



Attachment to AUASB Board Meeting Summary Paper

AGENDA ITEM NO. **4.4.2**
Meeting Date: 6 March 2019
Subject: ASA 220 – Australian Modifications
Prepared by: Tim Austin
Date Prepared: 19 February 2019

Matters to Consider

Part A – General

1. The AUASB is requested to review the compelling reason tables included below and provide feedback.
 - (a) Table 1 reflects the existing AUS modifications within extant ASA 220 and determines whether these paragraphs are still necessary in the context of the proposed ASA 220.
 - (b) Table 2 reflects paragraphs within the proposed ASA 220 that the ATG considers may need to be deleted/modified for the Australian environment. The paragraphs relate to:
 - (i) Possible additions to content to reflect Australian laws and regulations; or
 - (ii) Subject matter that is not applicable in the Australian context.

Part B – NZAuASB

2. The NZAuASB will consider New Zealand amendments as part of their Exposure Outreach. The NZAuASB has issued the IAASB ED with no amendments.

Part C – “Compelling Reasons” Assessment

3. Refer Table below.

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Table 1 – Australian Modifications to Extant ISA 220 Quality Control for an Audit of a Financial Report and Other Historical Financial Information

Para #	International Text	Australian Text	Placeholder in ED
Definitions			
Aus 7.1 <i>In principle</i>	N/A – inserted Aus definition ED ISA 220 does not define Assurance practitioner	Assurance practitioner means a person or an organisation, whether in public practice, industry, commerce or the public sector, providing assurance services.	Y – Include placeholder to definitions to consider changes to definitions to reflect Aus laws and regs and principles and practices.
Aus 7.2 <i>In principle</i>	Deleted footnote 2 “Engagement partner,” “partner,” and “firm” should be read as referring to their public sector equivalents. ED ISA 220 definition, footnote 3 “Engagement partner,” “partner,” and “firm” should be read as referring to their public sector equivalents.	Engagement partner should be read as referring to a public sector equivalent where relevant.	Y – Include placeholder to definitions to consider changes to definitions to reflect Aus laws and regs and principles and practices.
Aus 7.3 <i>Inserted by ASA 2013-2</i>	Deleted paragraph 7(e) Firm – A sole practitioner, partnership or corporation or other entity of professional accountants, or public sector equivalent. ED ISA 220 definition, paragraph 10(e) Firm ¹ – A sole practitioner, partnership or corporation or other entity of professional accountants, or public sector equivalent.	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.	Y – Include placeholder to definitions to consider changes to definitions to reflect Aus laws and regs and principles and practices.

¹ “Engagement partner,” “partner,” and “firm” should be read as referring to their public sector equivalents.

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Para #	International Text	Australian Text	Placeholder in ED
Aus 7.4 <i>In principle</i>	<p>Deleted paragraph 7(k) Partner – Any individual with authority to bind the firm with respect to the performance of a professional services engagement.</p> <p>ED ISA 220 definition, paragraph 10(h) Partner – Any individual with authority to bind the firm with respect to the performance of a professional services engagement.</p>	Partner means any individual with authority to bind the firm with respect to the performance of an audit of a financial report or historical financial information. Partner should be read as referring to a public sector equivalent where relevant.	Y – Include placeholder to definitions to consider changes to definitions to reflect Aus laws and regs and principles and practices.
Aus 7.5 <i>In principle</i>	<p>Deleted paragraph 7(m) Professional standards – International Standards on Auditing (ISAs) and relevant ethical requirements.</p> <p>ED ISA 220 definition, paragraph 10(j) Professional standards – International Standards on Auditing (ISAs) and relevant ethical requirements.</p>	Australian Auditing Standards means the suite of auditing standards issued by the AUASB, and includes ASA 805 <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement</i> , and ASA 810 <i>Engagements to Report on Summary Financial Statements</i> .	Y – Include placeholder to definitions to consider changes to definitions to reflect Aus laws and regs and principles and practices.
Aus 7.6 <i>In principle</i>	<p>Deleted paragraph 7(n) Relevant ethical requirements – Ethical requirements to which the engagement team and engagement quality control reviewer are subject, which ordinarily comprised Parts A and B of the International Ethics Standards Board for Accountants’ <i>Code of Ethics for Professional Accountants</i> (IESBA Code) related to an audit of financial statements together with national requirements that are more restrictive.</p> <p>ED ISA 220 definition, paragraph 10(k) Relevant ethical requirements – Principles of professional ethics and ethical requirements that are applicable to professional accountants when undertaking the audit engagement. Relevant ethical requirements ordinarily comprise the provisions of</p>	Relevant ethical requirements means relevant ethical requirements as defined in ASA 102.*	Y – Include placeholder to definitions to consider changes to definitions to reflect Aus laws and regs and principles and practices.

