

(April 2012)

# Foreword to AUASB Pronouncements

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

Draft

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**Australian Government**

**Auditing and Assurance Standards Board**

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## PREFACE

### **Reasons for Issuing the *Foreword to AUASB Pronouncements to AUASB Pronouncements***

The AUASB is an independent statutory board of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act).

Under section 227B of the ASIC Act, the AUASB may formulate guidance on auditing and assurance matters. Accordingly, the AUASB issues the *Foreword to AUASB Pronouncements* under its powers described in section 227B of the ASIC Act.

#### **Main Features**

The *Foreword to AUASB Pronouncements* sets out an overview of the pronouncements and other publications issued by the AUASB.

The *Foreword to AUASB Pronouncements* does not itself establish requirements for the performance of audit, review and other assurance engagements; and related services engagements. Accordingly, the AUASB has not issued the *Foreword to AUASB Pronouncements* for the purposes of the *Corporations Act 2001*.

**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) formulates the *Foreword to AUASB Pronouncements to AUASB Pronouncements* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

Dated: April 2012

M H Kelsall  
Chairman – AUASB

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## ***Foreword to AUASB Pronouncements to AUASB Pronouncements***

### **Introduction**

- 1 The purpose of this *Foreword to AUASB Pronouncements* (the “Foreword”) is to set out the range of pronouncements and other publications issued by the Auditing and Assurance Standards Board (the “AUASB”).

### **The Auditing and Assurance Standards Board**

#### **Overview**

- 2 The AUASB is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*. The AUASB may also formulate other assurance standards and guidance on audit and assurance matters.

### **Pronouncements issued by the AUASB**

- 3 The AUASB issues framework pronouncements, standards and guidance statements. Diagrams which illustrate the range of pronouncements issued by the AUASB are contained in the Appendices to this Foreword.

### **Framework Pronouncements**

- 1 The AUASB issues framework pronouncements to provide information, structure and context to the AUASB, its operations and the pronouncements and other publications that it issues. The framework pronouncements comprise:
  - *Foreword to AUASB Pronouncements* ;
  - *Framework for Assurance Engagements*; and
  - *AUASB Glossary*.

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- 2 The Foreword sets out the functions, composition and operating procedures of the AUASB and the range of pronouncements and other publications issued by the AUASB.
- 3 The *Framework for Assurance Engagements* defines and describes the elements and objectives of an assurance engagement, and identifies engagements to which Australian Auditing Standards, Standards on Review Engagements, Standards on Assurance Engagements and Standards on Related Services apply.
- 4 The *AUASB Glossary* sets out terms that are defined or used in the AUASB Standards.

### **Standards**

- 5 The AUASB issues the following types of standards:
  - (a) Australian Auditing Standards;
  - (b) Standards on Review Engagements;
  - (c) Standards on Assurance Engagements; and
  - (d) Standards on Related Services

These standards are collectively referred to in this document as the “AUASB Standards”.
- 6 Australian Auditing Standards issued by the AUASB comprise:
  - (a) Auditing Standards made under section 336 of the *Corporations Act 2001* which include:
    - (i) *ASA 100 Preamble to AUASB Standards*;
    - (ii) *ASA 101 Preamble to Australian Auditing Standards* (applicable to engagements for financial reporting periods commencing on or after 1 January 2010);
    - (iii) *ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*;
    - (iv) *ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and*

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*Other Financial Information, and Other Assurance Engagements;*

- (v) *ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity; and*
- (vi) *ASRE 2415 Review of a Financial Report—Company Limited by Guarantee; and*
- (b) *ASA 805 Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement; and*
- (c) *ASA 810 Engagements to Report on Summary Financial Statements.*

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.

7 Standards on Review Engagements are to be applied to the review of a financial report and are to be applied, as appropriate, to the review of other historical financial information.

8 Standards on Assurance Engagements are to be applied to assurance engagements dealing with subject matters other than historical financial information.<sup>1</sup>

9 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.

**Guidance Statements**

10 The AUASB issues Guidance Statements on matters relating to audit, assurance, review and related services engagements.

11 Guidance Statements, whilst approved and issued by the AUASB, do not establish new principles or amend existing Standards and do not have legal enforceability. Issuance of Guidance Statements will normally be appropriate where the AUASB wishes to provide

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<sup>1</sup> 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.



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guidance on procedural matters or on entity or industry specific issues. For example a Guidance Statement may address and provide guidance on audit and assurance considerations for policy statements and regulatory guides issued by the Australian Prudential Regulation Authority (APRA) and the Australian Securities and Investments Commission (ASIC).

- 12 Guidance Statements contain a specific clause indicating their operative date. A Guidance Statement remains in force until the operative date of any amendment to the Guidance Statement or until the Statement is withdrawn by the AUASB.
- 13 Guidance Statements are designed to provide assistance to auditors and assurance partitioners to fulfil the objectives of the audit, assurance or related services engagement.

### **Other Publications**

#### **Explanatory Guides**

- 14 The AUASB issues Explanatory Guides which provide additional information about specific aspects of a standard(s). For example: the *Explanatory Guide to AUASB Standards Applicable to Review Engagements*, explains the historical background to the development of the review standards and when each standard in the suite is to be used.
- 15 Explanatory Guides are *not* Guidance Statements and similarly do not establish or extend requirements for the performance of engagements under the AUASB Standards.

