. (c) Objective(s). (d) Definition(s). (e) Requirements.
Referenced by current suite of standards?	Yes – All AUASB Standards other than Australian Auditing Standards.	Yes – All Australian Auditing Standards.

EXPOSURE DRAFT

ED 2021-X
(June 2021)

Proposed Auditing Standard ASA 101

Preamble to AUASB Standards

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

Draft



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than **31 July 2021**. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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PREFACE

Reasons for Issuing **ED 2021-X**

The Auditing and Assurance Standards Board (AUASB) issues **Exposure Draft ED 2021-X** of proposed Auditing Standard ASA 101 *Preamble to AUASB Standards* (Preamble) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent, 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 Proposals

The Preamble is the primary interpretive document for AUASB Standards. It sets out the intentions of the AUASB as to how AUASB Standards are to be understood, interpreted and applied.

AUASB Standards are to be read and applied in conjunction with the Preamble.

In particular, the Preamble addresses:

- (a) the authority of each paragraph type found within AUASB Standards; and
- (b) the meaning of certain terms included in AUASB Standards.

The proposed ASA 101 will replace ASA 100 *Preamble to AUASB Standards* issued in 2006 (F2006L01321) and ASA 101 *Preamble to Australian Auditing Standards* issued in 2009 (F2009L04062).

ASA 100 was issued in April 2006 as part of the suite of legally enforceable standards issued by the AUASB under the authority given to it through the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (CLERP 9 amendments). To improve the legal enforceability of the Standards issued for the purposes of the CLERP 9 amendments, the AUASB sought legal advice and undertook a process to re-draft standards for legislative purposes. ASA 100 was published to elaborate on the Authority Statements included in the revised standards and clearly set out the intentions of the AUASB, as to how the redrafted AUASB Standards were to be understood, interpreted and applied.

ASA 100 was repealed from the Federal Register of Legislation in November 2020 but will be preserved on the AUASB website for the purposes of ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.

ASA 100 applied to the full suite of standards issued by the AUASB comprising: Auditing Standards (ASAs); Standards on Review Engagements (ASREs); Standards on Assurance Engagements (SAEs); and Standards on Related Services (ASRSs).

The current ASA 101 applies to all ASAs. ASA 101 was issued in October 2009 in response to the redrafting of the AUASB Standards in clarity format. The “Clarity Project” initiated by the IAASB aimed to enhance the clarity, and thereby the consistent application of the International Standards on Auditing through a number of fundamental changes including clarifying obligations imposed by the requirements in standards, setting objectives for each standard and improving the overall readability

and understandability through restructure and drafting changes. The purpose of ASA 101 in 2009 was to set out mandatory components additional to those found elsewhere in the ASAs.

Upon its issue in 2009, ASA 101 superseded ASA 100 to the extent that ASA 100 applied to ASAs. The AUASB intended for ASA 100 to remain in force for a period after 1 January 2010 (the operative date for ASA 101) whilst the pre-clarity ASAs remained operative.

The AUASB is proposing to amend ASA 101 as follows:

- (a) expand its application to cover all AUASB Standards;
- (b) remove requirements included elsewhere in AUASB Standards;
- (c) include additional explanatory material, for example from the repealed ASA 100, which the AUASB considers will improve stakeholder understanding of the key elements of AUASB Standards; and
- (d) make other updates to the Standard to bring its content up to date.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for engagements with financial reporting periods commencing on or after **1 October 2021**.

Main changes from existing ASA 101 Preamble to Australian Auditing Standards (October 2009)

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, ASA 101 *Preamble to Australian Auditing Standards* (October 2009), are included in the **Tables of Differences provided as an attachment to this Exposure Draft. TO BE COMPLETED AFTER APRIL 2021 AUASB MEETING**

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 101 no later than **31 July 2021**. The AUASB is seeking comments from respondents on the following questions:

- | | |
|----|--|
| 1. | Do you support the introduction of the proposed Auditing Standard? If so, why? If not, why not?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the matters below. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard. |
| 2. | Have applicable laws and regulations been appropriately addressed in the proposed Standard? |
| 3. | Are there any references to relevant laws or regulations that have been omitted? |
| 4. | Are there any laws or regulations that may, or do, prevent or impede the application of the proposed Standard, or may conflict with the proposed Standard? |
| 5. | What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the main changes to the requirements of this proposed Standard? If there are significant costs, do these outweigh the benefits to the users of audit services? |
| 6. | Are there any other significant public interest matters that constituents wish to raise? |

AUTHORITY STATEMENT

Auditing Standard ASA 101 *Preamble to AUASB Standards* is set out in paragraphs 1 to A57.

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 101 *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*.

Draft

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).

However, where relevant, the AUASB has aligned the wording of this Auditing Standard with the IAASB's *Preface to the International Quality Management, Auditing, Review, Other Assurance, And Related Services Pronouncements*.

Draft

AUDITING STANDARD ASA 101

Preamble to AUASB Standards

Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit or review of a financial report for a half-year, in accordance with the *Corporations Act 2001* (Corporations Act); (Ref: Para. A5-A6; A31-A33)
 - (b) an audit or review of a financial report, or a complete set of financial statements, for any other purpose;
 - (c) an audit or review of other financial information;
 - (d) other assurance engagements;
 - (e) related services engagements; and
 - (f) a firm required to comply with 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*.¹

Operative Date

2. This Auditing Standard is operative for engagements with financial reporting periods commencing on or after **1 October 2021**. Early adoption of this Auditing Standard is permitted prior to this date.

Introduction

Scope of this Auditing Standard

3. This Auditing Standard sets out the intentions of the AUASB as to how AUASB Standards are to be understood, interpreted and applied.
4. AUASB Standards are to be read and applied in conjunction with this Auditing Standard. (Ref: Para. A1-A2)

Standards issued by the AUASB (Ref: Para. A3-A26)

5. 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 for the purposes of the corporations legislation;² and
 - (b) formulates auditing and assurance standards for other purposes.³

¹ See ASQM 1, paragraphs 1, 2 and 16(j).

² Pursuant to section 227B(1)(a) of the ASIC Act.

³ Pursuant to section 227B(1)(b) of the ASIC Act.

6. ‘Auditing and assurance standards for other purposes’ consists 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.
7. The AUASB issues the following types of standards (“AUASB Standards”) pursuant to its mandate under section 227B of the ASIC Act:
- (a) Australian Standards on Quality Management;⁴
 - (b) Australian Auditing Standards (ASAs);⁵
 - (c) Standards on Review Engagements (ASREs);⁶
 - (d) Standards on Assurance Engagements (ASAEs); and
 - (e) Standards on Related Services (ASRSs).
8. AUASB Standards do not address the responsibilities of the assurance practitioner⁷ that may exist in legislation, regulation or otherwise in connection with engagements that fall within the scope of AUASB Standards. Such responsibilities may differ from those established in AUASB Standards. It is the responsibility of the assurance practitioner to ensure compliance with all relevant legal, regulatory or professional obligations.

Objective

9. The objective of the assurance practitioner is to use this Auditing Standard in order to understand, interpret and apply AUASB Standards.

Definitions

10. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
- (a) Assurance practitioner means an individual, firm, or other organisation, whether in public practice, industry and commerce, or the public sector, conducting assurance engagements or related services engagements⁸.

⁴ For legislative purposes, 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* and ASQM 2 *Engagement Quality Reviews* are included in legislation as “Auditing Standards” – see paragraph 10(d) of this Preamble.

⁵ Defined in paragraph 10(c) of this Preamble.

⁶ For legislative purposes, ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* and ASRE 2415 *Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation*, are included in legislation as “Auditing Standards” – see paragraph 10(d) of this Preamble.

⁷ Defined in paragraph 10(a) of this Preamble.

⁸ Related services engagements include engagements to perform agreed-upon procedures. The term ‘assurance practitioner’ is referred to in ASRS 4400 *Agreed-Upon Procedures Engagements* as ‘practitioner’.

- (b) AUASB Standards means standards issued by the AUASB, comprising:
 - (i) Australian Auditing Standards (ASAs) – as defined in paragraph 10(c);
 - (ii) Standards on Review Engagements (ASREs);
 - (iii) Standards on Assurance Engagements (ASAEs); and
 - (iv) Standards on Related Services (ASRSs).(Ref: Para. A3)
- (c) Australian Auditing Standards (ASAs) means the suite of auditing standards issued by the AUASB, comprising:
 - (i) Auditing Standards made under section 336 of the Corporations Act – as defined in paragraph 10(d);
 - (ii) *ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and
 - (iii) *ASA 810 Engagements to Report on Summary Financial Statements*.
- (d) Auditing Standards means auditing standards made under section 336 of the Corporations Act, and include:
 - (i) *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*;
 - (ii) *ASQM 2 Engagement Quality Reviews*;
 - (iii) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity*; and
 - (iv) *ASRE 2415 Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation*.
- (e) Firm means a sole practitioner, partnership, corporation or other entity of assurance practitioners, or public sector equivalent.⁹

Requirements

11. The assurance practitioner shall apply AUASB Standards in conjunction with paragraphs 12 and 13 of this Auditing Standard.

Authority of the Paragraphs in AUASB Standards (Ref: Para. A27-A57)

Mandatory Components (Ref: Para. A29-A45, A56-A57)

12. The assurance practitioner shall apply the mandatory components of AUASB Standards relevant to the engagement. The mandatory components are included in each AUASB Standard under the headings listed below:
- (a) Application (paragraph Aus 0.1). (Ref: Para. A29-A33)

⁹ The definition of “firm” in relevant ethical requirements may differ from the definition set out in this Preamble.

- (b) Operative Date. (Ref: Para. A34-A36)
- (c) Objective(s). (Ref: Para. A37)
- (d) Definition(s). (Ref: Para. A38)
- (e) Requirements. (Ref: Para. A39-A45)

Explanatory Material (Ref: Para. A46-A57)

13. The assurance practitioner shall have an understanding of the entire text of an AUASB Standard, including its application and other explanatory material, to understand its objectives and to apply the mandatory components of the standard properly. The explanatory material is included in each standard under the headings listed below:
- (a) Conformity with International Standards. (Ref: Para. A46-A50)
 - (b) Application (paragraph Aus 0.2).
 - (c) Introduction. (Ref: Para. A51)
 - (d) Application and Other Explanatory Material. (Ref: Para. A52-A54)
 - (e) Appendices. (Ref: Para. A55)

Explanatory material does not create or extend mandatory components.

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 3-4)

“Authority Statement” included in AUASB Standards

- A1. This Auditing Standard forms an important part of the legal and regulatory framework of AUASB Standards. AUASB Standards are to be read in conjunction with this Auditing Standard.
- A2. All AUASB Standards contain an “Authority Statement”. The purposes of the Authority Statement¹⁰ are to:
- (a) link the issuance of each individual AUASB Standard to the mandating legislation;
 - (b) identify the paragraphs that comprise the AUASB Standard; and
 - (c) set out the requirement to read the AUASB Standard in conjunction with this Auditing Standard.

Standards issued by the AUASB (Ref: Para. 5-8)

- A3. The AUASB issues the following types of standards pursuant to its mandate under section 227B of the ASIC Act:
- (a) Australian Standards on Quality Management (ASQMs)

ASQMs¹¹ apply to firms in respect of all engagements to which AUASB Standards apply.

The authority of ASQMs is set out in the introduction to each ASQM.¹²
 - (b) Australian Auditing Standards (ASAs)

ASAs, whilst developed in the context of financial report audits, are to be applied also, as appropriate, to all audits of other historical financial information.

The authority of the suite of ASAs is set out in ASA 200¹³. ASA 200 deals with the auditor’s overall responsibilities when conducting an audit of a financial report in accordance with ASAs. Specifically, it sets out the overall objectives of the auditor, and explains the nature and scope of an audit designed to enable the auditor to meet those objectives. It also explains the scope, authority and structure of the ASAs, and includes requirements establishing the general responsibilities of the auditor applicable in all audits, including the obligation to comply with the ASAs.

The ASAs, taken together, provide the standards for the auditor’s work in fulfilling the overall objectives of the auditor. The ASAs deal with the general responsibilities of the auditor, as well as the auditor’s further considerations relevant to the application of those responsibilities to specific topics.

¹⁰ 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.

¹¹ For legislative purposes, ASQM 1 and ASQM 2 are included in legislation as “Auditing Standards”.

¹² See ASQM 1, paragraph 12 and ASQM 2, paragraph 10 “Authority of this ASQM”.

¹³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

(c) Standards on Review Engagements (ASREs)

ASREs¹⁴ are to be applied to the review of a financial report and the review of other historical financial information.

The authority of ASREs is set out in the introduction to each ASRE.¹⁵

(d) Standards on Assurance Engagements (ASAEs)

ASAEs are to be applied to assurance engagements dealing with subject matters other than historical financial information.¹⁶

ASAE 3000¹⁷ explains the scope, authority and structure of the ASAEs, and includes requirements regarding the conduct of an assurance engagement in accordance with ASAEs.¹⁸

Where a subject-matter specific ASAE is relevant to the subject matter of a particular engagement, that ASAE applies in addition to ASAE 3000. The introduction to each subject-matter specific ASAE sets out the relationship of the ASAE with ASAE 3000.

(e) Standards on Related Services (ASRSs)

ASRSs are to be applied when an assurance practitioner is engaged to undertake engagements other than assurance engagements covered by ASAs, ASREs or ASAEs.¹⁹

The authority of ASRSs is set out in the introduction to each ASRS.²⁰

- A4. The scope, operative date and any specific limitation of the applicability of a specific AUASB Standard is made clear in each standard.

Auditing Standards made under Section 336 of the Corporations Act

- A5. Auditing Standards made under Section 336 of the Corporations Act apply to:

- (a) an audit of a financial report for a financial year, or an audit or review²¹ of a financial report for a half-year, prepared in accordance with Part 2M.3 of the Act;
- (b) an audit conducted under Part 7.8 of the Act;
- (c) an audit of a financial report, or a complete set of financial statements, prepared for any other purpose;

¹⁴ For legislative purposes, ASRE 2410 and ASRE 2415 are included in legislation as “Auditing Standards”:

¹⁵ See ASRE 2400 *Review of a financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, paragraphs 9-12.

¹⁶ Examples of such subject matters include the efficiency and/or effectiveness of an entity’s activities, prospective financial information and the effectiveness of internal controls. The AUASB’s *Framework for Assurance Engagements*, which defines and describes the elements and objectives of an assurance engagement, provides the context for understanding ASAEs.

¹⁷ See ASAE 3000 *Assurance engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁸ See ASAE 3000, “Introduction” (paragraphs 1-8) and “Conduct of an Assurance Engagement in Accordance with ASAEs” (paragraphs 14-20).

¹⁹ Examples of financial and non-financial subject matters on which Standards on Related Services may be applied include: Agreeing the eligibility of expenditures claimed from a funding program; Recalculating revenues for determining royalties, rent or franchise fees based on a percentage of revenues; Confirming the calculation of capital adequacy ratios for regulatory authorities; Observation of the destruction of fake or defective goods reported to a regulatory authority; and Tracing data generating processes for lottery draws reported to a regulatory authority.

²⁰ For example, see ASRS 4400 *Agreed-Upon Procedures Engagements*, paragraphs 7-10. Where this information is not included in the introduction of an ASRS, for example ASRS 4450 *Standard on Related Services*, relevant terms are to be interpreted in a directly analogous way to how they are explained in the context of ASRS 4400.

²¹ For legislative purposes, ASRE 2410 and ASRE 2415 are included in legislation as “Auditing Standards”.

- (d) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose; and
 - (e) a firm required to comply with ASQM 1.
- A6. Although the Auditing Standards are written mainly in the context of an external audit of a financial report,²² they apply also, adapted as necessary, to the audit of other historical financial information.

Compliance and Enforcement

- A7. The extent of compliance required with AUASB Standards is determined by the legislative or regulatory requirements of relevant industry regulators, and/or an entity's constitution or other governing documents, in conjunction with the application paragraphs of the standards:
- Standards made and issued under section 336 of the Corporations Act for the purposes of the corporations legislation have legal status and must be complied with under the Act.²³ These standards are classified as disallowable legislative instruments under the *Legislation Act 2003*.²⁴
 - Auditing and assurance standards may also be issued for other purposes. These standards do not have legal effect under the Corporations Act itself but may be legally enforceable under other legislation or authority.
- A8. Auditing Standards issued by the AUASB under the Corporations Act, are legally enforceable by the Australian regulator – the Australian Securities and Investments Commission (ASIC). ASIC conducts regular inspection programmes as an integral part of its enforcement responsibilities.
- A9. Through the standards issued by the Accounting Professional & Ethical Standards Board (APESB), members of the Australian Professional Accounting Bodies are compelled to comply with the requirements of AUASB Standards.²⁵
- A10. Member compliance is enforced through the inspection programmes of the Professional Accounting Bodies, which are also responsible for member disciplinary action.

Type of Entity

- A11. AUASB Standards are:
- (a) neutral with respect to the sector and size of the entity subject to the engagement; 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.
- A12. The AUASB generally does not set industry or sector specific standards but may from time to time produce industry or sector specific guidance materials. However, where necessary, entity

²² 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. Financial reports required by Part 2M.3 of the Corporations Act are:

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

²³ Section 307A of the Corporations Act requires auditors to conduct audits and reviews of financial reports prepared under Part 2M.3 of the Act, in accordance with Auditing Standards.

²⁴ The AUASB has adopted certain drafting principles 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*.

²⁵ See APES 210 *Conformity with Auditing and Assurance Standards*, issued by the APESB.

sector and size considerations are included, and identified, in the body of the relevant AUASB Standard.

- A13. AUASB Standards do not take into account any specific circumstances affecting entities that are subject to the engagement.

Public Sector Engagements

- A14. AUASB Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included within the application and other explanatory material of each standard.
- A15. The responsibilities of public sector assurance practitioners may be affected by the engagement's mandate, or by obligations on public sector entities arising from law, regulation or other authority (such as ministerial directives, government policy requirements, or resolutions of the legislature), which may encompass a broader scope than an engagement in accordance with the AUASB Standards. These additional responsibilities are not dealt with in the AUASB Standards. They may be dealt with in guidance developed by government audit agencies.

