

**ASA 2025-1**  
(January 2025)

# **Explanatory Statement**

## ***ASA 2025-1 Amendments to Australian Auditing Standards***

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



**Australian Government**

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**Auditing and Assurance Standards Board**

## **Obtaining a Copy of this Explanatory Statement**

This Explanatory Statement is available on the Auditing and Assurance Standards Board website:  
[www.aasb.gov.au](http://www.aasb.gov.au)

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## **Reasons for Issuing Auditing Standard ASA 2025-1**

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2025-1 *Amendments to Australian Auditing Standards* pursuant to 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*. 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, the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

## **Purpose of Auditing Standard ASA 2025-1**

The purpose of ASA 2025-1 is to amend to the following Auditing Standards in connection with disclosure concerning auditor independence in audit reports in APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board (the Code) and communication to those charged with governance (TCWG):

ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 31 March 2023)

ASA 260 *Communication With Those Charged With Governance* (Issued 1 December 2015 and amended to 27 April 2022)

## **Main Features**

ASA 2025-1 amends:

- ASA 700 in connection with disclosure concerning the application of auditor independence requirements in the Code in audit reports of public interest entities and certain other entities; and
- ASA 260 to require the auditor to communicate to TCWG of an audited entity on the application of the auditor independence requirements.

## **Operative Date**

ASA 2025-1 *Amendments to Australian Auditing Standards* is operative for financial reporting periods commencing on or after 15 December 2024.

## **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 International Standards on Auditing of the IAASB as the underlying standards;
- conform with the Australian regulatory environment; 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 ASA 2025-1. An AUASB Consultation Paper wrap-around the *Exposure of the IAASB's Proposed Narrow Scope Amendments to ISA 700 (Revised) and ISA 260 (Revised) as a Result of the Revisions to the IESBA Code that Require a Firm to Publicly Disclose When a Firm Has Applied the Independence Requirements for Public Interest Entities (PIEs)* was issued on 21 July 2022 with a 60-day comment period.

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

## **Impact Analysis**

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 2025-1 and lodged with the Office of Impact Analysis (OIA). The OIA advised that an Impact Analysis is not required in relation to this standard.

## **Exemption from Sunsetting**

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunset provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the IAASB. The AUASB's Standards are exempt from sunset because a more stringent review process than sunset applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunset regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

## **Commencement of ASA 2025-1**

The instrument was made on 28 January 2025 but is operative for financial reporting periods commencing on or after 15 December 2024. In practice, while some financial periods may be shorter than 12 months, it is unlikely that entities would have reporting periods that commenced on 15 December 2024 and ended before 28 January 2025 or the assurance work would be concluded during that period. In particular, auditor's reports are issued after the end of the reporting period and communications to TCWG can be made after 28 January 2025. Therefore, the retrospective commencement is not expected to disadvantage any person.

## 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 2025-1 Amendments to Australian Auditing Standards**

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 Auditing and Assurance Standards Board (AUASB) is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001* (the Act), 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 Auditing Standard ASA 2025-1*

The purpose of ASA 2025-1 is to amend the following Auditing Standards in connection with disclosure concerning auditor independence in audit reports following changes made by the Accounting Professional & Ethical Standards Board to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) and communication to those charged with governance (TCWG):

- ASA 700        *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 31 March 2023)
- ASA 260        *Communication With Those Charged With Governance* (Issued 1 December 2015 and amended to 27 April 2022)

#### *Main Features*

ASA 2025-1 amends:

- ASA 700 in connection with disclosure concerning the application of auditor independence requirements in the Code in audit reports; and
- ASA 260 to require the auditor to communicate to TCWG of an audited entity on the application of the auditor independence requirements.

### 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.