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# *Foreword to AUASB Pronouncements*

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



**Australian Government**

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**Auditing and Assurance Standards Board**

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## CONTENTS

### **PREFACE**

### **AUTHORITY STATEMENT**

	<i>Paragraphs</i>
<b>Introduction</b> .....	1-2
<b>The Auditing and Assurance Standards Board</b>	
Legislative Mandate .....	3-9
<b>Categories of Pronouncements and Other Materials issued by the AUASB</b> .....	10-11
<b>Authoritative Pronouncements</b> .....	12-14
Framework Pronouncements .....	15-16
Standards .....	17-19
Guidance Statements .....	20-23
<b>Non-Authoritative Materials</b> .....	24-26
Explanatory Guides .....	27-28
Basis for Conclusions .....	29
AUASB Bulletins .....	30-31
AUASB Consultative Documents .....	32
Other Non-Authoritative Publications and Guidance Materials.....	33-34

Appendix 1: Categories of Pronouncements and Other Materials issued by the AUASB

Appendix 2: Overview of Numbering System used in AUASB Standards

## PREFACE

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

The Auditing and Assurance Standards Board (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).

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 materials issued by the AUASB.

The *Foreword to AUASB Pronouncements* does not itself establish requirements for the performance of audit, review, 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*, pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*.

Dated: 10 March 2021

W R Edge  
Chair - AUASB

## *Foreword to AUASB Pronouncements*

### **Introduction**

1. The purpose of this *Foreword to AUASB Pronouncements* (Foreword) is to set out an overview of the range and hierarchy of pronouncements and other materials issued by the Auditing and Assurance Standards Board (AUASB).
2. The Foreword is to be read in conjunction with the:

- (a) [AASB and AUASB Board Charter](#) (Board Charter)

The Board Charter outlines the main corporate governance principles that apply to the AUASB, including the Board's objectives, functions, powers, and meeting and voting procedures.

- (b) Auditing Standards [ASA 100 Preamble to AUASB Standards](#) and [ASA 101 Preamble to Australian Auditing Standards](#) (Preambles)

The Preambles together explain the authority and legal enforceability of AUASB Standards and how standards are to be understood, interpreted and applied. The Preambles furthermore set out the mandatory and non-mandatory components of standards.

- (c) [Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications](#) (Due Process Framework)

The AUASB's Due Process Framework sets out the principles underlying the AUASB's due process and describes the processes followed by the AUASB to ensure that pronouncements and other materials issued by the AUASB are developed, issued and maintained with proper regard to the public interest<sup>1</sup>, are principles-based, of a high quality, clearly stated and concise, and meet the needs of stakeholders.

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

#### **Legislative Mandate**

3. The AUASB is an independent, non-corporate Commonwealth entity of the Australian Government established under section 227A of the ASIC Act. The AUASB operates within a framework set out in Part 12 of the ASIC Act.
4. Under section 227B of the ASIC Act, the functions of the AUASB include making Auditing Standards under section 336 of the *Corporations Act 2001* (Corporations Act). The AUASB may also formulate other assurance standards and guidance on audit and assurance matters.
5. In fulfilling its standard-setting function, the AUASB develops standards that have a clear public interest focus and are of a high quality. The AUASB uses, as appropriate, standards issued by the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop audit and audit-related standards in Australia. AUASB Standards are designed to strengthen confidence in the assurance provided by audit and other assurance engagements.<sup>2</sup>

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<sup>1</sup> It is in the public interest that stakeholders have confidence in both the quality of pronouncements and other materials issued by the AUASB, as well as the credibility of the process by which these pronouncements and materials are developed. The AUASB's [Due Process Framework](#) is designed to ensure that AUASB pronouncements and other materials are developed in accordance with the principles of the 'Public Interest Framework for the Development of AUASB Pronouncements' (Public Interest Framework), set out in Appendix 1 of the Due Process Framework. The Public Interest Framework, together with due process, articulate the public interest responsiveness of AUASB audit-related standard-setting.

<sup>2</sup> For further background on the AUASB's mandate and strategic directive, refer to sections 2-4 of the AUASB [Board Charter](#) and section II of the AUASB's [Due Process Framework](#).