Applying AUASB Standards

Professional Judgement

- A16. Professional judgement is essential to the proper conduct of engagements that fall within the scope of AUASB Standards. This is because interpretation of relevant ethical requirements and relevant AUASB Standards and the informed decisions required throughout the engagement cannot be made without the application of relevant training, knowledge and experience to the facts and circumstances. For further information, refer to *Framework for Assurance Engagements*.²⁶

Professional Scepticism

- A17. Auditing and assurance standards require an assurance practitioner to adopt an attitude of professional scepticism in applying the relevant AUASB Standards to an engagement. For further information, refer to *Framework for Assurance Engagements*.²⁷

Ethical Principles and Quality Management Standards

- A18. Quality management within firms that perform engagements to which AUASB Standards apply, and compliance with ethical principles, including independence requirements, are widely recognised as being in the public interest and an integral part of a high-quality engagement.²⁸

Relevant Ethical Requirements

- A19. References to compliance with relevant ethical requirements are included in certain requirements and explanatory material paragraphs in AUASB Standards. AUASB Standards are to be read in conjunction with relevant ethical requirements, as defined in ASA 102.²⁹ Law, regulation or relevant ethical requirements may establish responsibilities for the assurance practitioner beyond those described in AUASB Standards.

²⁶ The term 'professional judgement' is defined in the AUASB Glossary in the context of different types of AUASB Standards. For assurance engagements, see *Framework for Assurance Engagements*, paragraphs 56-60. For related services engagements, see ASRE 4400 *Agreed-Upon Procedures Engagements*, paragraphs 13(j) and 18.

²⁷ The term 'professional scepticism' is defined in the AUASB Glossary in the context of different types of AUASB Standards. Also, see *Framework for Assurance Engagements*, paragraphs 51-55.

²⁸ For further details, refer to *Framework for Assurance Engagements*, paragraphs 5-9.

²⁹ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

Quality Management Standards

- A20. ASQM 1 deals with a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements.
- A21. Engagement quality reviews form part of the firm's system of quality management and:
- (a) ASQM 1 deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.
 - (b) ASQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.
- A22. AUASB Standards are premised on the basis that a firm is subject to the ASQMs, and include requirements regarding quality management at the engagement level.³⁰

Amendments to AUASB Standards

- A23. AUASB Standards may require amendment for a variety of reasons, such as consequential and conforming amendments that is required as a result of changes made to other AUASB Standards.

Consequential and Conforming Amendments

- A24. As standards made under section 336 of the Corporations Act are legislative instruments, they can only be amended by another legislative instrument. An "Amending Standard" is a legislative instrument made by the AUASB for the sole purpose of amending other legislative instruments (referred to as the "principal standard"). Amending Standards provide an efficient way of processing amendments which affect a number of standards without reissuing all the standards affected.

Compilations

- A25. Compilations reflect the content of a standard, considering all amendments that have become effective since the principal standard was originally made. Compilations are a requirement of the *Legislation Act 2003* and are required to be lodged with the Office of Parliamentary Counsel for registration on the Federal Register of Legislation. A compilation is not a legislative instrument.

For example, a standard might have a principal version issued in 2015 amended by Amending Standards that become effective, one each year, from 2016. Therefore, in 2020 the compiled version of the standard will reflect the amendments effective from 2016 through to 2020.

- A26. Where the AUASB issues a compiled version of a standard:
- (a) the title page of the standard indicates that it is a compiled version of the standard and shows the date of the compilation and the relevant Amending Standards that have been taken into account;
 - (b) a "Compilation Details" section is included in the standard which includes the following information:
 - (i) a "Table of Standards", which sets out details of both the principal standard and subsequent Amending Standards, including the dates of both the principal and Amending Standards (date made, operative date and date registered on the

³⁰ See, for example, ASA 220 *Quality Management for an Audit of Financial Statements*.

Federal Register of Legislation);

- (ii) a “Table of Amendments”, which provides details of amendments to the principal standard (paragraph of standard affected, how affected and a paragraph reference to the relevant Amending Standard); and
 - (iii) a statement that the compilation is not a separate Auditing Standard made by the AUASB but a representation of the relevant Standard which incorporates the original standard and subsequent amendments.
- (c) the Operative Date paragraph in the standard includes a reference to the Compilations Details section of the standard, for details about the operative dates of paragraphs changed or added by an Amending Standard. (Ref: Para. A34(a))

Authority of the Paragraphs in AUASB Standards (Ref: Para. 12-13)

- A27. The paragraphs in AUASB Standards do not have equal authority. AUASB Standards consist of paragraphs that are either:
- (a) mandatory components; or
 - (b) explanatory material.
- A28. Where an AUASB Standard does not include specific information to explain the status and authority of the paragraphs included within the standard, the terms explained below (for example, “objectives”, “requirements”, “application and other explanatory material”), are to be interpreted in a directly analogous way to how they are explained in the context of financial report audits in ASA 200.

Mandatory Components (Ref: Para. 12)

Application Paragraphs (Ref: Para. 12(a))

- A29. Each AUASB Standard contains application paragraphs that, in part or in whole, form part of the mandatory components of a standard.
- A30. The application paragraphs identify the scope of the AUASB Standard.

Engagements under the Corporations Act (Ref: Para. 1(a); A5-A6)

- A31. Auditing Standards made under section 336 of the Corporations Act³¹ contain mandatory application paragraphs (shown as paragraph “Aus 0.1”) 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 the Corporations Act; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
- A32. The “Application” paragraph in each Auditing Standard that refers to audits or reviews conducted in accordance with the Corporations Act applies specifically to:
- (d) an audit or a review conducted under Part 2M.3 of the Act; and
 - (e) an audit conducted under Part 7.8 of the Act.

³¹ With the exception of ASA 101, ASA 102, ASQM 1, ASQM 2, ASRE 2410 and ASRE 2415.

- A33. 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 components.

Operative Date (Ref: Para. 12(b))

- A34. The operative date stipulates the date from which the AUASB Standard is to be applied. The operative date is stated in relation to a financial reporting period. The requirements of an AUASB Standard remain in-force until:
- (a) the operative date of any amendment to those requirements (Ref: Para. A23-A26));
 - (b) in relevant circumstances, the early adoption of such amendments; or
 - (c) the AUASB Standard is withdrawn by the AUASB.
- A35. Unless otherwise stated in an AUASB Standard, the assurance practitioner is permitted to apply a standard before the operative date specified therein. Where an AUASB Standard is early adopted, all relevant conforming and consequential amendments must also be early adopted.
- A36. Where an assurance practitioner is conducting an audit of a financial report and the practitioner elects to early adopt an auditing standard made under s336 of the Corporations Act, in accordance with section 336(4), that election must be recorded in the audit report.

Objective(s) (Ref: Para. 12(c))

- A37. Each AUASB Standard contains an objective or objectives which provide the context in which the requirements of the standard are set, establishes the desired outcome of the standard and is intended to assist the assurance practitioner in understanding what needs to be accomplished and, where necessary, the appropriate means of doing so.

Definitions (Ref: Para. 12(d))

- A38. Definitions, contained within AUASB Standards, and/or contained within the *AUASB Glossary* (as issued from time to time) provide a description of the meanings attributed to certain terms for the purpose of the AUASB Standards. These definitions are provided to assist in the consistent application and interpretation of standards, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. The *AUASB Glossary* contains a complete listing of terms defined in AUASB Standards.

Requirements (Ref: Para. 12(e))

- A39. The requirements of each AUASB Standard are contained in a separate section and expressed using “shall”. Requirements are designed to enable the assurance practitioner to meet the stated objective(s) of an AUASB Standard.
- A40. The assurance practitioner applies the requirements in the context of the other material included in the AUASB Standard. The entire text of an AUASB Standard, therefore, is relevant to an understanding of the objectives stated in an AUASB Standard and the proper application of the requirements of the AUASB Standard.
- A41. The assurance practitioner is required to comply with all AUASB Standards relevant to an engagement. Furthermore, AUASB Standards require compliance with each requirement of a relevant standard unless, in the circumstances of the engagement, the requirement is not relevant because it is conditional and the condition does not exist.

- A42. When, in the circumstances of an engagement:
- (a) an entire AUASB Standard is not relevant; or
 - (b) a requirement is not relevant because it is conditional and the condition does not exist,
- there is no requirement to document the reason(s) why the requirement is not relevant.³²
- A43. However, for audits or reviews conducted in accordance with the Corporations Act, where in rare and exceptional circumstances, factors outside the assurance practitioner's control prevent the practitioner from complying with an essential procedure contained within a relevant requirement, the practitioner is required under ASA 200 or ASRE 2410³³, as applicable, to document:
- (a) the circumstances surrounding the inability to comply;
 - (b) the reasons for the inability to comply; and
 - (c) justification of how alternative procedures achieve the objectives of the requirement.
- A44. For information on how the requirements in AUASB Standards are to be applied for:
- (a) audits and reviews of historical financial reports and information – see ASA 200.³⁴
 - (b) assurance engagements other than audits or reviews of historical financial information – see ASA 3000.³⁵
- These standards also include requirements and explanatory material on the limited circumstances where the assurance practitioner may judge it necessary to depart from a relevant requirement in a standard. The need for the assurance practitioner to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the aim of the requirement.
- A45. In the case of a review and related services engagement, the assurance practitioner is required to apply the requirements contained only in the specified standard applicable to that engagement, in conjunction with this Preamble to AUASB Standards. There is no requirement to apply the requirements of other AUASB Standards. However, reference to ASAs may be helpful to provide guidance.

Explanatory Material (Ref: Para. 13)

Conformity with International Standards (Ref: Para. 13(a))

- A46. 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 AUASB takes the position that an AUASB Standard conforms to the equivalent international standard when:
- (a) the requirements of the AUASB Standard correspond with those in the equivalent international standard or the AUASB Standard contains additional

³² See ASA 230 *Audit Documentation*, paragraph A19, which explains that the requirement to document an inability to comply with relevant requirements, applies only to requirements that are relevant in the circumstances.

³³ See ASA 200, paragraph Aus 23.1 and ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, paragraph 7.

³⁴ See ASA 200, paragraphs 18-24.

³⁵ See ASAE 3000, paragraphs 14-19.

requirements; and

- (b) the explanatory material is substantially the same as the equivalent international standard or the AUASB Standard contains additional explanatory material.

- A47. The Conformity paragraphs in AUASB Standards include necessary differences from the equivalent international standard relating to terminology, referencing and Australian regulatory requirements.³⁶
- A48. When an AUASB Standard and the equivalent international standard conform, the Conformity paragraphs contain a statement to this effect.
- A49. When an AUASB Standard and the equivalent international standard are not equivalent, the Conformity paragraphs detail the main differences.
- A50. The Conformity paragraphs in each AUASB Standard assist the assurance practitioner 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 assurance practitioner 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”.

Introduction (Ref: Para. 13(c))

- A51. Introductory material provides context relevant to a proper understanding of an AUASB Standard. Introductory material may include, as needed, such matters as explanation of the:
- purpose and scope of the Standard, including how the Standard relates to other AUASB Standards;
 - subject matter of the Standard; and
 - respective responsibilities of the assurance practitioner and others in relation to the subject matter of the Standard.

Application and Other Explanatory Material (Ref: Para. 13(d))

- A52. Included within the requirements section of a standard are references to paragraphs in the “Application and Other Explanatory Material” section of the standard. Such references do not extend or create requirements.
- A53. Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying the requirements out. In particular, it may:
- explain more precisely what a requirement means or is intended to cover; and
 - include examples that illustrate how the requirements might be applied and/or provide examples of procedures that may be appropriate in the circumstances.

³⁶ Refer to the *AUASB Policy and Process for International Conformance and Harmonisation of Standards* for details of the principles and process the AUASB applies in considering modifications to IAASB Standards.

While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in an AUASB Standard.

- A54. Where appropriate, additional considerations specific to public sector and smaller entity engagements are included within the application and other explanatory material. These additional considerations assist in the application of the requirements of the standards in conducting such engagements. They do not, however, limit or reduce the responsibility of the assurance practitioner to apply and comply with the requirements of AUASB Standards.

Appendices (Ref: Para. 13(e))

- A55. Appendices, which form part of the application and other explanatory material, are an integral part of a standard. The purpose and intended use of an appendix are explained in the body of the related standard or within the title and introduction of the appendix itself.

AUASB Drafting ~~Approach~~ Conventions (Ref: Para. 12-13)

- A56. The following drafting principles and conventions ~~have been adopted to implement the objectives discussed above~~ apply to AUASB Standards:
- (a) The requirements of each AUASB Standard are contained in a separate section and expressed using the word “shall”. The requirements paragraphs support the objectives of the standard. mandatory requirements and explanatory guidance are shown in separate paragraphs;
 - (b) ~~paragraphs containing mandatory requirements are shown in bold-type text;~~
 - (c) Paragraphs containing application and other explanatory material are designated with the letter “A”.
 - (d) ~~the word ‘shall’ is used within mandatory requirements paragraphs to denote the obligations an auditor required to comply with in the conduct of an audit or review.;~~
 - (e) The present tense of verbs is used in the explanatory guidance material 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 material that relate to professional judgement and professional scepticism.
 - (f) ~~practical examples are used in explanatory guidance. Practical examples do not constitute basic principles or essential procedures (mandatory requirements).~~
 - (g) Requirements that exist in another AUASB Standard are anchored back to the original requirement (for example, using the phrases “in accordance with”) when repetition is considered necessary for understanding and context.
 - (h) Australian additions or modifications to an equivalent IAASB Standard are marked as Australian paragraphs or additional appendices commencing with an “Aus” prefix.
 - (i) Deletions from an equivalent IAASB Standard are clearly noted as “Deleted by the AUASB. Refer Aus ...”.
 - (j) The extent of differences between an AUASB Standard and its equivalent international standard are detailed in the “Conformity with International Standards” section of the standard (see paragraphs xxx-xxx).

A57. Appendix 1 provides a summary of words and phrases commonly used in AUASB Standards.

Draft

Appendix 1

(Ref: Para. A57)

Words and Phrases commonly used in AUASB Standards

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 assurance practitioner is required to...'* means explanatory material 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 material 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 material 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 assurance practitioner 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 assurance practitioners when appearing in **bold-type** ~~mandatory~~ requirements. In certain circumstances, imperative obligations are legally binding and enforceable.
- (g) *'Under...the assurance practitioner needs to...'* means words contained within the explanatory guidance material that highlight a linkage between ~~mandatory~~ requirements and the relevant explanatory material 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 assurance practitioner 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 material guidance; or
- perform some, but not all, of the ~~audit or review~~ procedures described in the explanatory material guidance.

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

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

Draft

EXPOSURE DRAFT

ED 2021-X
(June 2021)

AUASB April 2021
Agenda Item 4.2

Proposed Auditing Standard ASA 101

Preamble to AUASB Standards

Issued for Comment by the Auditing and Assurance Standards Board

Draft



Australian Government

Auditing and Assurance Standards Board

Commenting on this Exposure Draft

Comments on this Exposure Draft should be received by no later than **31 July 2021**. Comments should be addressed to:

The Chairman
Auditing and Assurance Standards Board
PO Box 204, Collins Street West
Melbourne Victoria 8007 AUSTRALIA

Formal Submissions

Submissions should be lodged online via the “Work in Progress-Open for Comment” page of the Auditing and Assurance Standards Board (AUASB) website (www.auasb.gov.au/Work-In-Progress/Open-for-comment.aspx) as a PDF document and Word document.

A copy of all non-confidential submissions will be placed on public record on the AUASB website: www.auasb.gov.au

Obtaining a Copy of this Exposure Draft

This Exposure Draft is available on the AUASB website: www.auasb.gov.au

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Appendix 1: Words and Phrases commonly used in AUASB Standards

PREFACE

Reasons for Issuing **ED 2021-X**

The Auditing and Assurance Standards Board (AUASB) issues **Exposure Draft ED 2021-X** of proposed Auditing Standard ASA 101 *Preamble to AUASB Standards* (Preamble) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent, 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 Proposals

The Preamble is the primary interpretive document for AUASB Standards. It sets out the intentions of the AUASB as to how AUASB Standards are to be understood, interpreted and applied.

AUASB Standards are to be read and applied in conjunction with the Preamble.

In particular, the Preamble addresses:

- (a) the authority of each paragraph type found within AUASB Standards; and
- (b) the meaning of certain terms included in AUASB Standards.

The proposed ASA 101 will replace ASA 100 *Preamble to AUASB Standards* issued in 2006 (F2006L01321) and ASA 101 *Preamble to Australian Auditing Standards* issued in 2009 (F2009L04062).

ASA 100 was issued in April 2006 as part of the suite of legally enforceable standards issued by the AUASB under the authority given to it through the *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* (CLERP 9 amendments). To improve the legal enforceability of the Standards issued for the purposes of the CLERP 9 amendments, the AUASB sought legal advice and undertook a process to re-draft standards for legislative purposes. ASA 100 was published to elaborate on the Authority Statements included in the revised standards and clearly set out the intentions of the AUASB, as to how the redrafted AUASB Standards were to be understood, interpreted and applied.

ASA 100 was repealed from the Federal Register of Legislation in November 2020 but will be preserved on the AUASB website for the purposes of ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.

ASA 100 applied to the full suite of standards issued by the AUASB comprising: Auditing Standards (ASAs); Standards on Review Engagements (ASREs); Standards on Assurance Engagements (ASAEs); and Standards on Related Services (ASRSs).

The current ASA 101 applies to all ASAs. ASA 101 was issued in October 2009 in response to the redrafting of the AUASB Standards in clarity format. The “Clarity Project” initiated by the IAASB aimed to enhance the clarity, and thereby the consistent application of the International Standards on Auditing through a number of fundamental changes including clarifying obligations imposed by the requirements in standards, setting objectives for each standard and improving the overall readability

Proposed Auditing Standard ASA 101

Preamble to AUASB Standards

and understandability through restructure and drafting changes. The purpose of ASA 101 in 2009 was to set out mandatory components additional to those found elsewhere in the ASAs.

Upon its issue in 2009, ASA 101 superseded ASA 100 to the extent that ASA 100 applied to ASAs. The AUASB intended for ASA 100 to remain in force for a period after 1 January 2010 (the operative date for ASA 101) whilst the pre-clarity ASAs remained operative.

The AUASB is proposing to amend ASA 101 as follows:

- (a) expand its application to cover all AUASB Standards;
- (b) remove requirements included elsewhere in AUASB Standards;
- (c) include additional explanatory material, for example from the repealed ASA 100, which the AUASB considers will improve stakeholder understanding of the key elements of AUASB Standards; and
- (d) make other updates to the Standard to bring its content up to date.

