

ASA 600
(May 2022)

Explanatory Statement

ASA 600 Special Considerations —Audits of a Group Financial Report (Including the Work of Component Auditors) and ASA 2022-1 *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 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 Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 Amendments to Australian Auditing Standards

The AUASB issues Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 Amendments to Australian Auditing Standards 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.

The Auditing Standard conforms with ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and the IAASB's Conforming Amendments to ISAs and Related Material Arising from the Group Audit standard.

Purpose of Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 Amendments to Australian Auditing Standards

The purpose of the Auditing Standard represents the Australian equivalent of ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and will replace the current ASA 600 *Special Considerations—Audits of a Group Financial Report* by the AUASB in June 2020 (as amended). ASA 2022-1 Amendments to Australian Auditing Standards includes the consequential and conforming amendments to other Auditing Standards as a result of changes to ASA 600.

Main Features

ASA 600 strengthen the auditor's approach to planning and performing a group audit and clarifies the interaction of ISA 600 to the other ISAs by

- Keeping the Group Audit standard fit for purpose;
- Encouraging proactive management of quality at the engagement level;
- Fostering an appropriately independent and challenging sceptical mindset of the auditor; and
- Reinforcing the need for robust communication and interactions during the audit

Operative Date

Operative date for audits of a group financial report for periods beginning on or after 15 December 2023, with early adoption being permitted and encouraged.

Process of making Australian Auditing Standards

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

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- have a clear public interest focus and are of the highest quality;
- use, as appropriate, the text of the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop Australian Auditing Standards;
- make amendments to ISAs as necessary to conform with the Australian regulatory environment and statutory requirements; and
- are capable of enforcement.

Consultation Process prior to issuing the Auditing Standard

The AUASB has consulted publicly as part of its due process in developing the Auditing Standard, by exposing the international ED-ISA 600, along with an associated Australian Explanatory Memorandum. ED-ISA 600 was exposed within Australia with a 80 day comment period.

Submissions were received by the AUASB and these were considered as part of the development and finalisation of the Auditing Standard.

Regulatory Impact Statement

A Regulatory Impact Statement (RIA) has been prepared in connection with the preparation of ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*. The RIA has been cleared by the Office of Best Practice Regulation (OBPR).

Exemption from Sunsetting

ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 *Amendments to Australian Auditing Standards* are made under section 336 of the *Corporations Act 2001* and are exempted from sunseting under section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015*. Parliamentary oversight is retained through the AUASB's extensive review process. The AUASB's Standards incorporate Standards set by the International Auditing and Assurance Standards Board. A more stringent review process than sunseting applies to the Standards and is retained to ensure Australia's Auditing Standards regime remains consistent with international Standards.

STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

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

Legislative Instrument: **Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 *Amendments to Australian Auditing Standards***

These Legislative Instruments are 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

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Human Rights Implications

These 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.