*Compliance and Enforcement*

6. 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 pronouncements:
  - 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.<sup>3</sup> These standards are classified as disallowable legislative instruments under the *Legislation Act 2003*.<sup>4</sup>
  - Auditing and assurance standards may also be issued for other purposes.<sup>5</sup> These standards do not have legal effect under the Corporations Act itself but may be legally enforceable under other legislation or authority.
7. Auditing Standards issued by the AUASB under the Corporations Act, are legally enforceable by the Australian regulator – the Australian Securities and Investments Commission (ASIC).<sup>6</sup> ASIC conducts regular inspection programmes as an integral part of its enforcement responsibilities.
8. 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.<sup>7</sup>
9. Member compliance is enforced through the inspection programmes of the Professional Accounting Bodies, which are also responsible for member disciplinary action.

**Categories of Pronouncements and Other Materials issued by the AUASB**

10. Standards, guidance and other materials issued by the AUASB adhere to a hierarchy of authority and will fall into one of the following categories:
  - (a) authoritative pronouncements; and
  - (b) non-authoritative materials.Diagrams which illustrate the range and authority of pronouncements issued by the AUASB are contained in the Appendices to this Foreword.
11. The AUASB will apply appropriate judgement to determine the most suitable type of pronouncement and/or non-authoritative material to issue in the specific circumstances, taking into consideration a range of factors as outlined in the AUASB's Due Process Framework.<sup>8</sup>

**Authoritative Pronouncements**

12. The AUASB issues the following types of authoritative pronouncements pursuant to its mandate under section 227B of the ASIC Act:
  - (a) Framework Pronouncements;
  - (b) Standards; and
  - (c) Guidance Statements.

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<sup>3</sup> Pursuant to section 227B(1)(a) of the ASIC Act.

<sup>4</sup> The AUASB has adopted certain drafting principles (see [ASA 100](#) and [ASA 101](#), as applicable) 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*.

<sup>5</sup> Pursuant to section 227B(1)(b) of the ASIC Act.

<sup>6</sup> Section 307A of the Corporations Act gives legal backing to the auditing standards, as it requires auditors to conduct audits and reviews of financial reports prepared under Part 2M.3 of the Act in accordance with auditing standards.

<sup>7</sup> See APES 210 *Conformity with Auditing and Assurance Standards*, issued by the APESB.

<sup>8</sup> See paragraphs 24-34 of the AUASB's [Due Process Framework](#).

13. The term “authoritative” is used to refer to AUASB pronouncements that are formally approved and issued by the AUASB. AUASB pronouncements are developed, issued and maintained in accordance with the AUASB’s [Due Process Framework](#).
14. Not all authoritative pronouncements issued by the AUASB are legally enforceable. The extent of compliance required with AUASB pronouncements 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 pronouncements. Each pronouncement explains the status of the material it contains.

### **Framework Pronouncements**

15. The AUASB issues framework pronouncements to provide information, structure and context to the pronouncements and other materials that it issues. The framework pronouncements comprise:
  - (a) *Foreword to AUASB Pronouncements*

The Foreword to AUASB Pronouncements sets out an overview of the range and hierarchy of pronouncements and other materials issued by the AUASB.
  - (b) [Framework for Assurance Engagements](#)

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.
  - (c) [AUASB Glossary](#)

The AUASB Glossary sets out terms that are defined or used in the AUASB Standards.
16. Framework pronouncements, whilst formally approved and issued by the AUASB, do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards, and do not have legal enforceability.

### **Standards**

17. The AUASB issues the following types of standards:
  - (a) Australian Auditing Standards (ASAs)

ASAs issued by the AUASB include Auditing Standards, Standards on Quality Management and certain Standards on Review Engagements made under section 336 of the Corporations Act.<sup>9</sup> 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.
  - (b) Standards on Review Engagements (ASREs)

ASREs are to be applied to the review of a financial report and the review of other historical financial information.
  - (c) Standards on Assurance Engagements (ASAEs)

ASAEs are to be applied to assurance engagements dealing with subject matters other than historical financial information.<sup>10</sup>

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<sup>9</sup> The terms “Auditing Standards” and Australian Auditing Standards” are further explained in paragraph 8 of [ASA 101](#).

<sup>10</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.



(d) 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.<sup>11</sup>

These standards are collectively referred to as the “AUASB Standards”.

18. Standards made by the AUASB establish mandatory requirements and also include related application and other explanatory material essential for a proper understanding of a standard and application of its requirements.
19. The AUASB Preambles<sup>12</sup> explain in greater detail the authority and legal enforceability of AUASB Standards, how standards are to be understood, interpreted and applied, and identifies the mandatory and non-mandatory components of standards.