Proposed Operative Date

It is intended that this proposed Auditing Standard will be operative for engagements with financial reporting periods commencing on or after **1 October 2021**.

Main changes from existing ASA 101 *Preamble to Australian Auditing Standards* (October 2009)

The main differences between this proposed Auditing Standard and the Auditing Standard that it supersedes, *ASA 101 Preamble to Australian Auditing Standards* (October 2009), are included in the **Tables of Differences provided as an attachment to this Exposure Draft. TO BE COMPLETED AFTER APRIL 2021 AUASB MEETING**

Request for Comments

Comments are invited on this Exposure Draft of the proposed re-issuance of ASA 101 no later than **31 July 2021**. The AUASB is seeking comments from respondents on the following questions:

- | | |
|----|--|
| 1. | Do you support the introduction of the proposed Auditing Standard? If so, why? If not, why not?

The AUASB prefers that respondents express a clear opinion on whether the proposed Auditing Standard, as a whole, is supported and that this opinion be supplemented by detailed comments, whether supportive or critical, on the matters below. The AUASB regards both supportive and critical comments as essential to a balanced review of the proposed Auditing Standard. |
| 2. | Have applicable laws and regulations been appropriately addressed in the proposed Standard? |
| 3. | Are there any references to relevant laws or regulations that have been omitted? |
| 4. | Are there any laws or regulations that may, or do, prevent or impede the application of the proposed Standard, or may conflict with the proposed Standard? |
| 5. | What, if any, are the additional significant costs to/benefits for assurance practitioners and the business community arising from compliance with the main changes to the requirements of this proposed Standard? If there are significant costs, do these outweigh the benefits to the users of audit services? |
| 6. | Are there any other significant public interest matters that constituents wish to raise? |

AUTHORITY STATEMENT

Auditing Standard ASA 101 *Preamble to AUASB Standards* is set out in paragraphs 1 to A57.

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 101 *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*.

~~This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.~~

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

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).

However, where relevant, the AUASB has aligned the wording of this Auditing Standard with the IAASB's *Preface to the International Quality Management, Auditing, Review, Other Assurance, And Related Services Pronouncements*.

AUDITING STANDARD ASA 101

Preamble to AUASB Standards

Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit or ~~a~~ review of a financial report for a half-year, in accordance with the *Corporations Act 2001* (Corporations Act); (Ref: Para. A5-A6; A31-A33)
 - (b) an audit or review of a financial report, or a complete set of financial statements, for any other purpose;
 - ~~(c) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose; and~~
 - (c) an audit or review of other financial information;
 - (d) other assurance engagements;
 - (e) related services engagements; and
 - ~~(d)(f)~~ a firm required to comply with ASQC-ASQM 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.¹
- ~~2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.~~

Commented [JF1]:

This para mirrors the Application para in ASQM 1 and ASA 102 (ASA 102 does not include 1(e))

Operative Date

- ~~3.2.~~ This Auditing Standard is operative for engagements with financial reporting periods commencing on or after 1 October 2021. Early adoption of this Auditing Standard is permitted prior to this date.
- ~~4. This Auditing Standard supersedes interpretive information contained in ASA 100 Preamble to AUASB Standards to the extent that ASA 100 applies to the Australian Auditing Standards.~~

¹ See ASQC-ASQM 1, paragraphs Aus 4+1, 2 and Aus 12.616(j).

Introduction

Scope of this Auditing Standard

3. This Auditing Standard sets out the intentions of the AUASB as to how AUASB Standards are to be understood, interpreted and applied.
4. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.
(Ref: Para. A1-A2)
5. The purpose of this Auditing Standard is to set out mandatory components additional to those included elsewhere in the Australian Auditing Standards that are operative for:
- financial reporting periods commencing on or after 1 January 2010; and
 - firms required to establish systems of quality control by 1 January 2010.
6. ASA 100 Preamble to AUASB Standards applies to all AUASB Standards other than the Australian Auditing Standards referred to in paragraph 5 of this Auditing Standard.

Commented [JF2]: ASA 100, para 2 (first sentence)

Commented [JF3]: ASA 100, para 3 (amended)

Standards issued by the AUASB (Ref: Para. A3-A26)

5. 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 for the purposes of the corporations legislation;² and
 - (b) formulates auditing and assurance standards for other purposes.³
6. ‘Auditing and assurance standards for other purposes’ consists 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.
7. The AUASB issues the following types of standards (“AUASB Standards”) pursuant to its mandate under section 227B of the ASIC Act:
- (a) Australian Standards on Quality Management;⁴
 - (b) Australian Auditing Standards (ASAs);⁵

Commented [JF4]: ASA 100, para 4

Commented [JF5]: ASA 100, para 8

² Pursuant to section 227B(1)(a) of the ASIC Act.

³ Pursuant to section 227B(1)(b) of the ASIC Act.

⁴ For legislative purposes, 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* and ASQM 2 *Engagement Quality Reviews* are included in legislation as “Auditing Standards” – see paragraph 10(d) of this Preamble.

⁵ Defined in paragraph 10(c) of this Preamble.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

- (c) Standards on Review Engagements (ASREs);⁶
- (d) Standards on Assurance Engagements (ASAEs); and
- (e) Standards on Related Services (ASRSs).

8. AUASB Standards do not address the responsibilities of the assurance practitioner⁷ that may exist in legislation, regulation or otherwise in connection with engagements that fall within the scope of AUASB Standards. Such responsibilities may differ from those established in AUASB Standards. It is the responsibility of the assurance practitioner to ensure compliance with all relevant legal, regulatory or professional obligations.

Commented [JF6]: ASA 100, para 2 (second sentence). Added (a) to the list with additional footnotes 4, 5 and 6 for further clarification.

Commented [JF7]: ASQM 1 para Aus 4.2, based on ASA 200, para 2.

Objective

~~7.9.~~ The objective of the ~~assurance practitioner auditor and the firm~~ is to use this Auditing Standard in order to understand, interpret and apply ~~AUASB Standards~~~~the Australian Auditing Standards that are operative for engagements with financial reporting periods commencing on or after 1 January 2010; and for firms required to establish systems of quality control by 1 January 2010.~~

Definitions

~~8.10.~~ For the purposes of this Auditing Standard, the following terms have the meanings attributed below:

- (a) Assurance practitioner means an individual, firm, or other organisation, whether in public practice, industry and commerce, or the public sector, conducting assurance engagements or related services engagements⁸.
- (b) AUASB Standards means standards issued by the AUASB, comprising:
 - (i) Australian Auditing Standards (ASAs) – as defined in paragraph 10(c);
 - (ii) Standards on Review Engagements (ASREs);
 - (iii) Standards on Assurance Engagements (ASAEs); and
 - (iv) Standards on Related Services (ASRSs).

Commented [JF8]: ASQM 1, Aus 16.2

~~(c)~~ Australian Auditing Standards (ASAs) means the suite of auditing standards issued by the AUASB, comprising:

- (i) Auditing Standards made under section 336 of the Corporations Act – as defined in paragraph 10(d);
- (ii) ASA 805 *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement*; and
- (iii) ASA 810 *Engagements to Report on Summary Financial Statements*.

Commented [JF9]: AUASB Glossary definition.

~~(d)~~ Auditing Standards means auditing standards made under section 336 of the ~~Corporations Act 2001~~ (the “~~Corporations Act~~”), and include:

Commented [JF10]: AUASB Glossary definition.

⁶ For legislative purposes, ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity and ASRE 2415 Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation*, are included in legislation as “Auditing Standards” – see paragraph 10(d) of this Preamble.

⁷ Defined in paragraph 10(a) of this Preamble.

⁸ Related services engagements include engagements to perform agreed-upon procedures. The term ‘assurance practitioner’ is referred to in ASRS 4400 *Agreed-Upon Procedures Engagements* as ‘practitioner’.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

- (i) ~~ASQC-ASQM 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; and~~
- (ii) ~~ASQM 2 Engagement Quality Reviews;~~
- (iii) ~~ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity; and~~
- (iv) ~~ASRE 2415 Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation.~~
- (e)(e) ~~Firm means a sole practitioner, partnership, corporation or other entity of assurance practitioners, or public sector equivalent.~~⁹

Commented [JF11]: AUASB Glossary definition (updated)

Commented [JF12]: ASQM 1, para 16(j).

Requirements

11. ~~The assurance practitioner shall apply AUASB Standards in conjunction with paragraphs 12 and 13 of this Auditing Standard.~~

Commented [JF13]: The only bold para ('mandatory requirement') in ASA 100 – see ASA 100, para 3.

Authority of the Paragraphs in ~~Australian Auditing~~ AUASB Standards (Ref: Para. A27-A57)

Mandatory Components (Ref: Para. A29-A45, A56-A57)

- 9.12. ~~The assurance practitioner auditor shall apply the mandatory components of the Australian Auditing Standards AUASB Standards relevant to the engagement when conducting an audit or review in accordance with those Standards.~~ The mandatory components are included in each ~~Auditing AUASB~~ Standard under the headings listed below:

- (a) Application (paragraph Aus 0.1). (Ref: Para. A29-A33)
- (b) Operative Date. (Ref: Para. A34-A36)
- (c) Objective(s). (Ref: Para. A37)
- (d) Definition(s). (Ref: Para. A38)
- (e) Requirements. (Ref: Para. A39-A45)

Explanatory Material (Ref: Para. A46-A57)

- 40.13. ~~The assurance practitioner auditor shall consider the whole have an understanding of the entire text of an Auditing AUASB Standard, including its application and other explanatory material, to understand its objectives and to interpret and apply the mandatory components of the standard properly.~~ The explanatory material is included in each ~~Auditing Standard~~ standard under the headings listed below:

Commented [JF14]: Aligned closer to wording used in ASA 200, para 19 and ASAE 3000, para 16.

- (a) Conformity with International Standards ~~on Auditing~~. (Ref: Para. A46-A50)
- (b) Application (paragraph Aus 0.2).
- (c) Introduction. (Ref: Para. A51)

⁹ The definition of "firm" in relevant ethical requirements may differ from the definition set out in this Preamble.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

(d) Application and Other Explanatory Material. [\(Ref: Para. A52-A54\)](#)

(e) Appendices. [\(Ref: Para. A55\)](#)

Explanatory material does not create or extend mandatory components. [\(Ref: Para. A1\)](#)

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

Engagements under the Corporations Act 2001

11. The “Application” paragraph in each Auditing Standard that refers to audits or reviews conducted in accordance with the Corporations Act 2001 applies specifically to:

- (a) an audit or a review conducted under Part 2M.3 of the Act; and
- (b) an audit conducted under Part 7.8 of the Act.

Compliance with Requirements

12. When, in the circumstances of the audit, a requirement is not relevant due to the conditions described in ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, the auditor is not required to document the reason(s) why the requirement is not relevant. (Ref: Para. A2)***

Commented [JF15]: Moved to “Application and Other Explanatory Material” section of standard – see para A32.

For discussion, refer to Agenda Paper, section E (Specific Matters for Board Consideration)

Commented [JF16]: Moved to “Application and Other Explanatory Material” section of standard – see para A42.

For discussion, refer to Agenda Paper, section E (Specific Matters for Board Consideration).

Application and Other Explanatory Material

Scope of this Auditing Standard (Ref: Para. 3-4)

“Authority Statement” included in AUASB Standards

A1. This Auditing Standard forms an important part of the legal and regulatory framework of AUASB Standards. AUASB Standards are to be read in conjunction with this Auditing Standard.

A2. All AUASB Standards contain an “Authority Statement”. The purposes of the Authority Statement¹⁰ are to:

- (a) link the issuance of each individual AUASB Standard to the mandating legislation;
- (b) identify the paragraphs that comprise the AUASB Standard; and
- (c) set out the requirement to read the AUASB Standard in conjunction with this Auditing Standard.

Commented [JF17]: ASA 100, para 19 (but excluding item (d) which relates to ASA 100 only)

Standards issued by the AUASB (Ref: Para. 5-8)

A3. The AUASB issues the following types of standards pursuant to its mandate under section 227B of the ASIC Act:

- (a) Australian Standards on Quality Management (ASQMs)

ASQMs¹¹ apply to firms in respect of all engagements to which AUASB Standards apply.

The authority of ASQMs is set out in the introduction to each ASQM.¹²

- (b) Australian Auditing Standards (ASAs)

ASAs, whilst developed in the context of financial report audits, are to be applied also, as appropriate, to all audits of other historical financial information.

Commented [JF18]: Foreword to AUASB Pronouncements, para 17 used as starting point.

Commented [JF19]: IAASB Preface (2011), para 12 (second sentence)

¹⁰ 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.

¹¹ For legislative purposes, ASQM 1 and ASQM 2 are included in legislation as “Auditing Standards”.

¹² See ASQM 1, paragraph 12 and ASQM 2, paragraph 10 “Authority of this ASQM”.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

The authority of the suite of ASAs is set out in ASA 200¹³. ASA 200 deals with the auditor's overall responsibilities when conducting an audit of a financial report in accordance with ASAs. Specifically, it sets out the overall objectives of the auditor, and explains the nature and scope of an audit designed to enable the auditor to meet those objectives. It also explains the scope, authority and structure of the ASAs, and includes requirements establishing the general responsibilities of the auditor applicable in all audits, including the obligation to comply with the ASAs.

Commented [JF20]: IAASB Preface (2011), para 11 (last sentence)

The ASAs, taken together, provide the standards for the auditor's work in fulfilling the overall objectives of the auditor. The ASAs deal with the general responsibilities of the auditor, as well as the auditor's further considerations relevant to the application of those responsibilities to specific topics.

Commented [JF21]: Based on ASA 200, para 1.

Commented [JF22]: ASA 200, para A55.

(c) Standards on Review Engagements (ASREs)

ASREs¹⁴ are to be applied to the review of a financial report and the review of other historical financial information.

The authority of ASREs is set out in the introduction to each ASRE.¹⁵

(d) Standards on Assurance Engagements (ASAEs)

ASAEs are to be applied to assurance engagements dealing with subject matters other than historical financial information.¹⁶

ASAE 3000¹⁷ explains the scope, authority and structure of the ASAEs, and includes requirements regarding the conduct of an assurance engagement in accordance with ASAEs.¹⁸

Where a subject-matter specific ASAE is relevant to the subject matter of a particular engagement, that ASAE applies in addition to ASAE 3000. The introduction to each subject-matter specific ASAE sets out the relationship of the ASAE with ASAE 3000.

(e) Standards on Related Services (ASRSs)

ASRSs are to be applied when an assurance practitioner is engaged to undertake engagements other than assurance engagements covered by ASAs, ASREs or ASAEs.¹⁹

The authority of ASRSs is set out in the introduction to each ASRS.²⁰

¹³ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

¹⁴ For legislative purposes, ASRE 2410 and ASRE 2415 are included in legislation as "Auditing Standards".

¹⁵ See ASRE 2400 *Review of a financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity*, paragraphs 9-12.

¹⁶ Examples of such subject matters include the efficiency and/or effectiveness of an entity's activities, prospective financial information and the effectiveness of internal controls. The AUASB's *Framework for Assurance Engagements*, which defines and describes the elements and objectives of an assurance engagement, provides the context for understanding ASAEs.

¹⁷ See ASAE 3000 *Assurance engagements Other than Audits or Reviews of Historical Financial Information*.

¹⁸ See ASAE 3000, "Introduction" (paragraphs 1-8) and "Conduct of an Assurance Engagement in Accordance with ASAEs" (paragraphs 14-20).

¹⁹ Examples of financial and non-financial subject matters on which Standards on Related Services may be applied include: Agreeing the eligibility of expenditures claimed from a funding program; Recalculating revenues for determining royalties, rent or franchise fees based on a percentage of revenues; Confirming the calculation of capital adequacy ratios for regulatory authorities; Observation of the destruction of fake or defective goods reported to a regulatory authority; and Tracing data generating processes for lottery draws reported to a regulatory authority.

²⁰ For example, see ASRS 4400 *Agreed-Upon Procedures Engagements*, paragraphs 7-10. Where this information is not included in the introduction of an ASRS, for example ASRS 4450 *Standard on Related Services*, relevant terms are to be interpreted in a directly analogous way to how they are explained in the context of ASRS 4400.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

A4. The scope, operative date and any specific limitation of the applicability of a specific AUASB Standard is made clear in each standard.

Commented [JF23]: Based on IAASB Preface (2011), para 18

Auditing Standards made under Section 336 of the Corporations Act

A5. Auditing Standards made under Section 336 of the Corporations Act apply to:

- (a) an audit of a financial report for a financial year, or an audit or review²¹ of a financial report for a half-year, prepared in accordance with Part 2M.3 of the Act;
- (b) an audit conducted under Part 7.8 of the Act;
- (c) an audit of a financial report, or a complete set of financial statements, prepared for any other purpose;
- (d) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose; and
- (e) a firm required to comply with ASQM 1.

Commented [JF24]: Extant ASA 101, paras 1 and 11 (updated).
ASA 100, para 5

A6. Although the Auditing Standards are written mainly in the context of an audit of a financial report,²² they apply also, adapted as necessary, to the audit of other historical financial information.

Commented [JF25]: ASA 100, footnote 2

Commented [JF26]: ASA 101, para 2; ASA 200, para 2.

Compliance and Enforcement

A7. The extent of compliance required with AUASB Standards is determined by the legislative or regulatory requirements of relevant industry regulators, and/or an entity's constitution or other governing documents, in conjunction with the application paragraphs of the standards:

- Standards made and issued under section 336 of the Corporations Act for the purposes of the corporations legislation have legal status and must be complied with under the Act.²³ These standards are classified as disallowable legislative instruments under the *Legislation Act 2003*.²⁴
- Auditing and assurance standards may also be issued for other purposes. These standards do not have legal effect under the Corporations Act itself but may be legally enforceable under other legislation or authority.

Commented [JF27]: ASA 100, para 7

A8. Auditing Standards issued by the AUASB under the Corporations Act, are legally enforceable by the Australian regulator – the Australian Securities and Investments Commission (ASIC). ASIC conducts regular inspection programmes as an integral part of its enforcement responsibilities.

