ASA 2023-1
(March 2023)

Explanatory Statement

ASA 2023-1 *Amendments to Australian Auditing Standards*

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

Australian Government
Auditing and Assurance Standards Board

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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 Standard ASA 2023-1

The AUASB issues Auditing Standard ASA 2023-1 *Amendments to Australian Auditing Standards* 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 2023-1 *Amendments to Australian Auditing Standards*

The purpose of the Auditing Standard is to make amendments to the requirements and application and other explanatory material and appendices of the following Auditing Standards:

ASA 102	*Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* (Issued December 2019 and amended to March 2021)
ASA 210	*Agreeing the Terms of Audit Engagements* (Issued October 2009 and amended to March 2020)
ASA 510	*Initial Audit Engagements – Opening Balances* (Issued October 2009 and amended to March 2020)
ASA 570	*Going Concern* (Issued December 2015 and amended to November 2021)
ASA 580	*Written Representations* (Issued October 2009 and amended to December 2018)
ASA 600	*Special Considerations – Audits of a Group Financial Report* (Issued October 2009 and amended to March 2020)
ASA 700	*Forming an Opinion and Reporting on a Financial Report* (Issued December 2015 and amended to September 2021)
ASA 705	*Modifications to the Opinion in the Independent Auditor's Report* (Issued December 2015 and amended to June 2020)
ASA 706	*Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report* (Issued December 2015 and amended to June 2020)
ASA 710	*Comparative Information-Corresponding Figures and Comparative Financial Reports* (Issued October 2009 and amended to November 2021)
ASA 720	*The Auditor's Responsibilities Relating to Other Information* (Issued December 2015 and amended to March 2020)

Main Features

This Auditing Standard makes amendments to Australian Auditing Standards. The amendments represent:

(a) changes arising from narrow-scope amendments made by the Australian Accounting Standards Board (AASB) to AASB 101 *Presentation of Financial Statements*;

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(b) changes to ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* arising from amendments made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (APES 110); and

(c) editorial corrections to revise minor inaccuracies, including misspellings and numbering or grammatical matters.

Operative Date

ASA 2023-1 *Amendments to Australian Auditing Standards* is operative for financial reporting periods commencing on or after 1 January 2023.

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

It is the view of the AUASB that ASA 2023-1 does not require public exposure as the amendments are sufficiently narrow in scope as well as editorial corrections to revise minor inaccuracies, including misspellings and numbering or grammatical mistakes.

Regulatory Impact Statement

A Regulatory Impact Statement (RIS) has been prepared in connection with the preparation of ASA 2023-1 *Amendments to Australian Auditing Standards*. The RIS has been cleared by the Office of Impact Analysis (OIA).

Exemption from Sunsetting

Auditing Standards promulgated by the AUASB that are legislative instruments are exempt from the sunsetting 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 International Auditing and Assurance Standards Board. The AUASB's Standards are exempt from sunsetting because a more stringent review process than sunsetting 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 sunsetting 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*.

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Commencement of ASA 2023-1 Amendments to Australian Auditing Standards

The instrument was made on 15 March 2023 but is operative from years commencing 1 January 2023. The instrument makes minor updates to terminology used in a number of auditing standards and requires auditors to adhere to an updated APES 110 made by the APESB in December 2022. These provisions do not change the existing requirements of the standards or impose any additional requirements to auditors for the period between 1 January and the creation of the instrument.

APES 110 sets out fundamental principles of ethics for members of the three largest accounting bodies. The APESB consults publicly on all proposed changes to the Code. Further, the three largest accounting bodies required their members to apply the updated Code from its commencement in December 2022 (i.e. before the commencement of ASA 2023-1).

It is most important that there are no matters that could affect the objectivity of the auditor, when forming an opinion on the financial report at the conclusion of the audit. In practice, the prior year audit of an entity with a financial year commencing 1 January 2023 would not be concluded until March 2023. The audit work for the year commencing 1 January 2023 would not have commenced and would largely take place after 31 December 2023. While some financial periods may be shorter than 12 months, it is unlikely that entities would have reporting periods that both commenced and ended between 1 January 2023 and 15 March 2023 or that the audit would be concluded during that period.

Incorporation by reference

Prior to the amendments made by this standard, paragraph 5(d) of Auditing Standard ASA 102 incorporated the version of APES 110 made in November 2018.

Under s14(1)(b) of the *Legislation Act 2003* an instrument may incorporate documents such as APES 110 as in force from time to time. The main purpose of ASA 2023-1 was to replace the reference to previous APES 110 in ASA 102 with a reference to the most recent version of APES 110.

The updated version APES 110 is freely available at https://apesb.org.au/standards-guidance/apes-110-code-of-ethics/.

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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 Instrument: **Auditing Standard ASA 2023-1** ***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 AUASB is an independent statutory committee 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 *Legislative Instruments Act 2003*.

Purpose of Auditing Standard ASA 2023-1

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(c) editorial corrections to revise minor inaccuracies, including misspellings and numbering or grammatical matters.

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.

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