#### **Other Publications**

- 16 The AUASB may also issue guidance either in its own right or jointly with other bodies on the auditing and assurance implications of emerging issues. For example: *Audit Committees: A Guide to Good Practice* (issued jointly with the Australian Institute of Company Directors and The Institute of Internal Auditors Australia).

#### **AUASB Bulletins**

- 17 AUASB Bulletins are issued to raise a general awareness of matters that are of interest to auditors and assurance practitioners. They do *not* provide authoritative guidance and do *not* amend existing AUASB Standards or Guidance Statements.

## **Due Process**

### **AUASB Due Process**

- 18 An AUASB Standard, Guidance Statement and other publication can be developed in one of two ways:
- (a) the use of an IAASB or other international pronouncement, guide or other publication; as a source for the preparation of an Australian pronouncement, guide or other publication; or
  - (b) the development of a pronouncement, guide or other publication that relates to a specific Australian auditing, assurance or related services matter.
- 19 The AUASB employs an extensive due process in the development of Standards, related guidance and other publications. This process is considered essential to ensure that all interested parties are given ample opportunity to express their views and to ensure that pronouncements developed are relevant, consistent and logically derived.
- 20 For pronouncements that relate to a specific Australian auditing and assurance matter, project plans are developed and approved by the AUASB. After approval, the AUASB assigns responsibility for the project to the AUASB Technical Group.
- 21 When the project plan is approved, the AUASB considers whether a project advisory group needs to be formed. A project advisory group would be appointed for topics requiring specialist input. In addition to reviewing the progress at key points in the development of the project, this project advisory group serves as a resource base available at all stages of the project. Project advisory groups are normally chaired by a member of the AUASB.
- 22 The AUASB Technical Group prepares a detailed issues paper, which identifies the principal issues to be resolved in the preparation of the proposed pronouncement. The AUASB considers the issues paper and makes tentative decisions. These decisions form the basis upon which an exposure draft of a proposed AUASB Standard is prepared. An exposure draft is a proposed AUASB Standard and is released for public comment to gauge the appropriateness and level of acceptance of the proposals.

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### *Due Process for Standards*

- 23 Following review of the proposed exposure draft, and processing of any amendments, the AUASB votes on the issuance of the exposure draft for public comment. Once approved, the exposure draft is placed on the AUASB website and stakeholders notified. Each exposure draft contains a preface, which outlines the background to the development of the exposure draft, its purpose, main features and any issues on which specific comment is sought. The exposure period is generally not less than 30 days.
- 24 After considering the views expressed in submissions received on the exposure draft, the draft AUASB Standard is prepared for consideration by the AUASB. Once considered, the draft document may be further amended prior to its final approval by the AUASB. Approval of the AUASB Standard is subject to the AUASB voting protocols described above. Consequential changes to AUASB Standards are subject to the same public exposure process.

### *Regulation Impact Assessment*

- 25 In accordance with the Australian Government's best practice regulation requirements, and in the context of its legislative mandate, the AUASB is required to consider carefully the impact of proposed new or revised auditing pronouncements, including costs that may be incurred by business and the community. Accordingly, before issuing new or revised Auditing Standards or Guidance Statements, the AUASB undertakes a preliminary regulation impact assessment.
- 26 Where the preliminary assessment indicates that a new or revised pronouncement is likely to have an impact on business or the community that is 'higher than nil', or 'low', the AUASB is required to consult with the Office of Best Practice Regulation to determine whether further analysis is required. In some instances a regulation impact statement may be required.
- 27 A regulation impact statement involves a more detailed consideration of the various options available to address an issue or problem, including both regulatory and non-regulatory options, together with the likely benefits and costs to stakeholders under each option. A regulation impact statement also documents the consultation processes involved in the development of a new pronouncement and provides a clear statement of the conclusions reached and the recommended option, as well as a plan for implementation and review of the recommended option.

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- 28 Regulation impact assessments, and where required, regulation impact statements are considered by the Board at the time a legislative pronouncement is approved. Regulation impact statements developed by the AUASB are published on the AUASB website.
- 29 The AUASB is required to prepare and publish *Annual Regulatory Plans* which are documents that inform stakeholders and the public about regulatory changes that the (government) agency has made in the past financial year, and plans to make in the next financial year. The AUASB's regulatory plans are published on the AUASB website.

### **Issuance Procedures**

#### *Legislative Instruments*

- 30 Auditing Standards made by the AUASB under section 336 of the *Corporations Act 2001* are legislative instruments under the *Legislative Instruments Act 2003* (LIA). As soon as practicable after a Standard is approved by the AUASB, the Auditing Standard is registered on the Federal Register of Legislative Instruments. Auditing Standards are then tabled in both Houses of Parliament and therefore, are subject to the parliamentary scrutiny and disallowance provisions of the LIA. The date of commencement of an Auditing Standard is the date specified by the AUASB.

#### *Guidance Statements and other Publications*

- 31 Guidance Statements and other publications are generally not subject to the same public exposure draft process as an AUASB Standard. Following AUASB consideration of a draft Guidance Statement or other publication, the draft is amended, as appropriate, and presented to the AUASB for final approval. Approval of the Guidance Statement or other publication by the AUASB is subject to the AUASB voting protocols described above.