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|  | ASA 250  (May 2017) |

Explanatory Statement

ASA 250 Considerations of Laws and Regulations in the Audit of a Financial Report

Issued by the **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

##### Contact Details

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##### Reasons for Issuing Auditing Standard ASA 250 *Consideration of Laws and Regulations in the Audit of a Financial Report*

The AUASB issues Auditing Standard ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a Non Corporate Commonwealth Entity 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 *Legislative Instruments 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.

##### Purpose of Auditing Standard ASA 250 *Consideration of Laws and Regulations in the Audit of a Financial Report*

The purpose of the Auditing Standard is to represent the Australian equivalent of revised ISA 250 *Consideration of Laws and Regulations in the Audit of a Financial Report* and will replace the current ASA 250 issued by the AUASB in October 2009 (as amended).

##### Main Features

The revision of ASA 250 reflects changes developed by the International Auditing and Assurance Standards Board as a result of changes to the IESBA Codethat have beenincluded in theAPES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (APESB).

##### Operative Date

ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* is operative for financial reporting periods beginning on or after 1 January 2018 with early adoption permitted.

##### 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 (ISAs) of the International Auditing and Assurance Standards Board (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 the Auditing Standard. Exposure Draft ED 05/16 Proposed Auditing Standard ASA 250 *Consideration of Laws and Regulations in the Audit of a Financial Report* was issued on 23 December 2016 with a comment period closing 15 March 2017.

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 Preliminary Assessment form has been prepared in connection with the preparation of ASA 250 *Consideration of Laws and Regulations in the Audit of a Financial Report* and lodged with the Office of Best Practice Regulation (OBPR).

The OBPR have advised the AUASB Technical Group that a Regulatory Impact Statement (RIS) is not required in relation to this standard.

| STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS  Prepared in accordance with Part 3 of the Human Rights (Parliamentary Scrutiny) Act 2011 Legislative Instrument: 250 *Consideration of Laws and Regulations in the Audit of a Financial Report* 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 AUASB is a Non Corporate Commonwealth Entity 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 *Legislative Instruments Act 2003*.  Purpose of  250  The purpose of  250 is to conform with the equivalent revised international standard on auditing, ISA 250; and to replace the pre-existing auditing standard.  Main Features  The revision of ASA 250 reflects changes developed by the International Auditing and Assurance Standards Board as a result of changes to the IESBA Codethat have beenincluded in theAPES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (APESB). Human Rights Implications The 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. |
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