

ASA 102
(December 2019)

Explanatory Statement

ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Statement

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

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Reasons for Issuing ASA 102

The Auditing and Assurance Standards Board (AUASB) reissues Australian Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a 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.

ASA 102 is an Auditing Standard made under the *Corporations Act 2001* for Australian legislative purposes. ASA 102 enables references to relevant ethical requirements in other AUASB Standards to remain current as they are explicitly linked to ASA 102. Under ASA 102 the auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, issued by the Accounting Professional & Ethical Standards Board Limited (APESB) in November 2018, which are to be taken into account in determining whether relevant ethical requirements have been met. The AUASB proposes to amend or re-make ASA 102 whenever APES 110 is amended or revised, to ensure that such cross references remain current and to eliminate the need to amend other AUASB Standards.

The AUASB has made ASA 102 in a format that is consistent with the other Australian Auditing Standards operative for 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 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* by 1 January 2010.

Purpose of ASA 102

The purpose of ASA 102 is to require auditors, assurance practitioners, engagement quality control reviewers and firms to comply with relevant ethical requirements, including those pertaining to independence, when performing audits, reviews and other assurance engagements.

Main Features

Under the Strategic Direction given to the AUASB by the FRC, the AUASB is required to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

ASA 102 has been made for Australian legislative purposes and accordingly there is no equivalent ISA issued by the IAASB. However, the requirement and application and other explanatory material in ASA 102 have been drawn from several standards of the IAASB.

The IAASB has made limited amendments to several International Standards to address changes made to the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), which is effective from 15 June 2019.

The APESB has issued a revised APES 110 to incorporate the changes to the IESBA Code, with adaptations and additional requirements to suit the Australian environment. The revised APES 110 is

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effective from 1 January 2020. APES 110 is available, free of charge, on the APESB's website: www.apesb.org.au

The revision of ASA 102:

- a) reflects amendments made to relevant paragraphs in equivalent IAASB standards to address inconsistencies between the IAASB Standards and the IESBA Code; and
- b) updates references to the revised APES 110, reissued in November 2018.

Operative Date

The reissued ASA 102 is operative for engagements with financial reporting periods ending on or after 31 December 2019. Early adoption of this Auditing Standard is permitted prior to this date.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

- have a clear public interest focus and are of the highest quality;
- use the ISAs of the IAASB as the underlying standards;
- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing ASA 102

It is the view of the AUASB that the changes to ASA 102 do not require public exposure as they are not significant in nature and have no impact on the requirement of ASA 102.

Regulatory Impact Statement

A Preliminary Assessment form has been prepared in connection with the making of ASA 102 and lodged with the Office of Best Practice Regulation (OBPR).

The OBPR has advised the AUASB Technical Group that a Regulatory Impact Statement (RIS) is not required in relation to this standard.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011

Legislative Instrument: ***ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements***

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in section 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

Background

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. 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*.

Purpose of Issuing ASA 102

The purpose of ASA 102 is to require auditors, assurance practitioners, engagement quality control reviewers and firms to comply with relevant ethical requirements, including those pertaining to independence, when performing audits, reviews and other assurance engagements.

Main Features

ASA 102 is reissued to:

- a) reflect recent amendments made to standards of the International Auditing and Assurance Standards Board to conform with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*; and
- b) update references to the revised APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, reissued by the Accounting Professional & Ethical Standards Board Limited in November 2018.

Human Rights Implications

Australian Auditing Standards are issued by the AUASB in furtherance of the objective of facilitating the Australian economy. The standards do not diminish or limit any of the applicable human rights or freedoms, and thus do not raise any human rights issues.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.