### **Guidance Statements**

20. Guidance Statements provide guidance to auditors and assurance practitioners on the application of AUASB Standards and assist auditors and assurance providers to comply with Standards. Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard(s) of general application to particular circumstances or specialised industries/sectors.
21. Accordingly, Guidance Statements refer to, and are written in the context of:
- (a) specified AUASB Standards; and
  - (b) where relevant, legislation, regulation or other authoritative publication.
22. Guidance Statements, whilst formally approved and issued by the AUASB, do not establish new principles or amend existing standards. Guidance Statements therefore do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and do not have legal enforceability.
23. The AUASB’s [Due Process Framework](#) outlines the circumstances that may lead to the AUASB issuing guidance materials and identifies factors the AUASB will consider in determining the form of guidance that will be appropriate in the circumstances. In deciding on the form of guidance, the AUASB considers the level of authority required to meet the informational need. Where there is a need for authoritative guidance, the AUASB has the option to include the guidance in a standard as new/amended application and explanatory material, or to issue/amend a separate Guidance Statement. Alternatively, the AUASB may determine that non-authoritative guidance materials may be more suitable in the circumstances.<sup>13</sup>

### **Non-Authoritative Materials**

24. The AUASB may also 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. Such non-authoritative materials do not have the status of AUASB Standards or Guidance Statements. Non-authoritative materials do not establish or extend requirements for the performance of engagements under the AUASB Standards.
25. The AUASB’s [Due Process Framework](#) outlines the circumstances that may lead to the AUASB issuing guidance materials and identifies factors the AUASB will consider in

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<sup>11</sup> 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.

<sup>12</sup> See [ASA 100](#) and [ASA 101](#), as applicable.

<sup>13</sup> See paragraphs 29-33 and 221-223, 231 of the AUASB’s [Due Process Framework](#).

determining the form of guidance that will be appropriate in the circumstances.<sup>14</sup> Non-authoritative materials may be appropriate in the following circumstances:

- (a) urgent guidance is necessary to address a significant issue or support the implementation of a new/revised standard, and this can be developed and issued more promptly than the development/revision of an authoritative AUASB Guidance Statement; or
- (b) further guidance is desired to clarify, explain or interpret the requirements of a new/revised Standard or Guidance Statement for a particular industry or sub-sector.

26. The diagram in Appendix 1 of this document provides an outline of the types of non-authoritative materials issued by the AUASB.

### **Explanatory Guides**

- 27. The AUASB issues Explanatory Guides to provide additional information about specific aspects of a standard(s), such as the deliberations undertaken by the AUASB when assessing their need and purpose.
- 28. Explanatory Guides do not establish or extend requirements for the performance of engagements under the AUASB Standards.

### **Basis for Conclusions**

- 29. Whenever the AUASB has made decisions on substantive matters relating to the development of a standard, the AUASB will document the details of the matter, the options considered and the reasons supporting the conclusions made in a Basis for Conclusions document.<sup>15</sup>

### **AUASB Bulletins**

- 30. AUASB Bulletins are issued to either raise a general awareness of matters that are of interest to auditors and assurance practitioners or provide specific guidance on entity or industry specific matters for which an AUASB Guidance Statement is not required or appropriate.
- 31. AUASB Bulletins are designed to address matters of principle as they relate to market conditions or specific technical issues, and how these may impact the work of auditors and assurance practitioners. They do not provide authoritative guidance and do not amend existing AUASB Standards or Guidance Statements.

### **AUASB Consultative Documents**

- 32. As part of the AUASB's consultation process, the AUASB may issue various consultative documents to set out the details of the matters on which the AUASB is consulting and seeking input from stakeholders prior to making decisions. Typical consultative documents issued by the AUASB include: Exposure Drafts, Discussion Papers, Consultation Papers<sup>16</sup> and Invitations to Comment.<sup>17</sup>

### **Other Non-Authoritative Publications and Guidance Materials**

- 33. The AUASB may also issue other publications, either in its own right or jointly with other bodies, on the auditing and assurance implications of emerging issues that contain observations or findings deemed critical for audits and/or auditors.

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<sup>14</sup> See paragraphs 29-33 and 221-223, 231 of the AUASB's [Due Process Framework](#).

<sup>15</sup> For further detail on information included in a *Basis for Conclusions* document, see paragraphs 193-194 of the AUASB's [Due Process Framework](#).

<sup>16</sup> For example, when the IAASB issues an Exposure Draft (ED), the AUASB concurrently issues the unmodified IAASB ED in Australia along with Australian-specific commentary in the form of an AUASB Consultation Paper 'wrapped around' the IAASB ED.