A9. Through the standards issued by the Accounting Professional & Ethical Standards Board (APESB), members of the Australian Professional Accounting Bodies are compelled to comply with the requirements of AUASB Standards.²⁵

²¹ For legislative purposes, ASRE 2410 and ASRE 2415 are included in legislation as "Auditing Standards".

²² 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. Financial reports required by Part 2M.3 of the Corporations Act are:

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

²³ Section 307A of the Corporations Act requires auditors to conduct audits and reviews of financial reports prepared under Part 2M.3 of the Act, in accordance with Auditing Standards.

²⁴ The AUASB has adopted certain drafting principles 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*.

²⁵ See APES 210 *Conformity with Auditing and Assurance Standards*, issued by the APESB.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

A10. Member compliance is enforced through the inspection programmes of the Professional Accounting Bodies, which are also responsible for member disciplinary action.

Commented [JF28]: Revised Foreword, paras 6-9

Type of Entity

A11. AUASB Standards are:

- (a) neutral with respect to the sector and size of the entity subject to the engagement; 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.

Commented [JF29]: ASA 100, para 33

A12. The AUASB generally does not set industry or sector specific standards but may from time to time produce industry or sector specific guidance materials. However, where necessary, entity sector and size considerations are included, and identified, in the body of the relevant AUASB Standard.

Commented [JF30]: ASA 100, para 34

A13. AUASB Standards do not take into account any specific circumstances affecting entities that are subject to the engagement.

Commented [JF31]: ASA 100, para 35

Public Sector Engagements

A14. AUASB Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included within the application and other explanatory material of each standard.

Commented [JF32]: Based on IAASB Preface (2011), para 19

A15. The responsibilities of public sector assurance practitioners may be affected by the engagement's mandate, or by obligations on public sector entities arising from law, regulation or other authority (such as ministerial directives, government policy requirements, or resolutions of the legislature), which may encompass a broader scope than an engagement in accordance with the AUASB Standards. These additional responsibilities are not dealt with in the AUASB Standards. They may be dealt with in guidance developed by government audit agencies.

Commented [JF33]: Based on ASA 200, para A59.

Applying AUASB Standards

Professional Judgement

A16. Professional judgement is essential to the proper conduct of engagements that fall within the scope of AUASB Standards. This is because interpretation of relevant ethical requirements and relevant AUASB Standards and the informed decisions required throughout the engagement cannot be made without the application of relevant training, knowledge and experience to the facts and circumstances. For further information, refer to *Framework for Assurance Engagements*.²⁶

Commented [JF34]: *Framework for Assurance Engagements*, para 56 (amended)

Professional Scepticism

A17. Auditing and assurance standards require an assurance practitioner to adopt an attitude of professional scepticism in applying the relevant AUASB Standards to an engagement. For further information, refer to *Framework for Assurance Engagements*.²⁷

²⁶ The term 'professional judgement' is defined in the AUASB Glossary in the context of different types of AUASB Standards. For assurance engagements, see *Framework for Assurance Engagements*, paragraphs 56-60. For related services engagements, see *ASRE 4400 Agreed-Upon Procedures Engagements*, paragraphs 13(j) and 18.

²⁷ The term 'professional scepticism' is defined in the AUASB Glossary in the context of different types of AUASB Standards. Also, see *Framework for Assurance Engagements*, paragraphs 51-55.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

Ethical Principles and Quality Management Standards

A18. Quality management within firms that perform engagements to which AUASB Standards apply, and compliance with ethical principles, including independence requirements, are widely recognised as being in the public interest and an integral part of a high-quality engagement.²⁸

Commented [JF35]: Based on *Framework for Assurance Engagements*, para 5 (amended to accommodate ASRS 4400).

Relevant Ethical Requirements

A19. References to compliance with relevant ethical requirements are included in certain requirements and explanatory material paragraphs in AUASB Standards. AUASB Standards are to be read in conjunction with relevant ethical requirements, as defined in ASA 102.²⁹ Law, regulation or relevant ethical requirements may establish responsibilities for the assurance practitioner beyond those described in AUASB Standards.

Commented [JF36]: Based on ASA 100, paras 38 (last sentence) and 39.

Commented [JF37]: ASQM 1 para Aus 4.1 (amended)

Quality Management Standards

A20. ASQM 1 deals with a firm's responsibilities to design, implement and operate a system of quality management for audits or reviews of financial statements, or other assurance or related services engagements.

A21. Engagement quality reviews form part of the firm's system of quality management and:

- (a) ASQM 1 deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.
- (b) ASQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.

Commented [JF38]: ASQM 1, paragraphs 1-2.

A22. AUASB Standards are premised on the basis that a firm is subject to the ASQMs, and include requirements regarding quality management at the engagement level.³⁰

Commented [JF39]: ASQM 1, para 3 (amended)

Amendments to AUASB Standards

A23. AUASB Standards may require amendment for a variety of reasons, such as consequential and conforming amendments that is required as a result of changes made to other AUASB Standards.

Consequential and Conforming Amendments

A24. As standards made under section 336 of the Corporations Act are legislative instruments, they can only be amended by another legislative instrument. An "Amending Standard" is a legislative instrument made by the AUASB for the sole purpose of amending other legislative instruments (referred to as the "principal standard"). Amending Standards provide an efficient way of processing amendments which affect a number of standards without reissuing all the standards affected.

Compilations

A25. Compilations reflect the content of a standard, considering all amendments that have become effective since the principal standard was originally made. Compilations are a requirement of the *Legislation Act 2003* and are required to be lodged with the Office of Parliamentary Counsel for registration on the Federal Register of Legislation. A compilation is not a legislative instrument.

²⁸ For further details, refer to *Framework for Assurance Engagements*, paragraphs 5-9.

²⁹ See ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*.

³⁰ See, for example, ASA 220 *Quality Management for an Audit of Financial Statements*.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

For example, a standard might have a principal version issued in 2015 amended by Amending Standards that become effective, one each year, from 2016. Therefore, in 2020 the compiled version of the standard will reflect the amendments effective from 2016 through to 2020.

A26. Where the AUASB issues a compiled version of a standard:

- (a) the title page of the standard indicates that it is a compiled version of the standard and shows the date of the compilation and the relevant Amending Standards that have been taken into account;
- (b) a “Compilation Details” section is included in the standard which includes the following information:
 - (i) a “Table of Standards”, which sets out details of both the principal standard and subsequent Amending Standards, including the dates of both the principal and Amending Standards (date made, operative date and date registered on the Federal Register of Legislation);
 - (ii) a “Table of Amendments”, which provides details of amendments to the principal standard (paragraph of standard affected, how affected and a paragraph reference to the relevant Amending Standard); and
 - (iii) a statement that the compilation is not a separate Auditing Standard made by the AUASB but a representation of the relevant Standard which incorporates the original standard and subsequent amendments.
- (c) the Operative Date paragraph in the standard includes a reference to the Compilations Details section of the standard, for details about the operative dates of paragraphs changed or added by an Amending Standard. (Ref: Para. A34(a))

Authority of the Paragraphs in ~~Australian Auditing~~ AUASB Standards (Ref: Para. #012-13)

A27. The paragraphs in AUASB Standards do not have equal authority. AUASB Standards consist of paragraphs that are either:

- (a) mandatory components; or
- (b) explanatory material.

A28. Where an AUASB Standard does not include specific information to explain the status and authority of the paragraphs included within the standard, the terms explained below (for example, “objectives”, “requirements”, “application and other explanatory material”), are to be interpreted in a directly analogous way to how they are explained in the context of financial report audits in ASA 200.

Mandatory Components (Ref: Para. 12)

Application Paragraphs (Ref: Para. 12(a))

A29. Each AUASB Standard contains application paragraphs that, in part or in whole, form part of the mandatory components of a standard.

A30. The application paragraphs identify the scope of the AUASB Standard.

Commented [JF40]: Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications, paragraphs 200-204 used as starting point for this section.

Commented [JF41]: ASA 100, para 9 (last sentence)

Commented [JF42]: Based on IAASB Preface (2011), para 13 (changed the lead in to the paragraph).

Paragraph A28 has been included in the Preamble to capture all AUASB Standards that do not include a specific paragraph in their introduction that sets out the authority of paragraphs included in the standard.

Commented [JF43]: ASA 100, paras 20-21.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

Engagements under the Corporations Act (Ref: Para. 1(a); A5-A6)

- A31. Auditing Standards made under section 336 of the Corporations Act³¹ contain mandatory application paragraphs (shown as paragraph “Aus 0.1”) 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 the Corporations Act; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
- A32. The “Application” paragraph in each Auditing Standard that refers to audits or reviews conducted in accordance with the Corporations Act applies specifically to:
- (d) an audit or a review conducted under Part 2M.3 of the Act; and
 - (e) an audit conducted under Part 7.8 of the Act.

A33. 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 components.

Operative Date (Ref: Para. 12(b))

- A34. The operative date stipulates the date from which the AUASB Standard is to be applied. The operative date is stated in relation to a financial reporting period. The requirements of an AUASB Standard remain in-force until:
- (a) the operative date of any amendment to those requirements (Ref: Para. A23-A26);
 - (b) in relevant circumstances, the early adoption of such amendments; or
 - (c) the AUASB Standard is withdrawn by the AUASB.
- A35. Unless otherwise stated in an AUASB Standard, the assurance practitioner is permitted to apply a standard before the operative date specified therein. Where an AUASB Standard is early adopted, all relevant conforming and consequential amendments must also be early adopted.

A36. Where an assurance practitioner is conducting an audit of a financial report and the practitioner elects to early adopt an auditing standard made under s336 of the Corporations Act, in accordance with section 336(4), that election must be recorded in the audit report.

Objective(s) (Ref: Para. 12(c))

A37. Each AUASB Standard contains an objective or objectives which provide the context in which the requirements of the standard are set, establishes the desired outcome of the standard and is intended to assist the assurance practitioner in understanding what needs to be accomplished and, where necessary, the appropriate means of doing so.

Definitions (Ref: Para. 12(d))

A38. Definitions, contained within AUASB Standards, and/or contained within the AUASB Glossary (as issued from time to time) provide a description of the meanings attributed to certain terms for the purpose of the AUASB Standards. These definitions are provided to assist in the consistent application and interpretation of standards, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or

³¹ With the exception of ASA 101, ASA 102, ASQM 1, ASQM 2, ASRE 2410 and ASRE 2415.

Commented [JF44]: ASA 100, para 22

Updated with reference to ASA 200's Application paragraph:

Application Aus 0.1
This Auditing Standard applies 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 the Corporations Act 2001; and
(b) an audit of a financial report, or a complete set of financial statements, for any other purpose.

Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Commented [JF45]: ASA 101, para 11 – included under the “Requirements” section in the extant standard. The ATG has moved this paragraph to the “Application and other Explanatory Material section” of the standard.

The ATG considers this paragraph clarifies and provides a link to the relevant Parts of the Corporations Act where the Application paragraph of an Auditing Standard refers to an audit or review conducted in accordance with the Act. Therefore, this not in addition to requirements found elsewhere in other AUASB Standards.

For discussion, refer to Agenda Paper, section E (Specific Matters for Board Consideration).

Commented [JF46]: ASA 100, para 23.

Commented [JF47]: ASA 100 para 25 referred to “... the commencement date of the financial reporting period”.

Now closer aligned with wording included in s336(3) of Corporations Act.

Commented [JF48]: ASA 100, para 26 read as follows:
“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.”

Revised wording based on wording used in ISA 200 (para A56), IAASB Preface (2011) (para 18) and section 336(4) of the Corporations Act.

For discussion, refer to Agenda Paper, section E (Specific Matters for Board Consideration).

Will require an amendment to ASA 200.

ASA 200 in para A56 currently states:
“Unless otherwise stated in the Auditing Standard, the auditor is not permitted to apply an Auditing Standard before the effective date specified therein.”

This is not in line with ISA 200 para A56 which states:
“Unless otherwise stated in the ISA, the auditor is permitted to apply an ISA before the effective date specified therein”

IAASB Preface (2011) para 18 states:
“Unless otherwise stated in the International Standard, the professional accountant is permitted to apply an International Standard before the effective date specified therein”

Commented [JF49]: Will require an Aus para amendment to ASA 700.

Commented [JF50]: Based on ASA 200, paras A69-A71, ASQM 1, para A6; ASAE 3000, para. A24; ASRE 2400, para 9 and ASRS 4400, para 7.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

otherwise. The AUASB Glossary contains a complete listing of terms defined in AUASB Standards.

Requirements (Ref: Para. 12(e))

A39. The requirements of each AUASB Standard are contained in a separate section and expressed using “shall”. Requirements are designed to enable the assurance practitioner to meet the stated objective(s) of an AUASB Standard.

A40. The assurance practitioner applies the requirements in the context of the other material included in the AUASB Standard. The entire text of an AUASB Standard, therefore, is relevant to an understanding of the objectives stated in an AUASB Standard and the proper application of the requirements of the AUASB Standard.

A41. The assurance practitioner is required to comply with all AUASB Standards relevant to an engagement. Furthermore, AUASB Standards require compliance with each requirement of a relevant standard unless, in the circumstances of the engagement, the requirement is not relevant because it is conditional and the condition does not exist.

A42. When, in the circumstances of an engagement:

(a) an entire AUASB Standard is not relevant; or

(b) a requirement is not relevant because it is conditional and the condition does not exist,

there is no requirement to document the reason(s) why the requirement is not relevant.³²

A43. However, for audits or reviews conducted in accordance with the Corporations Act, where in rare and exceptional circumstances, factors outside the assurance practitioner’s control prevent the practitioner from complying with an essential procedure contained within a relevant requirement, the practitioner is required under ASA 200 or ASRE 2410³³, as applicable, to document:

(a) the circumstances surrounding the inability to comply;

(b) the reasons for the inability to comply; and

(c) justification of how alternative procedures achieve the objectives of the requirement.

A44. For information on how the requirements in AUASB Standards are to be applied for:

(a) audits and reviews of historical financial reports and information – see ASA 200.³⁴

(b) assurance engagements other than audits or reviews of historical financial information – see ASA 3000.³⁵

These standards also include requirements and explanatory material on the limited circumstances where the assurance practitioner may judge it necessary to depart from a relevant requirement in a standard. The need for the assurance practitioner to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the engagement, that procedure would be ineffective in achieving the aim of the requirement.

Commented [JF51]: ASA 100, para 27. Similar paras included in ASA 200, para A64, ASQC 1, para Aus A9.1 and ASAE 3000, para A27

Commented [JF52]: IAASB Preface (2006), para 16. ASQM 1 para 12(a), A7. ASA 200, para 19 and A60. ASAE 3000, para A23-25. ASRS, para 8.

Commented [JF53]: IAASB Preface (2006), para 16.

Commented [JF54]: ASA 200, paras 19 and A60 (last sentence), ASAE 3000, paras 16 and A23-A24.

Commented [JF55]: Based on ASA 200, paras 18-20 and 22; ASAE 3000, paras 14-15 and 17-18.

Commented [JF56]: Extant ASA 101, para 12 - included under the “Requirements” section in the extant document. The ATG has moved this paragraph to the “Application and other Explanatory Material” section.

The ATG considers this paragraph provides further clarification to enhance understanding. It is not viewed as a requirement in addition to requirements found elsewhere in other AUASB Standards.

For discussion, refer to Agenda Paper, section E (Specific Matters for Board Consideration).

Commented [JF57]: Extant ASA 101, para A2 which was linked to the requirement included in extant ASA 101 as paragraph 12.

Commented [JF58]: Based on ASA 200, para Aus 23.1 and ASA 3000, para 18.

³² See ASA 230 *Audit Documentation*, paragraph A19, which explains that the requirement to document an inability to comply with relevant requirements, applies only to requirements that are relevant in the circumstances.

³³ See ASA 200, paragraph Aus 23.1 and ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, paragraph 7.

³⁴ See ASA 200, paragraphs 18-24.

³⁵ See ASAE 3000, paragraphs 14-19.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

A45. In the case of a review and related services engagement, the assurance practitioner is required to apply the requirements contained only in the specified standard applicable to that engagement, in conjunction with this Preamble to AUASB Standards. There is no requirement to apply the requirements of other AUASB Standards. However, reference to ASAs may be helpful to provide guidance.

Commented [JF59]: ASA 100, para 14 (amended to also include reference to ASRSs)

Explanatory Material (Ref: Para. 13)

Conformity with International Standards (Ref: Para. 13(a))

A46. 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 AUASB takes the position that an AUASB Standard conforms to the equivalent international standard when:

- (a) the requirements of the AUASB Standard correspond with those in the equivalent international standard or the AUASB Standard contains additional requirements; and
- (b) the explanatory material is substantially the same as the equivalent international standard or the AUASB Standard contains additional explanatory material.

A47. The Conformity paragraphs in AUASB Standards include necessary differences from the equivalent international standard relating to terminology, referencing and Australian regulatory requirements.³⁶

A48. When an AUASB Standard and the equivalent international standard conform, the Conformity paragraphs contain a statement to this effect.

A49. When an AUASB Standard and the equivalent international standard are not equivalent, the Conformity paragraphs detail the main differences.

A50. The Conformity paragraphs in each AUASB Standard assist the assurance practitioner 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 assurance practitioner 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”.

Commented [JF60]: ASA 100, paras 28-32.

Introduction (Ref: Para. 13(c))

A51. Introductory material provides context relevant to a proper understanding of an AUASB Standard. Introductory material may include, as needed, such matters as explanation of the:

- purpose and scope of the Standard, including how the Standard relates to other AUASB Standards;
- subject matter of the Standard; and

³⁶ Refer to the *AUASB Policy and Process for International Conformance and Harmonisation of Standards* for details of the principles and process the AUASB applies in considering modifications to IAASB Standards.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

- ~~respective responsibilities of the assurance practitioner and others in relation to the subject matter of the Standard.~~

Application and Other Explanatory Material (Ref: Para. 13(d))

~~A1.A52.~~ Included within the requirements section of a standard are references to paragraphs in the “Application and Other Explanatory Material” section of the standard. Such references do not extend or create requirements.

