

**ASA 102**  
( ~~October 2009~~ March 2018)

# **Auditing Standard ASA 102** *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*

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



**Australian Government**

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**Auditing and Assurance Standards Board**

## Obtaining a Copy of this Auditing Standard

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: [www.auasb.gov.au](http://www.auasb.gov.au)

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## PREFACE

### ***Reasons for Issuing ASA 102 ~~Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements~~***

The Auditing and Assurance Standards Board (AUASB) issues 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 ~~an independent statutory board~~ 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 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. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

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* issued by the Accounting Professional & Ethical Standards Board Limited (December 2010 incorporating all amendments to May 2017 February 2008), 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 requirement and application and other explanatory material in ASA 102 have been drawn from several standards of the International Auditing and Assurance Standards Board (IAASB).

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, and Other Assurance Engagements* by 1 January 2010.

### **Main Features**

This Auditing Standard establishes requirements and provides application and other explanatory material regarding the responsibilities of auditors, assurance practitioners, engagement quality control reviewers and firms to comply with relevant ethical requirements, including those pertaining to independence, relating to audits, reviews and other assurance engagements.

**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements (reissued March 2018)* 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.

Dated: 8 March 2018

R Simnett  
Chair – AUASB

~~Dated: 27 October 2009~~

~~M H Kelsall  
Chairman – AUASB~~

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### ***Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements***

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#### **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, the requirement and application and other explanatory material in this Auditing Standard have been drawn from ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*, ISA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing* and ISA 220 *Quality Control for an Audit of Financial Statements*, as issued by the IAASB, as listed in the following table:

<b>ASA 102</b>	<b>International Standards</b>
Paragraph 6 (requirement)	ISA 200 paragraph 14 ISA 220 paragraphs 9-11 ISQC 1 paragraph 20
Paragraph A1	ISA 200 paragraph <del>A14</del> <u>A16</u>
Paragraph A2	ISA 200 paragraph <del>A15</del> <u>A17</u>
Paragraph A3	ISQC 1 paragraph A7 ISA 200 paragraph <del>A15</del> <u>A17</u> ISA 220 paragraph A4
Paragraph A4	ISQC 1 paragraph A8
Paragraph A5	ISA 200 paragraph <del>A16</del> <u>A18</u>
Paragraph A6	ISQC 1 paragraph A9
Paragraph A7	ISQC 1 paragraph A10 ISA 220 paragraph A5

Compliance with this Auditing Standard, together with other Australian Auditing Standards, enables compliance with the ISAs and ISQC 1.

## **AUDITING STANDARD ASA 102**

### ***Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements***

#### **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*;
  - (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; and
  - (e) 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*.

#### **Operative Date**

2. This Auditing Standard is operative for engagements with financial reporting periods commencing on or after 8 March 2018 ~~8 March 2018 and for firms required to establish systems of quality control in compliance with ASQC 1 by 1 January 2010.~~

#### **Introduction**

##### **Scope of this Auditing Standard**

3. This Auditing Standard includes a requirement for auditors, assurance practitioners, engagement quality control reviewers and firms to comply with relevant ethical requirements, including those pertaining to independence, relating to audits, reviews and other assurance engagements.

#### **Objective**

4. The objective of the auditor, assurance practitioner, engagement quality control reviewer and firm is to comply with relevant ethical requirements, including those pertaining to independence, relating to audits, reviews and other assurance engagements.

#### **Definition(s)**

5. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
  - (a) Assurance practitioner means assurance practitioner as defined in ASQC 1 ~~a person or an organisation, whether in public practice, industry, commerce or the public sector, providing assurance services<sup>+</sup>.~~

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<sup>+</sup> See ASQC 1.

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### *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*

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- (b) Auditor means auditor as defined in ASA 200 Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an Auditing Standard expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “auditor” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents where relevant.<sup>2</sup>
- (c) Engagement quality control reviewer means engagement quality control reviewer as defined in ASQC 1 a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgements the engagement team made and the conclusions it reached in formulating the auditor’s report.
- (d) Firm means firm as defined in ASQC 1 a sole practitioner, partnership or corporation or other entity of assurance practitioners. “Firm” should be read as referring to a public sector equivalent where relevant.<sup>3</sup>
- (e) Relevant ethical requirements means ethical requirements that apply to the auditor, assurance practitioner, engagement quality control reviewer and firm. In Australia, these include the applicable requirements of APES 110 *Code of Ethics for Professional Accountants*, issued by the Accounting Professional & Ethical Standards Board Limited (February 2008 December 2010 incorporating all amendments to May 2017), the applicable provisions of the *Corporations Act 2001* and other applicable law or regulation.

## Requirements

### Compliance with Relevant Ethical Requirements (Ref: Para. A1-A7)

6. The auditor, assurance practitioner, engagement quality control reviewer, and firm shall comply with relevant ethical requirements, including those pertaining to independence, when performing audits, reviews and other assurance engagements.

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<sup>2</sup> See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

<sup>3</sup> See ASQC 1.



## **Application and Other Explanatory Material**

### **Compliance with Relevant Ethical Requirements** (Ref: Para. 6)

- A1. 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*, issued by the Accounting Professional & Ethical Standards Board Limited (~~February 2008~~ December 2010 incorporating all amendments to May 2017), which are to be taken into account in determining whether relevant ethical requirements referred to in paragraph 6 of this Auditing Standard have been met. In relation to audits and reviews undertaken in accordance with the *Corporations Act 2001*, the provisions of Division 3 Part 2M.4 of the Act may also apply.
- A2. APES 110 establishes the fundamental principles of professional ethics and provides a conceptual framework for applying those principles.
- A3. The fundamental principles of professional ethics, as described in APES 110, include:
- (a) Integrity;
  - (b) Objectivity;
  - (c) Professional competence and due care;
  - (d) Confidentiality; and
  - (e) Professional behaviour.
- A4. APES 110 illustrates how the conceptual framework is to be applied in specific situations. It provides examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles and also provides examples of situations where safeguards are not available to address the threats.
- A5. In the case of an audit engagement, it is in the public interest and required by APES 110, that the auditor be independent of the entity subject to the audit. APES 110 describes independence as comprising both independence of mind and independence in appearance. The auditor's independence from the entity safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional scepticism.
- A6. The fundamental principles in APES 110 are reinforced in particular by:
- (a) The leadership of the firm;
  - (b) Education and training;
  - (c) Monitoring; and
  - (d) A process for dealing with non-compliance.
- A7. The definition of terms in APES 110 may differ from the definitions of those terms in Australian Auditing Standards including terms defined in ASQC 1, ASA 200 and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*.

For example, APES 110 defines the "firm" as:

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- ~~(a) — A sole practitioner, partnership, corporation or other entity of professional accountants;~~
- ~~(b) — An entity that controls such parties through ownership, management or other means;~~
- ~~(c) — An entity controlled by such parties through ownership, management or other means; and~~
- ~~(d) — An auditor general's office or department.~~

~~whereas ASQC 1 defines the "firm" as:~~

~~"Firm means a sole practitioner, partnership or corporation or other entity of assurance practitioners. "Firm" should be read as referring to a public sector equivalent where relevant".~~

APES 110 also provides guidance in relation to the terms "network" and "network firm."

In complying with the requirements of this Auditing Standard, the definitions used in APES 110 apply in so far as is necessary to interpret the ethical requirements of ASQC 1, ASA 200 and ASA 220.