

Explanatory Guide

ED 01/18: Proposed ASA 315 Identifying and Assessing the Risks of Material Misstatement

ED 02/18: Proposed ASA 2018-1 Amendments to Australian Auditing Standards

ED 03/18: Proposed ASA 540 Auditing Accounting Estimates and Related Disclosures

ED 04/18: Proposed ASA 2018-2 Amendments to Australian Auditing Standards

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Guide

This Explanatory Memorandum is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Introduction

1. The Auditing and Assurance Standards Board (AUASB) has released/will release the following Explanatory Memorandums and related Exposure Drafts:

In relation to ED 315 Identifying and Assessing the Risks of Material Misstatement

- (a) Explanatory Memorandum Exposure Draft: *Identifying and Assessing the Risks of Material Misstatement*
- (b) Exposure Draft 01/18: *Proposed ASA 315 Identifying and Assessing the Risks of Material Misstatement* (ED 01/18)
- (c) Exposure Draft 02/18: *Proposed ASA 2018-1 Amendments to Australian Auditing Standards* (ED 02/18)

In relation to ED 540 Auditing Accounting Estimates and Related Disclosures

- (a) Explanatory Memorandum Exposure Draft: *Auditing Accounting Estimates and Related Disclosures*
 - (b) Exposure Draft 03/18: *Proposed ASA 540 Auditing Accounting Estimates and Related Disclosures* (ED 03/18)
 - (c) Exposure Draft 04/18: *Proposed ASA 2018-2 Amendments to Australian Auditing Standards* (ED 04/18)
2. The Exposure Drafts will be open to constituents for a 70 day comment period, closing 15 October 2018.
 3. Roundtable discussions on ED 01/18, ED 02/18, ED 03/18 and ED 04/18 will be held in September and October in Melbourne, Sydney, Perth, Adelaide, Brisbane and Canberra. Additionally, the AUASB will hold a webinar on these topics and stakeholders can provide feedback in writing directly to the office of the AUASB at enquiries@auasb.gov.au

Purpose

4. **ED 01/18 is the Australian Exposure Draft of the equivalent IAASB exposure draft.** Feedback on ED 01/18 will be used to inform the AUASB's submission to the IAASB on the IAASB's Proposed International Standard on Auditing 315 (Revised) *Identifying and Assessing the Risks of Material Misstatement* as well as to inform the AUASB as to any requirements and guidance that may be needed in addition to, or a clarification of, the equivalent final ISA only when there are compelling reasons to do so.
5. ED 02/18 is the Australian Exposure Draft to make amendments to the Australian Auditing Standards. The amendments to the Australian Auditing Standards comprise related consequential changes arising from the proposed revision of ED ASA 315.
6. **ED 03/18 is the Australian Exposure Draft of the final revised IAASB's ISA 540 Auditing Accounting Estimates and Related Disclosures.** Feedback on ED 03/18 will be used to inform the AUASB as to any requirements and guidance that may be needed in addition to, or a clarification of, the equivalent ISA only when there are compelling reasons to do so. At the completion of the exposure period, the AUASB will consider constituents' submissions and where the AUASB determines that a compelling reason exists, amendments to the exposure draft will be made.
7. ED 04/18 is the Australian Exposure Draft to make amendments to the Australian Auditing Standards. The amendments to the Australian Auditing Standards comprise related consequential changes arising from the proposed revision of ED ASA 540.

Change in AUASB process:

8. The AUASB has historically exposed Australian versions of the finalised IAASB standard. This is the process that will be undertaken in connection with the issuance of ED 03/18 and ED 04/18.

9. In order to better influence the international standard setting process as well as to optimise process effectiveness and efficiency, the AUASB agreed to trial issuing an exposure draft in Australia concurrently with the IAASB's exposure draft. This is the process undertaken in the issuance of ED 01/18 and ED 02/18.
10. At the completion of this process, the AUASB will evaluate both processes and will determine the most effective and efficient way forward. The AUASB welcomes any feedback on the process to enquiries@auasb.gov.au.