~~A53.~~ ~~Where necessary, the application and other explanatory material provides further explanation of the requirements and guidance for carrying the requirements out. In particular, it may:~~

- ~~explain more precisely what a requirement means or is intended to cover; and~~
- ~~include examples that illustrate how the requirements might be applied and/or provide examples of procedures that may be appropriate in the circumstances.~~

~~While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements. The application and other explanatory material may also provide background information on matters addressed in an AUASB Standard.~~

~~A54.~~ ~~Where appropriate, additional considerations specific to public sector and smaller entity engagements are included within the application and other explanatory material. These additional considerations assist in the application of the requirements of the standards in conducting such engagements. They do not, however, limit or reduce the responsibility of the assurance practitioner to apply and comply with the requirements of AUASB Standards.~~

Appendices (Ref: Para. 13(e))

~~A55.~~ ~~Appendices, which form part of the application and other explanatory material, are an integral part of a standard. The purpose and intended use of an appendix are explained in the body of the related standard or within the title and introduction of the appendix itself.~~

~~AUASB Drafting Approach Conventions~~ (Ref: Para. 12-13)

~~A56.~~ ~~The following drafting principles and conventions have been adopted to implement the objectives discussed above apply to AUASB Standards:~~

- ~~The requirements of each AUASB Standard are contained in a separate section and expressed using the word “shall”. The requirements paragraphs support the objectives of the standard. mandatory requirements and explanatory guidance are shown in separate paragraphs.~~
- ~~paragraphs containing mandatory requirements are shown in **bold type text**.~~
- ~~Paragraphs containing application and other explanatory material are designated with the letter “A”.~~
- ~~the word ‘shall’ is used within mandatory requirements paragraphs to denote the obligations an auditor required to comply with in the conduct of an audit or review.;~~
- ~~The present tense of verbs is used in the explanatory guidance material 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 material that relate to professional judgement and professional scepticism.~~
- ~~practical examples are used in explanatory guidance. Practical examples do not~~

Commented [JF61]: Based on ASA 200, para A63, ASQM 1, para 12(c); ASRE 2400, para 11.

Commented [JF62]: Based on ASA 200, para A61, ASAE 3000, para A26 and ASQM 1, para A8.

Commented [JF63]: ASA 200, para A65; ASAE 3000, para A26

Commented [JF64]: Based on IAASB Preface (2011), para 16; ASA 200, para A62; and ASAE 3000, para A28

Commented [JF65]: Used ASA 100, para 45 as starting point.

Deletions shown as strikethrough
Additions underlined

Commented [JF66]: IAASB Preface (2011), para 16.

Proposed Auditing Standard ASA 101
Preamble to AUASB Standards

~~constitute basic principles or essential procedures (mandatory requirements).~~

- ~~(g) Requirements that exist in another AUASB Standard are anchored back to the original requirement (for example, using the phrases “in accordance with”) when repetition is considered necessary for understanding and context.~~
- ~~(h) Australian additions or modifications to an equivalent IAASB Standard are marked as Australian paragraphs or additional appendices commencing with an “Aus” prefix.~~
- ~~(i) Deletions from an equivalent IAASB Standard are clearly noted as “Deleted by the AUASB. Refer Aus ...”.~~
- ~~(j) The extent of differences between an AUASB Standard and its equivalent international standard are detailed in the “Conformity with International Standards” section of the standard (see paragraphs xxx-xxx).~~

~~A57. Appendix 1 provides a summary of words and phrases commonly used in AUASB Standards.~~

Commented [JF67]: ASA 100, para 48

~~Compliance with Requirements~~ (Ref: Para. 12)

~~A2. Under paragraph 12, an auditor need not document the reasons why a requirement is not relevant. However, where in rare and exceptional circumstances, factors outside the auditor’s control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor is required under ASA 230 or ASRE 2410³², as applicable, to document:~~

- ~~(a) the circumstances surrounding the inability to comply;~~
- ~~(b) the reasons for the inability to comply; and~~
- ~~(c) justification of how alternative procedures achieve the objectives of the requirement.~~

Commented [JF68]: Moved to para A43.

~~A3. —~~

³²—See ASA 230 *Audit Documentation* and ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*.

Appendix 1

(Ref: Para. [A57](#))

Words and Phrases commonly used in AUASB Standards

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 assurance practitioner is required to...'~~ means explanatory material ~~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 material ~~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 material ~~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 assurance practitioner 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 assurance practitioners when appearing in ~~bold-type mandatory~~ requirements. In certain circumstances, imperative obligations are legally binding and enforceable.
- (g) ~~'Under...the assurance practitioner needs to...'~~ means words contained within the explanatory ~~guidance~~ material that highlight a linkage between ~~mandatory~~ requirements and the relevant explanatory material ~~guidance~~ that:

Commented [JF69]: AUASB to decide whether it sees value in retaining this list (updated) as an attachment to the Preamble.

The ATG suggests the Board holds off on updating and including this list in the Preamble until the IAASB has completed its project to develop drafting principles and guidelines to address the complexity, understanding, scalability and proportionality of international standards (CUSP project).

Used ASA 100, para 48 as starting point
Deletions shown as strikethrough
Additions underlined

Commented [JF70]: Consider adding:
Qualifiers such as 'ordinarily', 'normally' and 'usually' are avoided as far as possible as these may create ambiguity as to whether they should form part of the requirements.

Commented [JF71]: Meaning:
Mandatory, necessary, required, involuntary, essential, authoritative

The word 'shall' is used in mandatory requirements paragraphs to denote the obligations an auditor is required to comply with.

- (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 assurance practitioner 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 material ~~guidance~~; or
- perform some, but not all, of the ~~audit or review~~ procedures described in the explanatory material ~~guidance~~.

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

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



AUASB Agenda Paper Attachment – Updated September 2020 ATG Analysis of AUASB Preambles

Project:	AUASB Framework and Processes Plan	Meeting:	20 April 2021
Topic:	ASA 100 and ASA 101 – Preamble to AUASB Standards	Agenda Item:	4.3

Background

- 1 As part of the AUASB Framework and Processes update plan, the AUASB Technical Group (ATG) has undertaken a review of the IAASB ‘drafting conventions’ used during the clarity project and the ‘drafting conventions’ contained within ASA 100 *Preamble to AUASB Standards*.
- 2 The purpose of this paper is to identify ‘drafting conventions’ contained either within the [Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services \(IAASB Preface\)](#) issued in 2006 or in ASA 100 issued in 2006.
- 3 **Part A (pages 2-12)** contains an analysis of the drafting conventions within the IAASB Preface and whether they have been included as part of an AUASB Pronouncement as the AUASB does not issue an Australian equivalent of the IAASB Preface.
- 4 **Part B (pages 13-28)** contains a side by side comparison of ASA 100 and ASA 101 *Preamble to AUASB Auditing Standards*.
- 5 This analysis was originally presented for AUASB consideration and deliberation at the **September 2020 AUASB meeting (Agenda Item 3.3.1)** where the AUASB provided in principle support for the ATG’s proposed actions as outlined in the analysis.
- 6 The September 2020 analysis has been updated, where appropriate, for the April 2021 AUASB meeting, and cross references included to the relevant paragraphs in the proposed revised ASA 100 (attached under **Agenda Items 4.1 and 4.2**)

AUASB Agenda Paper Attachment

Part A – Review of Preface to the International Standards on Quality Control, Auditing, Review, Other Assurance Related Services

IAASB Preface 2006	Related AUASB pronouncement	ATG Recommendation
<p>Introduction</p> <p>1. This preface to the International Standards on Quality Control, Auditing, Review, Other Assurance and Related Services (International Standards or IAASB's Standards) is issued to facilitate understanding of the scope and authority of the pronouncements the International Auditing and Assurance Standards Board (IAASB) issues, as set forth in the IAASB's Terms of Reference.</p> <p>2. The IAASB is committed to the goal of developing a set of International Standards generally accepted worldwide. IAASB members act in the common interest of the public at large and the worldwide accountancy profession. This could result in their taking a position on a matter that is not in accordance with current practice in their country or firm or not in accordance with the position taken by those who put them forward for membership of the IAASB.</p>	N/A.	<p><u>Sept 2020</u>: No action.</p> <p>Introduction paragraphs related to the role of the IAASB. Not applicable to AUASB considerations.</p> <p>Paragraphs have been retained in the current IAASB Preface (2011 version).</p>
<p>The IAASB's Pronouncements</p> <p>3. The IAASB's pronouncements govern audit, review, other assurance and related services engagements that are conducted in accordance with International Standards. They do not override the local laws or regulations that govern the audit of historical financial statements or assurance engagements on other information in a particular country required to be followed in accordance with that country's national standards. In the event that local laws or regulations differ from, or conflict with, the IAASB's Standards on a particular subject, an</p>	N/A.	<p><u>Sept 2020</u>: No action.</p> <p>As above, IAASB specific paragraph not applicable to AUASB considerations.</p> <p>Paragraphs has been retained in the current IAASB Preface (2011).</p>

AUASB Agenda Paper Attachment

IAASB Preface 2006	Related AUASB pronouncement	ATG Recommendation
<p>engagement conducted in accordance with local laws or regulations will not automatically comply with the IAASB's Standards. A professional accountant should not represent compliance with the IAASB's Standards unless the professional accountant has complied fully with all of those relevant to the engagement.</p>		
<p>The Authority Attaching to International Standards Issued by the International Auditing and Assurance Standards Board</p> <p>4. The International Standards on Auditing (ISAs) are to be applied in the audit of historical financial information.</p> <p>5. International Standards on Review Engagements (ISREs) are to be applied in the review of historical financial information.</p> <p>6. International Standards on Assurance Engagements (ISAEs) are to be applied in assurance engagements dealing with subject matters other than historical financial information.</p> <p>7. International Standards on Related Services (ISRSs) are to be applied to compilation engagements, engagements to apply agreed upon procedures to information and other related services engagements as specified by the IAASB.</p> <p>8. ISAs, ISREs, ISAEs and ISRSs are collectively referred to as the IAASB's Engagement Standards.</p> <p>9. International Standards on Quality Control (ISQCs) are to be applied for all services falling under the IAASB's Engagement Standards.</p>	<p>Foreword to AUASB Pronouncements</p> <p>9. ... Australian Auditing Standards, whilst developed in the context of financial report audits, are to be applied also, as appropriate, to all audits of other historical financial information.</p> <p>10. Standards on Review Engagements are to be applied to the review of a financial report and the review of other historical financial information.</p> <p>11. Standards on Assurance Engagements are to be applied to assurance engagements dealing with subject matters other than historical financial information.</p> <p>12. Standards on Related Services are to be applied when an assurance practitioner is engaged to undertake engagements other than assurance engagements covered by Australian Auditing Standards, Standards on Review Engagements or Standards on Assurance Engagements. International Standards on Quality Control (ISQCs) are to be applied for all services falling under the IAASB's Engagement Standard</p>	<p><u>Sept 2020:</u> No action.</p> <p>Paragraphs are contained in the <i>Foreword to AUASB Pronouncements</i> paragraphs 9-12. A separate paragraph outlining the application of ASQCs has not be included in the related AUASB pronouncement as ASQC 1 is included as part of the suite of Auditing Standards.</p> <p>Paragraphs have been retained in the current IAASB Preface.</p> <p><u>April 2021:</u></p> <p>Similar information (that is, explanation of the types of AUASB Standards and their applicability) is included in the revised AUASB Preamble to provide context relevant to the proper understanding of other material included in the Preamble.</p> <p>ASQMs are identified as a separate type of AUASB Standard in the revised Preamble, with a footnote explaining that for legislative purposes, ASQM 1 and ASQM 2 are included in legislation as "Auditing Standards".</p> <p>See revised ASA 101, paragraphs 7 and A3.</p>

AUASB Agenda Paper Attachment

<p>International Standards on Auditing</p> <p>10. ISAs are written in the context of an audit of financial statements by an independent auditor. They are to be adapted as necessary in the circumstances when applied to audits of other historical financial information.</p> <p>11. The objective of an audit of financial statements is to enable the auditor to express an opinion whether the financial statements are prepared, in all material respects, in accordance with an applicable financial reporting framework. It is undertaken to enhance the degree of confidence of intended users in the financial statements. ISAs, taken together, provide the standards for the auditor's work in fulfilling this objective.</p>	<p>ASA 200, An Audit of a Financial Report</p> <p>2. Australian Auditing Standards are written in the context of an audit of a financial report by an auditor. They are to be applied as necessary in the circumstances to audits of other historical financial information. Australian Auditing Standards do not address the responsibilities of the auditor that may exist in legislation, regulation or otherwise in connection with, for example, the offering of securities to the public. Such responsibilities may differ from those established in the Australian Auditing Standards. Accordingly, while the auditor may find aspects of the Australian Auditing Standards helpful in such circumstances, it is the responsibility of the auditor to ensure compliance with all relevant legal, regulatory or professional obligations.</p> <p>3. The purpose of an audit is to enhance the degree of confidence of intended users in the financial report. This is achieved by the expression of an opinion by the auditor on whether the financial report is prepared, in all material respects, in accordance with an applicable financial reporting framework. In the case of most general purpose frameworks, that opinion is on whether the financial report is presented fairly, in all material respects, or gives a true and fair view in accordance with the framework. An audit conducted in accordance with Australian Auditing Standards and relevant ethical requirements enables the auditor to form that opinion.</p>	<p><u>Sept 2020:</u> No action.</p> <p>Corresponding paragraphs are contained in <i>ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards</i>.</p> <p>Only paragraph 10 has been retained in the current IAASB Preface. Paragraph 11 has been moved to ISA 200.</p> <p><u>April 2021:</u></p> <p>See revised ASA 101, paragraph A6.</p>
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AUASB Agenda Paper Attachment

<p>International Standards on Auditing (cont.)</p> <p>12. In conducting an audit, the overall objective of the auditor is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to report on the financial statements in accordance with the auditor's findings. In all cases when this overall objective has not been or cannot be achieved, the ISAs require that the auditor modifies the auditor's opinion accordingly or withdraws from the engagement.</p>	<p>ASA 200, An Audit of a Financial Report (cont.)</p> <p>5. As the basis for the auditor's opinion, Australian Auditing Standards require the auditor to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error. Reasonable assurance is a high level of assurance. It is obtained when the auditor has obtained sufficient appropriate audit evidence to reduce audit risk (that is, the risk that the auditor expresses an inappropriate opinion when the financial report is materially misstated) to an acceptably low level. However, reasonable assurance is not an absolute level of assurance, because there are inherent limitations of an audit which result in most of the audit evidence on which the auditor draws conclusions and bases the auditor's opinion being persuasive rather than conclusive.</p>	<p><u>Sept 2020:</u> No action.</p> <p>Corresponding paragraph contained in ASA 200.</p> <p>Paragraph 12 does not appear in the current IAASB Preface and has been moved to ISA 200.</p>
<p>International Standards on Auditing (cont.)</p> <p>13. The auditor applies each ISA relevant to the audit. An ISA is relevant when the ISA is in effect and the circumstances addressed by the ISA exist.</p> <p>14. The ISAs deal with the general responsibilities of the auditor, as well as the auditor's further considerations relevant to the application of those responsibilities to specific topics. An ISA contains objectives and requirements together with related guidance in the form of application and other explanatory material. It may also contain introductory material that provides context essential to a proper understanding of the ISAs, and definitions. It is, therefore, necessary to consider the entire text of an ISA to understand and apply its requirements.</p>	<p>ASA 200, Conduct of an Audit in Accordance with Australian Auditing Standards</p> <p>18. The auditor shall comply with all Australian Auditing Standards relevant to the audit. An Auditing Standard is relevant to the audit when the Auditing Standard is in effect and the circumstances addressed by the Auditing Standard exist.</p> <p>A55. The Australian Auditing Standards, taken together, provide the standards for the auditor's work in fulfilling the overall objectives of the auditor. The Australian Auditing Standards deal with the general responsibilities of the auditor, as well as the auditor's further considerations relevant to the application of those responsibilities to specific topics.</p>	<p><u>Sept 2020:</u> No action.</p> <p>Corresponding paragraphs contained in ASA 200.</p> <p>Paragraphs 13 and 14 do not appear in the current IAASB Preface and have been moved to ISA 200.</p> <p><u>April 2021:</u></p> <p>Similar content, at a high level, is included in the revised Preamble to provide the relevant context for understanding other explanatory material included in the Preamble.</p> <p>Where considered useful, cross references to ASA 200 and ASAE 3000 have been added to point readers to the relevant detail.</p> <p>See revised ASA 101, paragraphs A39-A44.</p>

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<p>ISA Objectives</p> <p>15. Each ISA contains an objective or objectives, which provide the context in which the requirements of the ISA are set. The auditor aims to achieve these objectives, having regard to the interrelationships amongst the ISAs. For this purpose, the auditor uses the objectives to judge whether, having complied with the requirements of the ISAs, sufficient appropriate audit evidence has been obtained in the context of the overall objective of the auditor. Where an individual objective has not been or cannot be achieved, the auditor considers whether this prevents the auditor from achieving the auditor's overall objective.</p>	<p>ASA 200 Conduct of an Audit in Accordance with Australian Auditing Standards</p> <p>21. To achieve the overall objectives of the auditor, the auditor shall use the objectives stated in relevant Australian Auditing Standards in planning and performing the audit, having regard to the interrelationships among the Australian Auditing Standards, to:</p> <p>(a) Determine whether any audit procedures in addition to those required by the Australian Auditing Standards are necessary in pursuance of the objectives stated in the Australian Auditing Standards; and</p> <p>(b) Evaluate whether sufficient appropriate audit evidence has been obtained.</p> <p>24. If an objective in a relevant Auditing Standard cannot be achieved, the auditor shall evaluate whether this prevents the auditor from achieving the overall objectives of the auditor and thereby requires the auditor, in accordance with Australian Auditing Standards, to modify the auditor's opinion or withdraw from the engagement (where withdrawal is possible under applicable law or regulation). Failure to achieve an objective represents a significant matter requiring documentation in accordance with ASA 230.</p>	<p><u>Sept 2020:</u> No action.</p> <p>Corresponding paragraphs contained in ASA 200.</p> <p><u>April 2021:</u></p> <p>See previous comment.</p>
<p>Requirements</p> <p>16. The requirements of each ISA are contained in a separate section and expressed using the word "shall." The auditor applies the requirements in the context of the other material included in the ISA.</p>	<p>N/A</p>	<p><u>Sept 2020:</u> ACTION</p> <p>No AUASB pronouncement contains an equivalent paragraph. Recommend inclusion as part of application material to paragraph 9 of ASA 101.</p> <p>There is no equivalent international paragraph in the current suite.</p> <p><u>April 2021:</u></p> <p>See revised ASA 101, paragraphs A39-A40.</p>