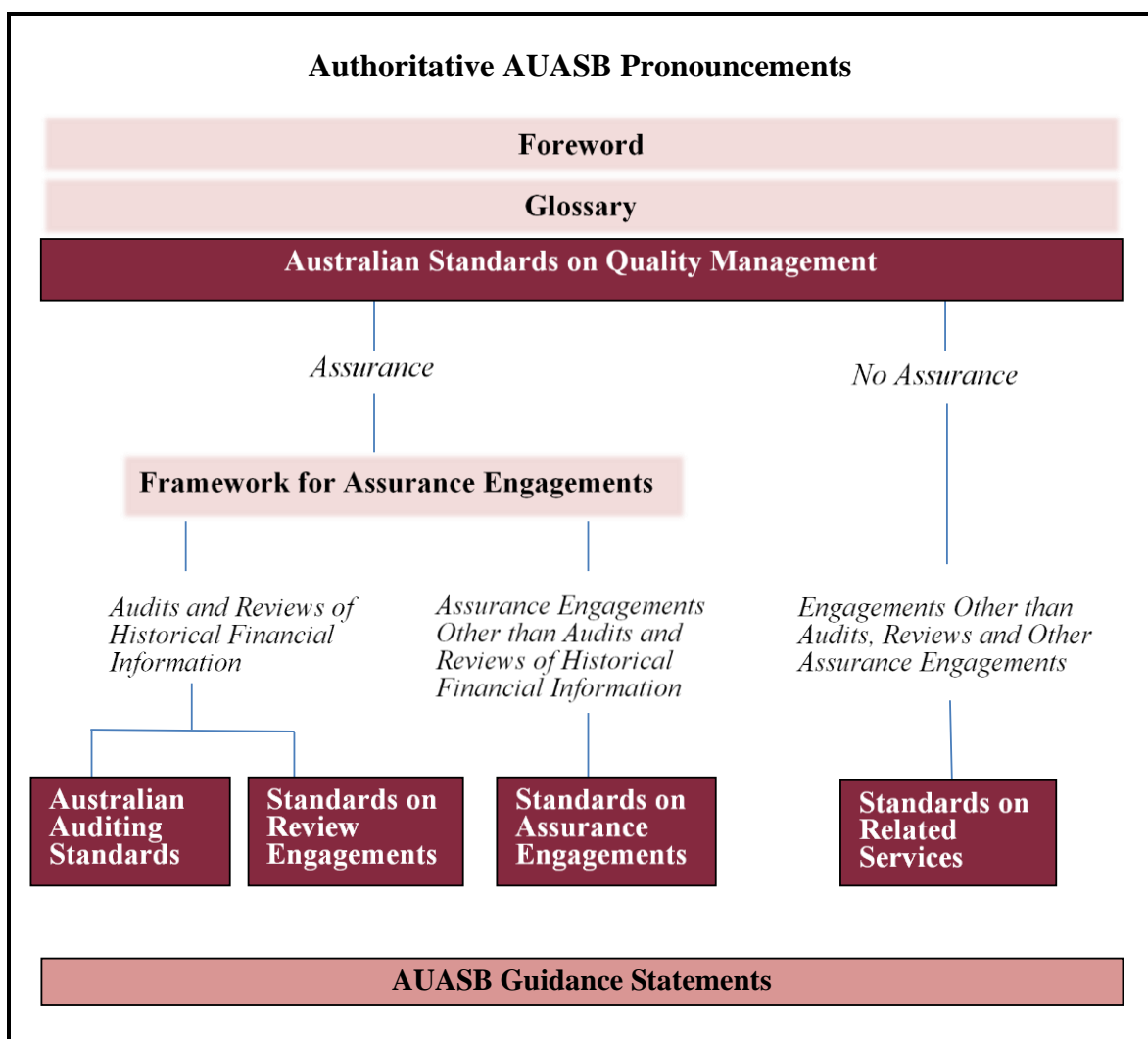
<sup>17</sup> See paragraph 64 of the AUASB's [Due Process Framework](#).

34. The AUASB or technical staff may also publish the following materials on the AUASB website:
- responses to Frequently Asked Questions (FAQs);
  - periodic newsletters and news alerts;
  - implementation support materials;
  - other contextual, supportive and educational materials related to pronouncements, including webcasts, podcasts, articles, presentations for conferences and training materials; and
  - AUASB research reports.

These materials do not have authoritative status and do not add or change requirements in AUASB pronouncements.

