ASA 101
(September 2021)

Explanatory Statement

ASA 101 *Preamble to AUASB Standards* and ASA 2021-3 *Amendments to Australian Auditing Standards*

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

Australian Government
Auditing and Assurance Standards Board

Authorised Version Explanatory Statement registered 20/09/2021 to F2021L01297

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 Standards ASA 101 *Preamble to AUASB Standards* and ASA 2021-3 *Amendments to Australian Auditing Standards*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standards ASA 101 *Preamble to AUASB Standards* and ASA 2021-3 *Amendments to Australian Auditing Standards* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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 (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 101 *Preamble to AUASB Standards*

This Auditing Standard sets out how AUASB Standards are to be understood, interpreted and applied. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.

Main Features

This Auditing Standard replaces existing ASA 101 *Preamble to Australian Auditing Standards* issued by the AUASB in June 2011 (as amended).

The revised Auditing Standard:

(a) expands the scope of ASA 101 to apply to all AUASB Standards; and

(b) amends ASA 101 to include additional interpretive guidance, for example from the existing ASA 100 *Preamble to AUASB Standards*, which was repealed from the Federal Register of Legislation in November 2020. These enhancements are further explained in the Explanatory Memorandum accompanying the Exposure Draft of the proposed standard, that was released for public comment in June 2021.

Purpose of Auditing Standard ASA 2021-3 *Amendments to Australian Auditing Standards*

This Auditing Standard makes amendments to the requirements and application and other explanatory material of Auditing Standards ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (issued October 2009 and amended to June 2020) and ASA 700 *Forming an Opinion and Reporting on a Financial Report* (issued December 2015 and amended to June 2020). These amendments are consequential and conforming amendments arising from the issuance of the revised ASA 101.

Operative Date

ASA 101 and ASA 2021-3 are operative for:

(a) audits or reviews of financial reports, for financial reporting periods commencing on or after 1 October 2021; and

(b) other assurance or related services engagements commencing on or after 1 October 2021.

Early adoption of these Auditing Standards is permitted prior to this date.

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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;
- make amendments to ISAs as necessary to conform with the Australian regulatory environment and statutory requirements; and
- are capable of enforcement.

ASA 101 and ASA 2021-3 have been made for Australian legislative purposes and accordingly there are no equivalent ISAs issued by the IAASB. The AUASB has made these Auditing Standards in a format that is consistent with other Australian Auditing Standards. Where relevant, the AUASB has aligned the wording of ASA 101 with the IAASB's *Preface to the International Quality Management, Auditing, Review, Other Assurance, and Related Services Pronouncements*.

Consultation Process prior to issuing the Auditing Standards

The AUASB has consulted publicly as part of its due process in developing the Auditing Standards. Exposure Draft ED 02/21 *Proposed Auditing Standard ASA 101 Preamble to AUASB Standards* was issued on 16 June 2021 with a 45-day comment period.

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

Regulatory Impact Statement

Regulatory Impact Statement Assessments (RIAs) have been prepared in connection with the preparation of ASA 101 *Preamble to AUASB Standards* and ASA 2021-3 *Amendments to Australian Auditing Standards*. The RIAs have been cleared by the Office of Best Practice Regulation (OBPR).

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STATEMENT OF COMPATIBILITY WITH HUMAN RIGHTS

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

Legislative Instruments: Auditing Standards ASA 101 *Preamble to AUASB Standards* and ASA 2021-3 *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 Instruments

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 (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*.

ASA 101 *Preamble to AUASB Standards*

Purpose of Auditing Standard ASA 101

The purpose of ASA 101 is to set out how AUASB Standards are to be understood, interpreted and applied. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.

Main Features

This Auditing Standard replaces existing ASA 101 *Preamble to Australian Auditing Standards* issued by the AUASB in June 2011 (as amended).

The revised Auditing Standard:

(c) expands the scope of ASA 101 to apply to all AUASB Standards; and

(d) amends ASA 101 to include additional interpretive guidance, for example from the existing ASA 100, which was repealed from the Federal Register of Legislation in November 2020.

ASA 2021-3 *Amendments to Australian Auditing Standards*

This Auditing Standard makes amendments to the requirements and application and other explanatory material of Auditing Standards ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards* (June 2020) and ASA 700 *Forming an Opinion and Reporting on a Financial Report* (June 2020). These amendments are consequential and conforming amendments arising from the issuance of the revised ASA 101.

Human Rights Implications

This Auditing Standard is 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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