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<p>Requirements (cont.)</p> <p>17. The auditor complies with the requirements of an ISA in all cases where they are relevant in the circumstances of the audit. In exceptional circumstances, however, the auditor may judge it necessary to depart from a relevant requirement by performing alternative audit procedures to achieve the aim of that requirement. The need for the auditor to depart from a relevant requirement is expected to arise only where the requirement is for a specific procedure to be performed and, in the specific circumstances of the audit, that procedure would be ineffective.</p> <p>18. A requirement is not relevant only in the cases where: the ISA is not relevant; or the circumstances envisioned do not apply because the requirement is conditional and the condition does not exist. The auditor is not required to comply with a requirement that is not relevant in the circumstances of the audit; this does not constitute a departure from the requirement.</p>	<p>ASA 200, Complying with Relevant Requirements</p> <p>22. Subject to paragraph Aus 23.1 of this Auditing Standard, the auditor shall comply with each requirement of an Auditing Standard unless, in the circumstances of the audit:</p> <p>(a) The entire Auditing Standard is not relevant;</p> <p>(b) The requirement is not relevant because it is conditional and the condition does not exist; or</p> <p>Aus 23.1 Where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor shall:</p> <p>(a) If possible, perform appropriate alternative audit procedures; and</p> <p>(b) In accordance with ASA 230,* document in the working papers:</p> <p>(i) The circumstances surrounding the inability to comply;</p> <p>(ii) The reasons for the inability to comply; and</p> <p>(iii) Justification of how alternative audit procedures achieve the objectives of the requirement.</p> <p>When the auditor is unable to perform the appropriate alternative audit procedures, the auditor shall consider the requirement in paragraph 24 of this Auditing Standard.</p>	<p><u>Sept 2020:</u> No action.</p> <p>Corresponding paragraphs contained in ASA 200.</p> <p>Paragraphs 17 and 18 do not appear in the current IAASB Preface and have been moved to ISA 200.</p> <p><u>April 2021:</u></p> <p>Similar content, at a high level, is included in the revised Preamble to provide the relevant context for understanding of other explanatory material included in the Preamble.</p> <p>Where considered useful, cross references to ASA 200 and ASAE 3000 have been added to point readers to the relevant detail.</p> <p>See revised ASA 101, paragraphs A39-A44 (specifically, paragraphs A41-A44).</p>
<p>Application and Other Explanatory Material</p> <p>19. The application and other explanatory material contained in an ISA is an integral part of the ISA as it provides further explanation of, and guidance for carrying out, the requirements of an ISA, along with background information on the matters addressed in the ISA. It may include</p>	<p>ASA 200, Contents of the Australian Auditing Standards</p> <p>A60. In addition to objectives and requirements (requirements are expressed in the Australian Auditing Standards using “shall”), an Auditing Standard contains related guidance in the form of application and other explanatory material. It</p>	<p><u>Sept 2020:</u> No action.</p> <p>Corresponding paragraphs contained in ASA 200.</p> <p>Paragraphs 19 and 20 do not appear in the current IAASB Preface and have been moved to ISA 200.</p>

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<p>examples of procedures, some of which the auditor may judge to be appropriate in the circumstances. Such guidance is, however, not intended to impose a requirement.</p> <p>20. Appendices, which form part of the application and other explanatory material, are an integral part of an ISA. The purpose and intended use of an appendix are explained in the body of the related ISA or within the title and introduction of the appendix itself.</p>	<p>may also contain introductory material that provides context relevant to a proper understanding of the Auditing Standard, and definitions. The entire text of an Auditing Standard, therefore, is relevant to an understanding of the objectives stated in an Auditing Standard and the proper application of the requirements of an Auditing Standard.</p> <p>A61. Where necessary, the application and other explanatory material provides further explanation of the requirements of an Auditing Standard and guidance for carrying them out. In particular, it may:</p> <ul style="list-style-type: none"> • Explain more precisely what a requirement means or is intended to cover. • Include examples of procedures that may be appropriate in the circumstances. <p>While such guidance does not in itself impose a requirement, it is relevant to the proper application of the requirements of an Auditing Standard. The application and other explanatory material may also provide background information on matters addressed in an Auditing Standard.</p> <p>A62. Appendices form part of the application and other explanatory material. The purpose and intended use of an appendix are explained in the body of the related Auditing Standard or within the title and introduction of the appendix itself</p>	<p><u>April 2021:</u></p> <p>Similar explanatory material from ASA 200 and ASAE 3000 are included in the revised AUASB Preamble to explain the authority of this material and how this material is to be used in the application of the requirements of all AUASB Standards.</p> <p>See revised ASA 101, paragraphs A52-A55.</p>
<p>Introductory Material and Definitions</p> <p>21. Introductory material may include, as needed, such matters as explanation of: the purpose and scope of the ISA, including how the ISA relates to other ISAs; the subject matter of the ISA; specific expectations on the auditor and others; and the context in which the ISA is set.</p> <p>22. An ISA may include, in a separate section under the heading 'Definitions', a description of</p>	<p>ASA 200, Contents of the Australian Auditing Standards (cont.)</p> <p>A63. Introductory material may include, as needed, such matters as explanation of:</p> <ul style="list-style-type: none"> • The purpose and scope of the Auditing Standard, including how the Auditing Standard relates to other Auditing Standards. • The subject matter of the Auditing Standard. 	<p><u>Sept 2020:</u> No action.</p> <p>Material is already outlined in ASA 200, inclusion in the Preamble would be an Australian specific repetition.</p> <p>Paragraphs 21 and 22 do not appear in the current IAASB Preface and have been moved to ISA 200.</p>

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<p>the meanings attributed to certain terms for purposes of the ISAs. These are provided to assist in the consistent application and interpretation of the ISAs, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout the ISAs. The Glossary of Terms in the Handbook contains a complete listing of terms defined in the ISAs. It also includes descriptions of other terms found in ISAs to assist in common and consistent interpretation and translation.</p>	<ul style="list-style-type: none"> • The respective responsibilities of the auditor and others in relation to the subject matter of the Auditing Standard. • The context in which the Auditing Standard is set. <p>A64. An Auditing Standard may include, in a separate section under the heading “Definitions,” a description of the meanings attributed to certain terms for purposes of the Australian Auditing Standards. These are provided to assist in the consistent application and interpretation of the Australian Auditing Standards, and are not intended to override definitions that may be established for other purposes, whether in law, regulation or otherwise. Unless otherwise indicated, those terms will carry the same meanings throughout the Australian Auditing Standards. The AUASB Glossary* contains a complete listing of terms defined in the Australian Auditing Standards. It also includes descriptions of other terms found in Australian Auditing Standards to assist in common and consistent interpretation and translation.</p>	
<p>International Standards on Quality Control</p> <p>23. ISQCs are written to apply to firms in respect of all their services falling under the IAASB’s Engagement Standards. The authority of ISQCs is set out in the introduction to the ISQCs.</p>	<p>N/A</p>	<p><u>Sept 2020:</u> No action.</p> <p>A separate paragraph outlining the application of ASQCs has not be included in the related AUASB pronouncement as ASQC 1 is included as part of the suite of Auditing Standards.</p> <p>Paragraph 23 still appears in the current IAASB Preface.</p> <p><u>April 2021:</u></p> <p>ASQMs are identified as a separate type of AUASB Standard in the revised AUASB Preamble, with a footnote explaining that for legislative purposes, ASQM 1 and ASQM 2 are included in legislation as “Auditing Standards”.</p>

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		See revised ASA 101, paragraphs 7(a) and A3(a).
<p>Other International Standards</p> <p>24. The International Standards identified in paragraphs 5-7 contain basic principles and essential procedures (identified in bold type lettering and by the word “should”) together with related guidance in the form of explanatory and other material, including appendices. The basic principles and essential procedures are to be understood and applied in the context of the explanatory and other material that provides guidance for their application. It is therefore necessary to consider the entire text of a Standard to understand and apply the basic principles and essential procedures.</p> <p>25. The basic principles and essential procedures of a Standard are to be applied in all cases where they are relevant in the circumstances of the engagement. In exceptional circumstances, however, a professional accountant may judge it necessary to depart from a relevant essential procedure in order to achieve the purpose of that procedure. When such a situation arises, the professional accountant is required to document how alternative procedures performed achieve the purpose of the procedure, and, unless otherwise clear, the reasons for the departure. The need for the professional accountant to depart from a relevant essential procedure is expected to arise only where, in the specific circumstances of the engagement, that procedure would be ineffective.</p> <p>26. Appendices, which form part of the application material, are an integral part of a Standard. The purpose and intended use of an appendix are explained in the body of the related Standard or within the title and introduction of the appendix itself.</p>	<p>ASA 100, Mandatory Requirements</p> <p>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.</p> <p>11. An auditor is required to comply with all mandatory requirements except when:</p> <p>(a) application of the mandatory requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial;</p> <p>(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</p> <p>(c) a mandatory requirement(s) is conditional and the condition is not present.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p><u>Sept 2020</u>: No action.</p> <p>Paragraphs 24-26 of the IAASB Preface outline the drafting principles related to standards in which a requirement is denoted in bold-type and the use of the term “should”. The use of “should” was replaced in all AUASB standards with “shall” when the equivalent AARF standards were redrafted for AUASB purposes.</p>

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<p>Professional Judgement</p> <p>27. The nature of the International Standards requires the professional accountant to exercise professional judgment in applying them.</p>	<p>ASA 200, Professional Judgement</p> <p>16. The auditor shall exercise professional judgement in planning and performing an audit of a financial report.</p>	<p><u>Sept 2020:</u> No action.</p> <p>Corresponding paragraph contained in ASA 200. Paragraphs 27 does appear in the current IAASB Preface as well as in ISA 200.</p> <p><u>April 2021:</u></p> <p>As application of professional judgement and professional scepticism is essential to the proper conduct of engagements that fall within the scope of AUASB Standards, two paragraphs have been added to the revised Preamble to explain these concepts at a high level and to provide the necessary links to the <i>Framework for Assurance Engagements</i> and other relevant AUASB pronouncements, for further detail.</p> <p>See revised ASA 101, paragraphs A16 and A17.</p>
<p>Applicability of the International Standards</p> <p>28. The scope, effective date and any specific limitation of the applicability of a specific International Standard is made clear in the Standard. Unless otherwise stated in the International Standard, the professional accountant is permitted to apply an International Standard before the effective date specified therein.</p> <p>29. International Standards are relevant to engagements in the public sector. When appropriate, additional considerations specific to public sector entities are included:</p> <p>(a) Within the body of an International Standard in the case of ISAs and ISQCs, or</p> <p>(b) In a Public Sector Perspective (PSP) appearing at the end of other International Standards.</p>	<p>N/A</p>	<p><u>Sept 2020:</u> ACTION</p> <p>ATG recommend inclusion of part of paragraph 28 in ASA 101 regarding early adoption of standards.</p> <p><u>April 2021:</u></p> <p>The matter of early adoption of standards has been raised for Board Consideration – see Agenda Paper 4.0 Section E <i>Specific Matters for Board Consideration</i> (Question (b))</p> <p>See revised ASA 101, paragraphs A34-A36.</p>
<p>Paragraphs 30-33 are IAASB specific and not included.</p>	<p>N/A.</p>	<p>N/A</p>

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Part B – Review of AUASB Preambles

ASA 100	ASA 101	AUASB Comment
<p>Operative Date (for this standard)</p> <p>1. This Auditing Standard is operative for financial reporting periods commencing on or after 1 July 2006.</p>	<p>Operative Date (for this standard)</p> <p>3. This Auditing Standard is operative for engagements with financial reporting periods commencing on or after 1 January 2010, and for firms required to establish systems of quality control in compliance with ASQC 1 by 1 January 2010. [Note: For operative dates of paragraphs changed or added by an amending Standard, see Compilation Details.]</p> <p>4. This Auditing Standard supersedes interpretive information contained in ASA 100 Preamble to AUASB Standards to the extent that ASA 100 applies to the Australian Auditing Standards.</p>	<p>Sept 2020: No action.</p> <p>Operative date paragraphs are fundamental components of a standard.</p> <p>See revised ASA 101, paragraph 2</p>
<p>Introduction</p> <p>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:</p> <ul style="list-style-type: none"> (a) Auditing Standards (“ASAs”); (b) Standards on Review Engagements (“ASREs”); (c) Standards on Assurance Engagements (“ASAEs”); and (d) Standards on Related Services (“ASRSs”). <p>3. An auditor shall apply AUASB Standards in conjunction with paragraphs 1 to 49 of this Preamble.</p>	<p>Introduction</p> <p>Scope of this Auditing Standard</p> <p>5. The purpose of this Auditing Standard is to set out mandatory components additional to those included elsewhere in the Australian Auditing Standards that are operative for:</p> <ul style="list-style-type: none"> • financial reporting periods commencing on or after 1 January 2010; and • firms required to establish systems of quality control by 1 January 2010. <p>6. ASA 100 Preamble to AUASB Standards applies to all AUASB Standards other than the Australian Auditing Standards referred to in paragraph 5 of this Auditing Standard.</p>	<p>Sept 2020: ACTION</p> <p>ATG has recommended expanding the scope of this standard to all AUASB standards to address the issue of ASREs, ASAEs, ASRSs referring to ASA 100.</p> <p>April 2021:</p> <p>See revised ASA 101, paragraphs 1; 3-4 and 11.</p> <p>The scope of the revised ASA 101 has been expanded to apply to all AUASB Standards.</p> <p>The purpose of the revised Preamble is to set out the intentions of the AUASB as to how AUASB Standards are to be understood, interpreted and applied.</p>

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<p>Introduction (cont.)</p> <p>4. The AUASB derives its functions and powers under section 227B of the <i>Australian Securities and Investments Commission Act 2001</i>. The AUASB:</p> <p>(a) makes Auditing Standards under section 336 of the <i>Corporations Act 2001</i> (the Act) for the purposes of the corporations legislation; and</p> <p>(b) formulates auditing and assurance standards for other purposes.</p>	<p>N/A</p>	<p><u>Sept 2020:</u> No Action.</p> <p>This is addressed by the <i>Foreword to AUASB Pronouncements</i>.</p> <p><u>April 2021:</u></p> <p>This paragraph has been included in the revised Preamble to provide context for understanding of other related explanatory material included in the Preamble related to engagements under the Corporations Act and application of Auditing Standards.</p> <p>See revised ASA 101, paragraphs 1(a); 5-6; A5- A6; and A31-A33.</p>
<p>Application</p> <p>5. Auditing Standards apply to: (a) an audit of a financial report for a financial year, or an audit or review 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.</p> <p>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.</p>	<p>Application</p> <p>1. This Auditing Standard applies to:</p> <p>(a) an audit of a financial report for a financial year, or an audit or a review of a financial report for a half-year, in accordance with the Corporations Act 2001;</p> <p>(b) an audit of a financial report, or a complete set of financial statements, for any other purpose;</p> <p>(c) a review, by the independent auditor of the entity, of a financial report, or a complete set of financial statements, comprising historical financial information, for any other purpose; and</p> <p>(d) a firm required to comply with ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements.</p> <p>2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.</p>	<p><u>Sept 2020:</u> ACTION</p> <p>ATG has recommended expanding the scope of this standard to all AUASB standards to address the issue of ASREs, ASAEs, ASRSs referring to ASA 100.</p> <p><u>April 2021:</u></p> <p>See revised ASA 101, paragraph 1; A5-A6; A31- A33.</p>

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<p>Enforcement</p> <p>7. Section 307A of the Act requires auditors to conduct audits and reviews of the financial reports 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.</p>	<p>Engagement under the <i>Corporations Act 2001</i></p> <p>11. The “Application” paragraph in each Auditing Standard that refers to audits or reviews conducted in accordance with the Corporations Act 2001 applies specifically to:</p> <p>(a) an audit or a review conducted under Part 2M.3 of the Act; and</p> <p>(b) an audit conducted under Part 7.8 of the Act.</p>	<p><u>Sept 2020:</u> No Action.</p> <p><u>April 2021:</u></p> <p>Paragraph 11 of the extant ASA 101 has been moved from the “Requirements” section to the “Application and Other Explanatory Material” section of the revised ASA 101 – see paragraph A32 on the basis that it is considered that this paragraph provides further clarification rather than add to requirements.</p> <p>The relegation of paragraphs 11 and 12 of extant ASA 101 from “Requirements” to “Application and Other Explanatory Material” has been raised for Board Consideration – see Agenda Paper 4.0 Section E <i>Specific Matters for Board Consideration</i> (Question (a))</p> <p>See revised ASA 101, paragraphs A31-A33.</p> <p>Also,</p> <p>for the sake of clarity, and to distinguish Auditing Standards made under section 336 of the Corporations Act for the purposes of the corporations legislation from other AUASB Standards, paragraph 7 of the extant ASA 100 has been included in the revised ASA 101.</p> <p>See revised ASA 101, paragraphs A7-A10 and, more specifically, footnote 23.</p> <p>This material is also included in the revised <i>Foreword to AUASB Pronouncements</i> (March 21), paragraphs 6-9.</p>
<p>Auditing and Assurance Standards for Other Purposes</p> <p>8. Auditing and assurance standards for other purposes consist of standards that are designed for subject-specific areas. They include, for</p>	<p>N/A</p>	<p><u>Sept 2020:</u> ACTION</p> <p>Consideration of whether a similar paragraph is required in ASA 101 when it is expanded beyond auditing standards.</p>

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<p>example, assurance engagements that relate to:</p> <ul style="list-style-type: none"> • 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. 		<p><u>April 2021:</u></p> <p>This paragraph is included in the Introduction to the revised ASA 101 as paragraph 6.</p>
	<p>Objective</p> <p>7. The objective of the auditor and the firm is to use this Auditing Standard in order to understand, interpret and apply the Australian Auditing Standards that are operative for engagements with financial reporting periods commencing on or after 1 January 2010; and for firms required to establish systems of quality control by 1 January 2010.</p>	<p><u>Sept 2020: No action.</u></p> <p>Objectives for standards were introduced under the 'clarity drafting conventions'. As ASA 100 is a pre-clarity standard it will not contain a distinct 'Objective'.</p> <p>See revised ASA 101, paragraph 9.</p>
	<p>Definitions</p> <p>8. For purposes of the Australian Auditing Standards, the following terms have the meanings attributed below:</p> <p>(a) Auditing Standards means auditing standards made under section 336 of the Corporations Act 2001 (the "Act"), and include:</p> <p style="padding-left: 20px;">(i) ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements; and</p> <p style="padding-left: 20px;">(ii) ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity.</p> <p>(b) Australian Auditing Standards means the suite of auditing standards issued by the AUASB, comprising:</p>	<p><u>Sept 2020: No Action.</u></p> <p>Definitions are relevant only to ASA 101.</p> <p>See revised ASA 101, paragraph 10.</p>