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**Categories of Pronouncements and Other Materials issued by the AUASB**



<b>Non-Authoritative Materials</b>	
<i>AUASB Publications and Guidance Materials</i>	<i>Technical Staff Guidance and Other Materials</i>
Explanatory Guides Basis for Conclusions AUASB Bulletins AUASB Consultative Documents	Frequently Asked Questions Newsletters and news alerts Implementation support materials Other contextual, supportive and education materials, webcasts, podcasts, articles, presentations and training materials Research reports

Framework Pronouncements



Standards



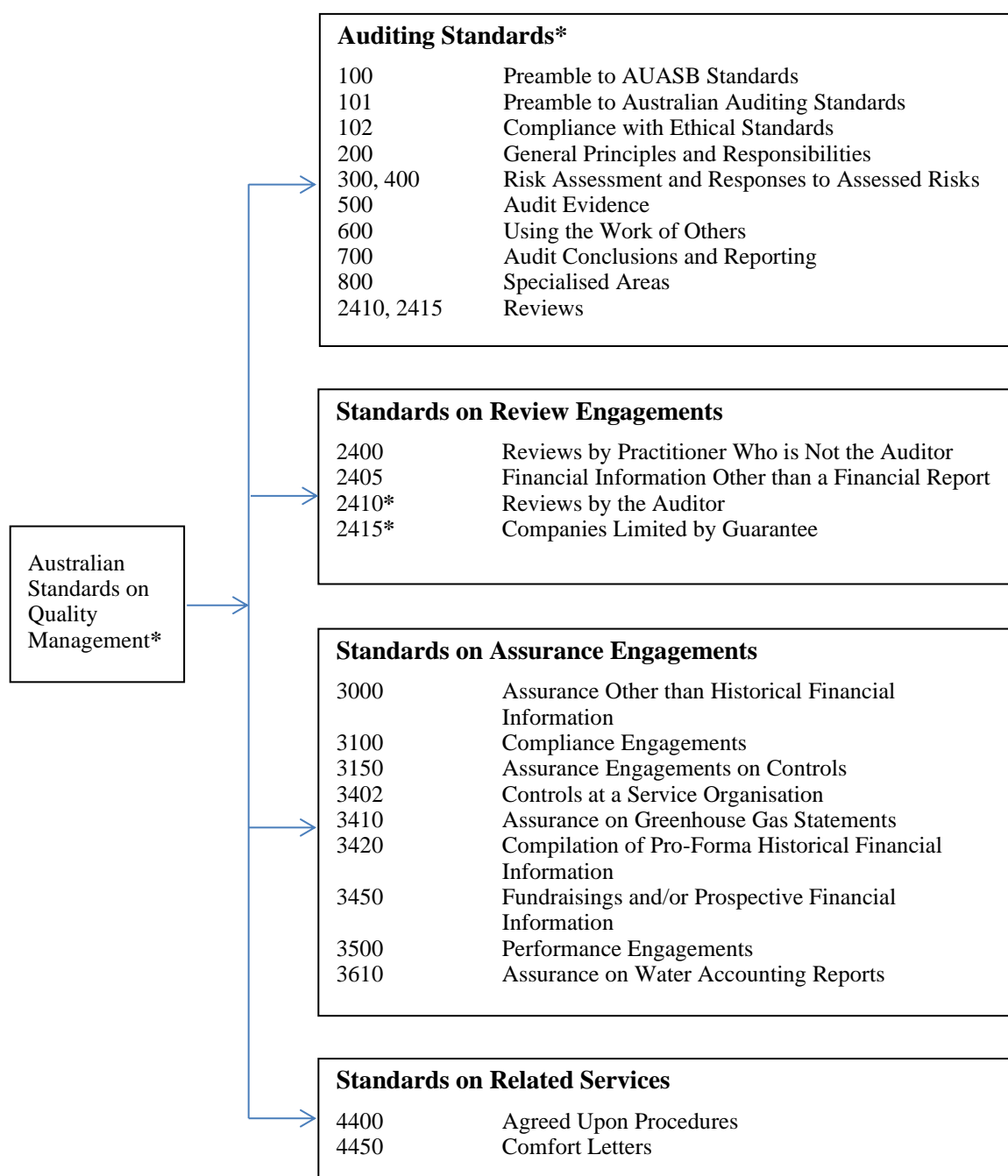
Guidance Statements



Non-Authoritative Materials



Overview of Numbering System used in AUASB Standards



Legend

\* Standards made under the *Corporations Act 2001*

Notes

Auditing Standards numbered 200 to 2415 (above) denote a series of numbers

Auditing Standards ASA 805 and ASA 810 are not made under the *Corporations Act 2001*