

(August 2008)

Explanatory Statement

Auditing Standard ASA 2008-1 *Amendments to Australian Auditing Standards*

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



Australian Government

Auditing and Assurance Standards Board

Explanatory Statement

Reasons for Issuing ASA 2008-1 *Amendments to Australian Auditing Standards*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2008-1 *Amendments to Australian Auditing Standards*, pursuant to the requirements of the legislative provisions explained below.

The *Corporate Law Economic Reform Program (Audit Reform and Corporate Disclosure) Act 2004* established the AUASB as an independent statutory body under section 227A of the *Australian Securities and Investments Commission Act 2001*, as from 1 July 2004. 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 *Legislative Instruments Act 2003*.

Purpose of Auditing Standard ASA 2008-1 *Amendments to Australian Auditing Standards*

This Auditing Standard makes amendments to the following Auditing Standard on Review Engagements:

ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*

These amendments arise from:

1. Changes made by the International Auditing and Assurance Standards Board (IAASB) to the scope of ISRE 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*, the equivalent international standard of

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ASRE 2410. The change to ISRE 2410 expanded the scope of the Standard to include reviews of financial information for periods other than interim periods, which was the case previously.

Under the Financial Reporting Council (FRC) Strategic Direction to the AUASB, the AUASB is to have regard to any programme initiated by the IAASB for the revision and enhancement of the International Standards on Auditing (ISAs) and make appropriate consequential amendments to the Australian Auditing Standards; and

2. The AUASB decision to include additional Explanatory Guidance on the nature of a “financial report” for purposes of the Standard. This clarification was deemed helpful in the context of other AUASB Standards that apply to review engagements.

Auditing Standard ASA 2008-1 is to be read in conjunction with the *Preamble to AUASB Standards*, which sets out the intentions of the AUASB on how the Auditing Standards are to be understood, interpreted and applied.

Operative Date

This Auditing Standard is operative for engagements commencing on or after 1 October 2008.

Amendments to Auditing Standard on Review Engagements ASRE 2410

1. This Auditing Standard, ASA 2008-1:
 - a) Amends the title of ASRE 2410 to “ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*”.

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- b) Amends the mandatory application of the Standard to include the review of a financial report, comprising historical financial information, for periods other than an interim period.
 - c) Provides Explanatory Guidance on the nature of a financial report—the components of a financial report and its objective to achieve fair presentation.
- 2. As a result of the amendments described above, this Auditing Standard makes further consequential changes to update relevant other paragraphs in ASRE 2410.
 - 3. This Auditing Standard amends footnote ² attached to paragraph 9 of ASRE 2410 to update the reference to the *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board.
 - 4. The result of the amendments to ASRE 2410 is that an engagement to review a financial report for *any* period, conducted by the auditor of the entity, is to be performed in accordance with ASRE 2410 (as amended).

Previously an engagement to review a financial report for a period of 12 months or more, by the auditor of the entity, was to be performed in accordance with (auditing standard) AUS 902 issued by the predecessor Auditing and Assurance Standards Board (AUASB) of the Australian Accounting Research Foundation. Accordingly, an auditor was to use different auditing standards depending on the period of the financial report.

The AUASB supports the position taken by the IAASB that it is the nature of the review engagement, not the financial reporting period, which underpins the Requirements in a Standard. Accordingly, the AUASB amends ASRE 2410 and

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will withdraw AUS 902 for review engagements commencing on or after 1 October 2008.

Consultation on Amendments to ASRE 2410

The AUASB has consulted publicly as part of its due process in developing this Auditing Standard. Exposure Draft ED 4/08 *Proposed Amendments to ASRE 2410 Review of an Interim Financial Report by the Independent Auditor of the Entity* was issued in April 2008 with a 45-day comment period. Submissions were received by the AUASB who considered these submissions as part of the development and finalisation of this Auditing Standard.