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	<ul style="list-style-type: none"> • Auditing Standards made under section 336 of the Corporations Act 2001; • ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement; and • ASA 810 Engagements to Report on Summary Financial Statements. 	
<p>Authority of the Paragraphs in AUASB Standards</p> <p>9. AUASB Standards consist of paragraphs that are either:</p> <p>(a) mandatory requirements, identified in bold-type (black lettering); or</p> <p>(b) explanatory guidance, identified in normal-type (grey lettering). The paragraphs in AUASB Standards do not have equal authority.</p>	N/A	<p><u>Sept 2020:</u> No action.</p> <p>This paragraph summarises content in paragraphs 10-17 of ASA 100.</p>
<p>Mandatory Requirements</p> <p>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.</p>	<p>Authority of the Paragraphs in Australian Auditing Standards</p> <p>9. The auditor shall apply the mandatory components of the Australian Auditing Standards when conducting an audit or review in accordance with those Standards. The mandatory components are included in each Auditing Standard under the headings listed below:</p> <p>(i) Application (paragraph Aus 0.1).</p> <p>(ii) Operative Date.</p> <p>(iii) Objective(s).</p> <p>(iv) Definition(s).</p> <p>(v) Requirements.</p>	<p><u>Sept 2020:</u> No action.</p> <p>Paragraphs outline mandatory components of a standard for a pre and post clarity standard.</p> <p>See revised ASA 101, paragraph 12.</p>

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<p>Mandatory Requirements (cont.)</p> <p>11. An auditor is required to comply with all mandatory requirements except when:</p> <p>(a) application of the mandatory requirement(s) would relate to classes of transactions, account balances or disclosures that are immaterial;</p> <p>(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</p> <p>(c) a mandatory requirement(s) is conditional and the condition is not present.</p> <p>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.</p> <p>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.</p>	<p>Compliance with Requirements</p> <p>12. When, in the circumstances of the audit, a requirement is not relevant due to the conditions described in ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards, the auditor is not required to document the reason(s) why the requirement is not relevant.</p> <p>A2. Under paragraph 12, an auditor need not document the reasons why a requirement is not relevant. However, where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained within a relevant requirement, the auditor is required under ASA 230 or ASRE 24102, as applicable, to document:</p> <p>(a) the circumstances surrounding the inability to comply;</p> <p>(b) the reasons for the inability to comply; and</p> <p>(c) justification of how alternative procedures achieve the objectives of the requirement.</p>	<p>Sept 2020: No action.</p> <p>Inability to comply with a requirement is addressed through ASA 101 and ASA 200.</p> <p>April 2021:</p> <p>Paragraph 12 of the extant ASA 101 has been moved from the "Requirements" section of the Preamble to the "Application and Other Explanatory Material" section as it is considered that this paragraph provides clarification rather than add to requirements.</p> <p>See revised ASA 101, paragraphs A39-A44, and more specifically, paragraph A41-A44.</p> <p>The relegation of paragraphs 11 and 12 of extant ASA 101 from "Requirements" to "Application and Other Explanatory Material" has been raised for Board Consideration – see Agenda Paper 4.0 Section E Specific Matters for Board Consideration (Question (a))</p>
<p>Explanatory Guidance</p> <p>15. Explanatory guidance:</p> <p>(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</p> <p>(b) may include practical examples to assist in understanding the application of mandatory requirements.</p> <p>16. Explanatory Guidance consists of suggested (or typical) audit procedures, practical examples and other explanatory details and procedures</p>	<p>Authority of the Paragraphs in Australian Auditing Standards (cont.)</p> <p>10. The auditor shall consider the whole text of an Auditing Standard to understand, interpret and apply the mandatory components. The explanatory material is included in each Auditing Standard under the headings listed below:</p> <p>(i) Application (paragraph Aus 0.2).</p> <p>(ii) Introduction.</p> <p>(iii) Application and Other Explanatory Material.</p>	<p>Sept 2020: ACTION</p> <p>ATG to consider whether the nature of explanatory guidance outlined in paragraphs 15-17 of ASA 100 are relevant for application and other explanatory material in clarity-format standards.</p> <p>April 2021:</p> <p>See revised ASA 101, paragraphs 13 and A52-A54, which is based on ASA 200, paragraphs 19 and A60-A61 and ASAE 3000, paragraphs 16, A23 and A26.</p>

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<p>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.</p> <p>17. Explanatory Guidance does not create or extend mandatory requirements or the auditor's obligations under AUASB Standards.</p>	<p>(iv) Conformity with International Standards on Auditing.</p> <p>(v) Appendices.</p> <p>Explanatory material does not create or extend mandatory components.</p> <p>A1. Included within the requirements section of a standard are references to paragraphs in the "Application and Other Explanatory Material" section of the standard. Such references do not extend or create requirements.</p>	
<p>Authority Statement (Other Important Elements of AUASB Standards)</p> <p>19. The purposes of the Authority Statement are to:</p> <p>(a) link the issuance of each individual AUASB Standard to the mandating legislation;</p> <p>(b) identify the paragraphs that comprise the AUASB Standard;</p> <p>(c) set out the requirement to read the AUASB Standard in conjunction with this Preamble; and</p> <p>(d) identify the mandatory requirements of the AUASB Standard.</p>	N/A	<p><u>Sept 2020:</u> ACTION</p> <p>Paragraph contains an explanation of the purpose of an authority statement which appears in all AUASB standards. Consideration for inclusion as part of ASA 101.</p> <p><u>April 2021:</u></p> <p>Included in revised ASA 101, paragraphs A1-A2 (amended to exclude item (d) which is relevant to ASA 100 only).</p>
<p>Application Paragraphs</p> <p>20. Each AUASB Standard contains application paragraphs that, in part or in whole, form part of the mandatory requirements.</p> <p>21. The application paragraphs identify the scope of the AUASB Standard.</p> <p>22. Auditing Standards made under section 336 of the Act contain mandatory application paragraphs relating to:</p> <p>(a) an audit of a financial report for a financial year, or an audit of a financial report for a half-</p>	N/A	<p><u>Sept 2020:</u> ACTION</p> <p>Paragraph contains an explanation of how application paragraphs which appear in all AUASB standards work. Consideration for inclusion as part of ASA 101.</p> <p><u>April 2021:</u></p> <p>Included in revised ASA 101, paragraphs A29- A33 and A6.</p>

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<p>year, in accordance with Part 2M.3 of the Corporations Act 2001; and</p> <p>(b) an audit of a financial report for any other purpose.</p> <p>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.</p> <p>24. Although the Auditing Standards are written mainly in the context of an external audit of a financial report, they apply also, adapted as necessary, to the audit of other financial information.</p>		
<p>Operative Date (definition)</p> <p>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:</p> <p>(a) the operative date of any amendment to those requirements;</p> <p>(b) in relevant circumstances, the early adoption of such amendment; or</p> <p>(c) the AUASB Standard is withdrawn by the AUASB.</p> <p>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.</p>	N/A	<p><u>Sept 2020: ACTION</u></p> <p>Paragraph contains an explanation of the purpose of the operative date paragraphs which appears in all AUASB standards. Consideration for inclusion as part of ASA 101.</p> <p>ATG recommends that any amendment to ASA 101 to include this material also include a cross reference to s336(4) of the <i>Corporations Act 2001</i> which requires that when an auditor elects to early adopt an auditing standard, the election is to be recorded in the audit report.</p> <p><u>April 2021:</u></p> <p>Included in revised ASA 101, paragraphs A34- 36.</p> <p>The matter of early adoption of standards has been raised for Board Consideration – see Agenda Paper 4.0 Section E <i>Specific Matters for Board Consideration</i> (Question (b))</p>

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<p>Definitions</p> <p>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.</p>	<p>N/A</p>	<p><u>Sept 2020:</u> ACTION</p> <p>Paragraph contains a link to the <i>AUASB Glossary</i> which a formal pronouncement of the AUASB. Consideration for inclusion as part of ASA 101.</p> <p><u>April 2021:</u></p> <p>Included in revised ASA 101, paragraph A38.</p>
<p>Conformity Paragraphs</p> <p>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 AUASB takes the position that an AUASB Standard conforms to the equivalent international standard when:</p> <p>(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</p> <p>(b) the explanatory guidance is substantially the same as the equivalent international standard or the AUASB Standard contains additional explanatory guidance.</p> <p>29. The Conformity paragraphs in AUASB Standards include necessary differences from the equivalent international standard relating to terminology, referencing and Australian regulatory requirements.</p> <p>30. When an AUASB Standard and the equivalent international standard conform, the Conformity paragraphs contain a statement to this effect.</p> <p>31. When an AUASB Standard and the equivalent international standard are not equivalent, the</p>	<p>N/A</p>	<p><u>Sept 2020:</u> ACTION</p> <p>Paragraph contains an explanation of the purpose of the conformity with IAASB paragraphs which appears in all AUASB standards. Consideration for inclusion as part of ASA 101.</p> <p><u>April 2021:</u></p> <p>Included in revised ASA 101, paragraphs A46- A50.</p>

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<p>Conformity paragraphs detail the main differences.</p> <p>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".</p>		
<p>Type of Entity</p> <p>33. AUASB Standards are:</p> <ul style="list-style-type: none"> (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. <p>34. If necessary, entity sector and size considerations are included, and identified, in the body of the relevant AUASB Standard.</p> <p>35. AUASB Standards do not take into account any specific circumstances affecting entities that are subject to audit or review.</p>	<p>N/A</p>	<p><u>Sept 2020: ACTION</u></p> <p>Paragraphs explain that AUASB standards are framework neutral, applicable to all sizes of entities and sector neutral. ATG does not recommend inclusion in ASA 101 but does recommend inclusion in the <i>Foreword to AUASB Pronouncements</i></p> <p><u>April 2021:</u></p> <p>This content was not considered appropriate for inclusion in the revised <i>Foreword to AUASB Pronouncements</i> that was issued in March 2021. The purpose of the Foreword is to provide an overview only of the range and hierarchy of AUASB pronouncements and other materials. This content has been included in the revised ASA 101 under paragraphs A11-A13.</p>

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<p>Applying AUASB Standards (Professional Judgement)</p> <p>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:</p> <ul style="list-style-type: none"> (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. <p>37. The use of professional judgement is required and applies in particular to:</p> <ul style="list-style-type: none"> (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. 	<p>N/A</p>	<p><u>Sept 2020:</u> No Action.</p> <p>As outlined in Part A of this paper, this content is now within ASA 200.</p> <p><u>April 2021:</u></p> <p>As application of professional judgement and professional scepticism is considered essential to the proper conduct of engagements that fall within the scope of AUASB Standards, two paragraphs have been added to the revised Preamble under the heading “Applying AUASB Standards”, to explain these concepts at a high level and to provide the necessary links to the <i>Framework for Assurance Engagements</i> and other relevant AUASB pronouncements, for further detail.</p> <p>See revised ASA 101, paragraphs A16 and A17.</p>
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<p>Ethics</p> <p>38. The AUASB takes the view that inclusion in AUASB Standards of references to relevant ethical requirements is important to:</p> <ul style="list-style-type: none"> (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. <p>39. The relevant ethical requirements relating to audit engagements referred to in Auditing Standards are contained in the respective codes of professional conduct of the professional accounting bodies in Australia. The codes of professional conduct are aligned with the equivalent international code.</p>	<p>N/A</p>	<p><u>Sept 2020:</u> ACTION</p> <p>The ATG does not recommend the inclusion of the paragraphs from ASA 100 as this content is covered as part of the <i>Framework for Assurance Engagements</i>.</p> <p>ATG recommends that a link from ASA 101 to the Framework is included.</p> <p><u>April 2021:</u></p> <p>A new section has been included in the revised ASA 101 in recognition of the importance of compliance with ethical principles and quality management for performing a high quality engagement and serving the public interest. References are included to the <i>Framework for Assurance Engagements</i>, ASA 102 and the new ASQMs.</p> <p>See revised ASA 101, paragraphs A18-A22.</p>
<p>Inability to Comply with Mandatory Requirements</p> <p>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:</p> <ul style="list-style-type: none"> (a) if possible, to perform appropriate alternative audit procedures; and (b) in accordance with ASA 230 Audit Documentation, to document in the working papers: 	<p>Compliance with Requirements</p> <p>12. When, in the circumstances of the audit, a requirement is not relevant due to the conditions described in ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards, the auditor is not required to document the reason(s) why the requirement is not relevant.</p> <p>A2. Under paragraph 12, an auditor need not document the reasons why a requirement is not relevant. However, where in rare and exceptional circumstances, factors outside the auditor's control prevent the auditor from complying with an essential procedure contained</p>	<p><u>Sept 2020:</u> No action.</p> <p>Inability to comply with a requirement is addressed through ASA 101 and ASA 200.</p> <p><u>April 2021:</u></p> <p>Paragraph 12 of the extant ASA 101 has been moved from the "Requirements" section of the Preamble to the "Application and Other Explanatory Material" section, as it is considered that this paragraph provides clarification rather than add to requirements.</p> <p>See revised ASA 101, paragraphs A39-A44, and more specifically, paragraphs A41-A44.</p>

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<p>(i) the circumstances surrounding the inability to comply;</p> <p>(ii) the reasons for the inability to comply; and</p> <p>(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.</p>	<p>within a relevant requirement, the auditor is required under ASA 230 or ASRE 24102, as applicable, to document:</p> <p>(a) the circumstances surrounding the inability to comply;</p> <p>(b) the reasons for the inability to comply; and</p> <p>(c) justification of how alternative procedures achieve the objectives of the requirement.</p>	<p>The relegation of paragraphs 11 and 12 of extant ASA 101 from "Requirements" to "Application and Other Explanatory Material" has been raised for Board Consideration – see Agenda Paper 4.0 Section E <i>Specific Matters for Board Consideration</i> (Question (a))</p>
<p>Auditing Standards Made Under Section 336 of the Corporations Act 2001</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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 Legislative Instruments Act 2003.</p>	<p>N/A</p>	<p><u>Sept 2020:</u> No action.</p> <p>ATG recommendation that content be included as part of the <i>Foreword to AUASB Pronouncements</i>.</p> <p><u>April 2021:</u></p> <p>Paragraphs 43 and 44 of ASA 100 have been included in the revised <i>Foreword to AUASB Pronouncements</i> – see paragraphs 5 and 6, and footnote 4.</p>

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<p>AUASB Drafting Approach</p> <p>45. The following drafting principles and conventions have been adopted to implement the objectives discussed above:</p> <ul style="list-style-type: none"> (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). <p>46. The drafting utilised in AUASB Standards reflects the AUASB's intention that:</p> <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (i) mandatory requirements; or (ii) the auditor's obligations under AUASB Standards. 	<p>N/A</p>	<p><u>Sept 2020</u>: No action.</p> <p>Summary of concepts already covered in other areas of the standard.</p> <p><u>April 2021</u>:</p> <p>An updated high-level summary of drafting conventions has been included as paragraph A56 of the revised ASA 101.</p> <p>Mark ups from ASA 100, paragraph 48, is shown by way of underlining (for additions) and strikethrough (for deletions).</p>
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<p>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).</p>	<p>N/A</p>	<p><u>Sept 2020:</u> No action.</p> <p>This paragraph outlines the AUASB drafting approach adopted to improve the legal enforceability of the standards as part of the standards becoming legislative instruments.</p>
<p>48. The following words and phrases are used in AUASB Standards for the respective stated purposes (alphabetically):</p> <p>(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.</p> <p>(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.</p> <p>(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.</p> <p>(d) mandatory requirements means relevant basic principles and essential procedures that</p>	<p>N/A</p>	<p><u>Sept 2020:</u> ACTION</p> <p>This paragraph appears to provide definitions for terms adopted in the AUASB drafting approach to improve the legal enforceability of the standards as part of the standards becoming legislative instruments.</p> <p>If the AUASB sees merit in including something similar in ASA 101, the ATG will undertake a process to review if they are relevant and if any other terms should be included.</p> <p><u>April 2021:</u></p> <p>See Appendix 1 of the proposed ASA 101.</p> <p>Mark ups from ASA 100, paragraph 48, is shown by way of underlining (for additions) and strikethrough (for deletions).</p> <p>The ATG does not recommend the inclusion of the 'words and phrases' section contained in ASA 100 in the revised ASA 100 until more work has been done at the international level as part of the CUSP project.</p> <p>However, if the Board sees merit in attaching a similar list in the revised ASA 101, the ATG will do further work to update Appendix 1 and seek legal advice regarding the risk of any unintended</p>

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<p>must be applied in order for the audit or review engagement to comply with AUASB Standards.</p> <p>(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:</p> <p>(i) where the word 'ordinarily' is used, the auditor exercises professional judgement in considering:</p> <ul style="list-style-type: none"> • 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. <p>(ii) the word 'ordinarily' does not create a rebuttable presumption nor a mandatory requirement.</p> <p>(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.</p> <p>(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</p>		<p>consequences that may rise in specifying in the Preamble how those terms should be interpreted and applied.</p> <p>See Agenda Paper 4.0 Section E <i>Specific Matters for Board Consideration</i> (Question (c))</p>
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<p>comply with the relevant mandatory requirement, to:</p> <ul style="list-style-type: none"> • 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. 		
	<p>Conformity with International Standards on Auditing</p> <p>This Auditing Standard relates to the Australian legislative environment 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). Compliance with this Auditing Standard enables compliance with the ISAs.</p>	<p><u>Sept 2020</u>: No action.</p> <p>Conformity paragraph forms part of all AUASB Standards.</p>



AUASB Agenda Paper

Project:	IAASB Proposed Non-Authoritative Guidance – Extended External (EER) Assurance	Meeting:	20 April 2021
Topic:	EER	Agenda Item:	5.0
Strategic Objective:	International Influence	Decision-Making:	Approach to roll out of IAASB EER Guidance in Australia
ATG Staff:	Marina Michaelides	Project Status:	Ongoing
AUASB Sponsor:	Jo Cain / Bill Edge		

Action Required and Decisions to be Made

- 1 The purpose of this Agenda Item is to recommend to the AUASB an approach for adoption of the final IAASB *Non-Authoritative Guidance – Extended External Reporting (EER) Assurance* in Australia.
- 2 To ask for feedback from the AUASB on the broader EER Strategic Plan including communications and stakeholder engagement.