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Para #	International Text	Australian Text	Placeholder in ED
	the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) related to audits of financial statements, together with national requirements that are more restrictive.		
Requirements			
<i>Engagement Quality Control Review</i>			
Aus 21.1 <i>In principle</i>	<p>Deleted paragraph 21</p> <p>For audits of financial statements of listed entities, the engagement quality control reviewer, on performing an engagement quality control reviewer, shall also consider the following:</p> <ul style="list-style-type: none"> (a) The engagement team's evaluation of the firm's independence in relation to the audit engagement; (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and (c) Whether audit documentation selected for review reflects the work performed in relation to the significant judgments made and supports the conclusions reached. <p>ED ISA 220 requirement, para... N/A – EQCR paragraphs moved to ISQM 2</p>	<p><i>Engagement Quality Control Review</i></p> <p>For audits of financial reports of listed entities, and those other audit engagements, if any, for which the firm has determined that an engagement quality control review is required, the engagement quality control reviewer, on performing an engagement quality control review, shall also consider the following:</p> <ul style="list-style-type: none"> (a) The engagement team's evaluation of the firm's independence in relation to the audit engagement; (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and (c) Whether audit documentation selected for review reflects the work performed in relation to the significant judgements made and supports the conclusions reached. (Ref: Para. A28-A31) 	N – Relates to Engagement Quality Control Reviews which is no longer in ASA 220. Included in table in ASQM 2 papers.

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Application and Other Explanatory Material			
System of Quality Control and Role of Engagement Teams			
Aus A2.1 <i>In principle</i>	N/A – additional Aus material	<i>Reliance on the Firm’s System of Quality Control</i> Notwithstanding reliance by the engagement team on the firm’s system of quality control, for audits undertaken in accordance with the <i>Corporations Act 2001</i> (the Act), the engagement partner is required to comply with the auditing standards under section 307A of that Act.	N – Material regarding reliance on firm’s system of quality control has been removed in proposed ASA 220.
Relevant Ethical Requirements			
Aus A4.1 <i>In principle</i>	Deleted paragraph A4 The IESBA Code established the fundamental principles of professional ethics, which include: (a) Integrity; (b) Objectivity; (c) Professional competence and due care; (d) Confidentiality; and (e) Professional behaviour. ED ISA 220 application, paragraph... N/A – Not carried forward to revised standard	<i>Compliance with Relevant Ethical Requirements</i> The auditor is subject to relevant ethical requirements, including those pertaining to independence, relating to audit engagements as defined in ASA 102.	N – Specific material on the principles of the IESBA code have been removed.
A5	Deleted paragraph A5 Application material relating to the definition of “Firm”, “Network” and “Network Firm” are deleted.	[Deleted by the AUASB. Refer ASA 102]	Y – Include placeholder to definitions to consider changes to definitions to reflect Aus laws and regs and principles and practices.
Aus A5.1 <i>In principle</i>	N/A – Inserted Aus application material	<i>Independence</i> Examples of independence requirements that may be applicable are addressed in the <i>Corporations Act 2001</i> , Part 2M.3 Division 3, and relevant ethical requirements in ASA 102.	Y – Include placeholder in <i>Relevant Ethical Requirements</i> Application Material to consider changes to reflect Aus laws and regs.

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Para #	International Text	Australian Text	Placeholder in ED
Aus A6.1 <i>In principle</i>	N/A – Inserted Aus application material	<i>Threats to Independence</i> The familiarity threat is particularly relevant in the context of financial report audits of listed entities. For these audits, relevant ethical requirements† and the <i>Corporations Act 2001</i> specify the partner rotation requirements.	Y – Include placeholder in Relevant Ethical Requirements Application Material to consider changes to reflect Aus laws and regs.

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Table 2 – Paragraphs from Proposed ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* that may require modification

Para #	International Text	Audit Technical Group's Recommendation
A40	ASA 700 requires that the auditor's report include a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and that the auditor has fulfilled the auditor's other ethical responsibilities in accordance with these requirements. Performing the procedures required by paragraphs 14–19 of this ASA provides the basis for these statements in the auditor's report.	A placeholder has been inserted to consider whether additional references to Australian laws and regulations are required.
A54	Human resources assigned or made available by the firm include members of the engagement team and, where applicable, external experts. In addition, as provided for by ASA 610 individuals from within the entity's internal audit function may provide direct assistance.	A placeholder has been inserted to consider whether reference to direct assistance needs to be deleted in-line with Australian principles and practices.

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