

ASA 2020-2
(June 2020)

Explanatory Statement

ASA 2020-2 Amendments to Australian Auditing Standards made under Section 336 of the Corporations Act 2001

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



Australian Government

Auditing and Assurance Standards Board

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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 2020-2

The AUASB issues Auditing Standard ASA 2020-2 *Amendments to Australian Auditing Standards made under Section 336 of the Corporations Act 2001* 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.

Purpose of Auditing Standard ASA 2020-2

Under the Strategic Direction given to the AUASB by the FRC, the AUASB is required to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

The IAASB has made limited amendments to several International Standards to address changes made to the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), which became effective from 15 June 2019.

The Accounting Professional & Ethical Standards Board Limited (APESB) has issued a revised APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APESB Code) to incorporate the changes to the IESBA Code, with adaptations and additional requirements to suit the Australian environment. The revised APESB Code has been restructured and changes made to some fundamental terms and concepts in order to clarify application of the conceptual framework. The revised APESB Code became effective from 1 January 2020. The APESB Code is available, free of charge, on the APESB's website: www.apesb.org.au.

During December 2019, the AUASB reissued ASA 102 *Compliance with Ethical Requirements when performing Audits, Reviews and Other Assurance Engagements*, to give legal effect to the revised APESB Code. ASA 102 is an Auditing Standard made under the *Corporations Act 2001* for Australian legislative purposes. Under ASA 102 the auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of the APESB Code, which are to be considered in determining whether relevant ethical requirements have been met. ASA 102 enables references to relevant ethical requirements in other AUASB Standards to remain current as they are explicitly linked to ASA 102. The AUASB amends or re-makes ASA 102 whenever the APESB Code is reissued or revised, to ensure that such cross references remain current and to eliminate the need to amend other AUASB Standards. The reissued ASA 102 is operative for engagements with financial reporting periods ending on or after 31 December 2019.

The purpose of Auditing Standard ASA 2020-2 is to make consequential and conforming amendments to Australian Auditing Standards made under Section 336 of the *Corporations Act 2001* to:

- (a) reflect changes made to equivalent IAASB standards to address inconsistencies between the IAASB standards and the revised IESBA Code; and
- (b) update references to the revised APESB Code, reissued in November 2018 and effective from 1 January 2020.

Main Features

This Auditing Standard makes amendments to the following Auditing Standards:

- ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* (Issued 27 October 2009 and amended to 30 May 2017)
- ASA 100 *Preamble to AUASB Standards* (Issued 28 April 2006)
- ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (Issued 27 October 2009 and amended to 5 December 2018)
- ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information* (Issued 27 October 2009 and amended to 30 May 2017)
- ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* (Issued 27 October 2009 and amended to 5 December 2018)
- ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report* (Issued 30 May 2017)
- ASA 260 *Communication With Those Charged with Governance* (Issued 1 December 2015 and amended to 5 December 2018)
- ASA 510 *Initial Audit Engagements – Opening Balances* (Issued 27 October 2009 and amended to 1 December 2015)
- ASA 570 *Going Concern* (Issued 1 December 2015)
- ASA 600 *Special Considerations – Audits of a Group Financial Report* (Issued 27 October 2009 and amended to 1 December 2015)
- ASA 620 *Using the Work of an Auditor's Expert* (Issued 27 October 2009)
- ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 amended to 5 December 2018)
- ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* (Issued 1 December 2015)
- ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* (Issued 1 December 2015)
- ASA 710 *Comparative Information – Corresponding Figures and Comparative Financial Reports* (Issued 27 October 2009 and amended to 1 December 2015)
- ASA 720 *The Auditor's Responsibilities Relating to Other Information* (Issued 1 December 2015)
- ASA 800 *Special Considerations – Audits of Financial Reports Prepared in Accordance with Special Purpose Frameworks* (Issued 26 July 2016 and amended to 30 May 2017)

Operative Date

Auditing Standard ASA 2020-2 *Amendments to Australian Auditing Standards made under Section 336 of the Corporations Act 2001* is operative for engagements with financial reporting periods ending on or after 15 July 2020.

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 ISAs 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

It is the view of the AUASB that the changes to Australian Auditing Standards do not require public exposure as they are relatively minor or editorial in nature or are changes only to reflect existing obligations under ASA 102 and the APESB Code which became effective on 1 January 2020.

Regulatory Impact Statement

A Preliminary Assessment form was prepared in connection with the making of ASA 102 in December 2019 and lodged with the Office of Best Practice Regulation (OBPR). This Preliminary Assessment form addresses the updated requirements of the APESB Code for Auditors. No additional requirements have been created as a consequence of the AUASB issuing Auditing Standard ASA 2020-2 *Amendments to Australian Auditing Standards made under Section 336 of the Corporations Act 2001*.

The OBPR has advised the AUASB Technical Group that a Regulatory Impact Statement (RIS) was not required in relation to ASA 102.

Drafting of Amending Standard

Auditing Standard ASA 2020-2 uses underlining, striking out and other typographical material to identify the amendments to Auditing Standards, in order to make the amendments more understandable. However, the amendments made by this amending instrument do not include that underlining, striking out or other typographical material. Compiled standards include only the clean text.

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 2020-2 Amendments to Australian Auditing Standards made under Section 336 of the Corporations Act 2001**

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 an independent non corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*, as amended. 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*.

Purpose of Auditing Standard ASA 2020-2

The purpose of Auditing Standard 2020-2 is to make consequential and conforming amendments to Australian Auditing Standards made under Section 336 of the *Corporations Act 2001* to:

- (a) reflect changes made to equivalent standards of the International Auditing and Assurance Standards Board (IAASB) to address inconsistencies between IAASB Standards and the revised *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by International Ethics Standards Board for Accountants; and
- (b) update references to the revised APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)*, reissued by the Accounting Professional & Ethical Standards Board Limited in November 2018 and effective from 1 January 2020.

Main Features

Auditing Standard ASA 2020-2 makes amendments to the following Auditing Standards: ASQC 1, ASA 100, ASA 200, ASA 220, ASA 240, ASA 250, ASA 260, ASA 510, ASA 570, ASA 600, ASA 620, ASA 700, ASA 705, ASA 706, ASA 710, ASA 720 and ASA 800.

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.