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Q1. Does the AUASB agree with the approach to roll out of the IAASB's <i>Non-Authoritative Guidance – Extended External Reporting (EER) Assurance in Australia</i> ?	To issue an AUASB Bulletin as non-authoritative materials under the AUASB Due Process that contextualises and points to the IAASB non authoritative guidance: EER Assurance in Australia. Refer para 5 and 6 for more detail.
Question 2	Q2. Does the AUASB have any comments or additional points to raise on the broader EER Strategic Plan including communications and stakeholder engagement.	Refer to para 7 and EER Strategic Plan on a page at Agenda Item 5.1.

Background

- 3 The IAASB approved for issue the final *Non-Authoritative Guidance – Extended External Reporting (EER) Assurance* at its March 2021 meeting. The final guidance is yet to be released by the IAASB.
- 4 The Non-Authoritative Support Material: Illustrative Examples of Selected Aspects of EER Assurance Engagements (previously referred to as ‘Supplement B’); and Non-Authoritative Support Material: Credibility and Trust Model Relating to EER Reporting and are not subject to the due process that has been agreed for the Guidance and will be reviewed and cleared for issue through a separate channel. These non-authoritative support materials will be circulated to the IAASB for review on a ‘no objection to be published’ (negative clearance as contemplated in the IAASB Framework for Activities). These documents were issued by the IAASB on 7 April 2021.

Matters for Discussion and ATG Recommendation

Approach to promulgating and roll out of IAASB Non-Authoritative Guidance – Extended External Reporting (EER) Assurance

- 5 The ATG and AUASB EER Sponsor support an AUASB Bulletin as non-authoritative materials being issued under the AUASB Due Process¹ that contextualises and points to the IAASB non authoritative guidance.
- 6 The table below reflects a summary of the recommended option to the AUASB in promulgating the IAASB Non-Authoritative Guidance – Extended External Reporting (EER) Assurance.

Recommendation	Implications for Australia under AUASB Due Process
<p>1. Issue an AUASB Bulletin as non authoritative materials to wrap / point to the IAASB non authoritative guidance: EER in Australia with no conversion to an Australian standard references, spelling etc.</p> <p>This would include issue of the Non-Authoritative Support Material: Illustrative Examples of Selected Aspects of EER Assurance Engagements (previously referred to as ‘Supplement B’).</p>	<ul style="list-style-type: none">• Issue an AUASB Bulletin as non-authoritative materials under the AUASB Due Process that contextualises and points to the IAASB non authoritative guidance. The AUASB Bulletin (“EER Assurance in Australia”) will point to the IAASB guidance and highlight the more challenging areas for assurance practitioners in EER: qualitative and forward-looking information and focus on the examples that address a number of reporting frameworks (e.g., <IR>, TCFD, UNSDGs etc). The Bulletin may also include a roadmap for users of the guidance considering the spectrum of experience of EER assurance practitioners across a broad range of EER engagements.• This approach would require less ATG time and resource to provide the guidance to Australian stakeholders with no rework for changing references to IESBA Code (minimal references), including an application and issuance date paragraph, changing references from ISAE 3000 to ASAE 3000 (these are consistent so should not pose a useability issue) and ISA references and Australianising the spelling.

¹ As outlined in the Section 231 of the [AUASB Due Process Framework](#) the AUASB may issue non-authoritative materials if it considers that doing so would improve audit and assurance quality and consistency in application, or to raise awareness of the auditing and assurance implications of new or emerging issues in the public interest.

	<p>Some of these specifics can be highlighted in the AUASB Bulletin including the use of the term “assurance practitioner’ interchangeably with the international equivalent being ‘practitioner’.</p> <ul style="list-style-type: none"> • Maintains the non-authoritative guidance at the International level which has been through a rigorous due process. • The AUASB Bulletin would need to follow the steps as set out in the AUASB Due Process for non authoritative materials: <ul style="list-style-type: none"> ➤ subject to internal quality assurance processes this would include feedback from AUASB Sponsors ➤ a ‘fatal flaw’ draft version of the material prior to finalisation for feedback either at an AUASB meeting or out of session via email. ➤ AUASB Chair and AUASB Technical Director approve the final wording of nonauthoritative materials issued by the AUASB. [NB: non-authoritative materials do not require public exposure and do not require formal AUASB approval in accordance with the Board Charter.]
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EER Strategic Plan (including communication and stakeholder engagement)

- 7 Refer to Agenda Item 5.1 for the EER Strategic Plan developed for discussion by the AUASB. The key points below underpin the development of this EER Strategic Plan:

Why is the EER Strategically Important?

- **International momentum in EER** – IFRS Foundation - Proposed Sustainability Standards Board (SSB) likely to be announced in November 2021, International Integrated Reporting Council /Sustainability Accounting Standards Board (SASB) Merger Oct 2020 – the AASB and AUASB need to be in a lead position to take on EER opportunities and manage risks for Australian standard setting.
- **Strategic Objective** – of both the AASB and AUASB.
- **NZ Mandate for Climate Reporting Standard(s)** – project underway by the XRB and ED due in March 2022.
- **Voluntary reporting is increasing across different EER frameworks and assurance will follow.**

Three key Objectives for AUASB

1. Roll out effective EER assurance standards and guidance for our stakeholders.

2. Demonstrate leadership in EER reporting and assurance in collaboration with the AASB/FRC in Australia, NZAuASB/XRB in New Zealand and other like-minded NSS e.g. Canada.
3. Influence international EER standards and guidance from the IAASB and IFRS Foundation and The Value Reporting Foundation.

Key Risks

1. Other parties lay claim to this space, FRC/AASB/AUASB not seen as leading on EER in Australia/NZ
2. Convergence with IFRS Foundation/XRB on Climate Reporting Standards.

- 8 The plan is to be discussed in further detail at the AUASB meeting to set the context for Australia and to allow for AUASB input and agreement on the next steps.

Other matters for noting

- 9 The final IAASB *Non-Authoritative Guidance – Extended External Reporting (EER) Assurance* with the Non-Authoritative Support Material: Illustrative Examples of Selected Aspects of EER Assurance Engagements (previously referred to as ‘Supplement B’) was issued by the IAASB on 7 April 2021. The final guidance includes hyperlinks within the guidance but no digital option until which time the IAASB move to a total digital solution for the full suite of standards, guidance and IAPNs.

Collaboration with NZAuASB and other standard setters

- 10 The AUASB met with the NZAuASB and AASB Canada in late March 2021 to discuss options for how each jurisdiction is considering adoption or role out of the non-authoritative guidance. A number of options were discussed across the three jurisdictions, with the AUASB and NZAuASB due to have primary discussions with their Boards in April and AASB Canada to have initial discussions about options with their EER Advisory Committee in late April. The AUASB and NZAuASB agreed to share progress with AASB Canada on decisions of the Boards and to meet again in May.
- 11 The AUASB has undertaken informal outreach on the draft EER Strategic Plan with a number of key stakeholders – AASB, NZAuASB, AASB Canada, IAASB – Roger Simnett, IIRC.

Next steps/Way Forward

- 12 Issue AUASB Bulletin – EER Assurance that points to the IAASB *Non-Authoritative Guidance – Extended External Reporting (EER) Assurance* in late April 2021.
- 13 Commence rollout and potential gap discussions with stakeholders in May/June 2021.
- 14 Continue to liaise at the Board and senior technical manager levels with the XRB and XRB Project Director and NZAuASB Senior Project Manager to stay informed of current developments and directions of the XRB on the Climate Reporting Standards project to influence standard setting outcomes for Australia.
- 15 Attendance and participation at meetings of the Business Reporting Leaders Forum (IIRC representative in Australia), Deakin <IR> Centre of Excellence and The Value Reporting Foundation (merged body IIRC/SASB) to stay informed of developments, influence and collaborate on EER projects and assist in identifying any gaps in EER guidance or standards for Australia.

AUASB EER Strategy-on-a-Page

Develop thought leadership and implement strategic projects to improve assurance practice in priority areas such as Extended External Reporting (EER)

Objectives:

Engage stakeholders in EER standards, guidance and other publications that meet their needs and build confidence in the market:

1. **Roll out effective** EER assurance standards and guidance for our stakeholders
2. **Demonstrate leadership** in EER reporting and assurance in collaboration with the AASB/FRC in Australia, NZAuASB/XRB in New Zealand and other like-minded National Standard Setters (NSS)
3. **Influence International** EER standards and guidance from the IAASB and IFRS

Stakeholder Groups

Critical Stakeholders

- Practitioners
- Report developers
- Reporting entities
- Investors
- AASB/NZAuASB/XRB
- ASIC/APRA
- AICD/BLRF
- IIRC/SASB

Key Interest Groups

- Professional bodies
- Academics/researchers
- Science/environment sector
- Media commentators

Broader Audiences

- Broader market
- The public
- Mainstream media

Their Focus

Hold influential roles or specific expertise to help shape development of EER reporting and assurance
Their engagement in the process of developing EER standards and guidance adds credibility
We can achieve more together than we can alone – and a lot quicker

Have a strong interest or stake in EER
Can help with evidence to inform EER standards and guidance development
Connected to critical stakeholders
Allies – numbers help

Interested in EER but not informed
Supportive of leadership in this region
Seeking credibility and trust in EER
Determine AUASB reputation on EER

Objective

Approach

Tactics

Stakeholders

1. Roll out effective EER assurance standards and guidance for our stakeholders

- Issue an AUASB Bulletin as Australian non-authoritative material linking to IAASB EER Guidance
- Roll-out IAASB EER Assurance Guidance
- Enhance accessibility of the Guidance (lengthy document)
- Consult on how best to monitor Guidance implementation
- Identify any gaps in the Guidance
- Play a strategic role in any EER Standards development

- Bulletin on EER Assurance Guidance
- EER Workshop Series:
 - Joint: AUASB/AASB/NZAuASB/XRB
 - Multi-location: MEL/SYD/AKL/WEL
 - Timing: May/June 2021
 - EER Assurance Guidance roll-out
 - EER developments update
 - Roundtable discussion of implementation monitoring
- Dedicated EER Assurance web page
- Newsletter updates

Practitioners
Report developers
Reporting entities
Investors

2. Demonstrate leadership in EER reporting and assurance in collaboration with the AASB/FRC in Australia, NZAuASB/XRB in New Zealand and other like-minded NSS

- Lead EER assurance standards and guidance in our region in partnership with AASB/NZAuASB/XRB/BRLF
- Create Trans-Tasman EER Committee of the AUASB/AASB/NZAuASB/XRB
- Climate change disclosure guidance (NZ mandatory disclosure)
- Engage stakeholders dynamically and regularly, keeping them informed
- Build investor and market trust in EER

- Active Trans-Tasman EER liaison with XRB/NZAuASB/AASB at senior technical manager and Board level
- Active and ongoing engagement with other NSS: CAN/UK/SA
- Hold regular roundtable discussions
- Promote leading work being done via:
 - AUASB/AASB/NZAuASB/XRB websites
 - Newsletter updates
 - Presenting at conferences/events
 - LinkedIn
 - Media releases
 - Targeted opinion pieces in media

AASB
NZAuASB
XRB
BRLF
Professional bodies
Practitioners
Report developers

3. Influence international EER standards and guidance from the IAASB and IFRS Foundation

- Direct involvement in IFRS Sustainability Standards Board (SSB)
- Strategic partnerships and collaboration with key groups: IFRS/IFAC/IASB/IAASB/IIRC/SASB
- Direct involvement in any further IAASB EER assurance work

- Regular engagement with key groups
- Strategic alignment via collaboration
- Position for direct involvement in SSB
- Participate in/observe EER discussions by key groups at every opportunity
- Stay up-to-date and informed

IFRS
IFAC
IASB
IAASB
IIRC
SASB

Success Criteria

- EER reporting and assurance standards adopted in Australia, building market credibility and trust
- Local EER reporting and assurance standards, guidance and other publications developed via high stakeholder engagement
- AUASB/AASB operational support to adopt and roll out EER standards and guidance in Australia is effective

Key Risks

- Other parties lay claim to this space, FRC/AASB/AUASB not seen as leading on EER in Australia/NZ
- Low stakeholder engagement/input into the development of EER standards and guidance
- Confusion over roles of Boards and other bodies in EER
- Convergence with IFRS/XRB on Climate Reporting Standards



AUASB Agenda Paper

Project:	Technology	Meeting:	Mtg 124 – 20 April 2021
Topic:	AUASB Technology Plan Update	Agenda Item:	6.0
Strategic Objective:	Objectives 1 & 2	Decision-Making:	For Discussion
ATG Staff:	Tim Austin	Project Status:	In Progress
AUASB Sponsor:	Rodney Piltz		

Action Required and Decisions to be Made

- 1 The objective of this agenda item is to provide:
 - (a) an update to the AUASB on the work undertaken by the AUASB Technical Group (ATG) supported by the Technology Project Advisory Group (PAG); and
 - (b) sufficient background on the Technology Plan to facilitate a discussion with AUASB Members on planned actions and priorities for 2021.

ATG Recommendations Overview and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Questions for the AUASB will be provided as part of a presentation at the AUASB Meeting.	N/A.

Background

- 2 In December 2018, the ATG last presented to the AUASB a Technology Project Plan to respond to stakeholder feedback on the use of technology in the audit, including data analytics and how audit evidence obtained from the use of technology was compliant with the current suite of standards. This plan was heavily focussed on information gathering and determining what actions the AUASB could undertake in Australia to respond to the concerns around technology and assurance.
- 3 The ATG undertook a number of actions related to this plan throughout 2018 and 2019 and had discussions with several stakeholders on technology tools and techniques being used as part of the audit and the challenges they created, developing a list of Australian technology issues.
- 4 In addition to the development of a list of Australian technology issues, these discussions drove the initiation of the AUASB Standards Digitisation project as well as the formation of the AUASB Technology PAG.
- 5 The AUASB Technology PAG was established in late 2019 with the purpose of assisting the ATG in achieving the objectives of the AUASB Technology Project. A list of the participants of the most recent Technology PAG Meeting has been included as an attachment to this Agenda paper.
- 6 The current focus of the Technology PAG is developing guidance regarding the assessment of reliability of data for use in an audit. This area of focus was selected as the concepts around data integrity established as part of the guidance are relevant to a number of different topics, but also to align with CPA Canada which had established an Audit Data Analytics Committee to develop guidance in this area. The development of this guidance is still on-going.
- 7 At the international level, the IAASB established the Technology Working Group (TWG) in 2019 and presented and approved a [Technology Workstream Plan](#) focussed on identifying, developing and issuing non-authoritative guidance material that addresses the effect of technology when applying certain aspects of the ISAs.
- 8 The IAASB Technology Workstream Plan, proposed 8 initial areas of focus and included:
 - (a) **ISA 315 FAQ (Issued Nov 2020)** – High level FAQ prepared by the IAASB on technology considerations in ISA 315. Using tools to do a risk assessment.
 - (b) **Documentation (Issued Apr 2020)** – Documentation expectations related to testing underlying data. Documentation challenges arising from new types of information.
 - (c) **Change to audit procedures (Issued Sep 2020)** – Can an audit procedure be both a risk assessment procedure and a substantive audit procedure? Effect of new technology on substantive analytical procedures.
 - (d) **Overreliance on technology (Issued Mar 2021)** – Addressing risks of overreliance by auditors on technology procedures. Highlighting need to consider relevant assertions being tested and the form of evidence.

- (e) **ISA 240 Fraud (Planned release Jun 2020)** – Utilising new technologies and different types of information sources to meet the requirements of ISA 240.
 - (f) **ISA 570 Going Concern (Planned release Jul 2020)** – Utilising new technologies and different types of information sources to meet the requirements of ISA 570.
 - (g) **Sampling (Planned release Sep 2020)** – How does performance materiality work when 100% of a population has been tested? Are auditors required to follow up all exceptions?
 - (h) **General guidance (Planned release Dec 2020)** – How should engagement letters address technology related issues? What does technology mean for related parties? Nature and number of information sources and the impact on KAMs.
- 9 The IAASB has delivered topics (a)-(d) which have been published on the AUASB website. The ATG will distribute the other items released by the IAASB as they become available through its usual communications channels.

Previous Discussions on Topic

- 10 4-5 December 2018 – Agenda Item 10.2.0.

Matters for Discussion and ATG Recommendations

- 11 The ATG's immediate focus has been on three topics which are in-progress:
- (a) Cyber security considerations in an audit;
 - (b) Data integrity publication; and
 - (c) AUASB Digital Standards Portal.
- 12 As part of discussions with the Technology PAG, the ATG has sought feedback on matters that should be addressed once the above topics have been completed and the priorities of these matters. The matters and the proposed priorities will be presented to the AUASB at the April 2021 AUASB Meeting for discussion.
- 13 The ATG will be seeking feedback from AUASB Members on the priority of topics, the completeness of the list of topics and opportunities to work with other organisations or leverage existing materials.

Collaboration with NZAuASB and other standard setters

- 14 To ensure that resources are used effectively, the ATG monitors the work of other national standard setters and where possible looks to collaborate. As outlined above, the ATG is currently working with CPA Canada to develop consistent guidance regarding data integrity.

Next steps/Way Forward

- 15 The ATG will facilitate a discussion with the AUASB at the April 2021 AUASB Meeting and seek feedback on a number of questions related to the planned actions and priorities for 2021.

Attachment 1 – Technology PAG Participants

- Rodney Piltz – EY – PAG Chair
- Andrew Barlow – PwC
- Ben Jiang – VAGO
- Jana Schmitz – CPA Australia
- Masood Mehmood – CA ANZ
- Matt Dolan – Inflo Software
- Marilyn Gwan – Grant Thornton
- Olwyn Connolly – Inflo Software
- Peter Jose – Pitcher Partners
- Rachel Arthy – BDO
- Sarah Butler – CaseWare
- Shane O'Connor – KPMG