

(June 2007)

Explanatory Statement

ASA 2007-1 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 2007-1 *Amendments to Australian Auditing Standards*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2007-1 *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 2007-1 Amendments to Australian Auditing Standards

This Auditing Standard makes amendments to the following Australian Auditing Standards:

1. ASA 200 *Objective and General Principles Governing an Audit of a Financial Report*
2. ASA 210 *Terms of Audit Engagements*
3. ASA 510 *Initial Engagements – Opening Balances*
4. ASA 570 *Going Concern*
5. ASA 700 *The Auditor’s Report on a General Purpose Financial Report*

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6.	ASA 701	<i>Modifications to the Auditor's Report</i>
7.	ASA 710	<i>Comparatives</i>
8.	ASA 800	<i>The Auditor's Report on Special Purpose Audit Engagements</i>
9.	ASRE 2410	<i>Review of an Interim Financial Report Performed by the Independent Auditor of the Entity</i>

These amendments arise from:

- a request by the Financial Reporting Council (FRC) to the AUASB to consider making an amendment to the Auditing Standards to require a statement in the auditor's report on an entity's compliance with International Financial Reporting Standards (IFRSs), which will further enhance the recognition of compliance with IFRSs in Australian financial reports; and
- the need to remove potential ambiguity in describing the responsibilities of Those Charged with Governance in an auditor's report, in relation to establishing and maintaining internal controls relevant to the preparation and presentation of the financial report.

The primary amendments are to ASA 700 *The Auditor's Report on a General Purpose Financial Report*. They give rise to consequential amendments to one paragraph in ASA 200 and example letters and auditor's reports contained within other existing Auditing Standards that are identified in this amending Standard.

Auditing Standard ASA 2007-1 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 auditor's reports signed and dated on or after 1 July 2007.

Amendments to Auditing Standards

1. This Auditing Standard:
 - a) Establishes a mandatory requirement, in ASA 700, for auditors to state that in the auditor's opinion, the financial report complies with IFRSs when the entity has included an explicit and unreserved statement of compliance with IFRSs, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, in the notes to the financial statements.
 - b) Provides explanatory guidance and illustrations of the form and content of reporting in example auditor's reports in ASA 700.
 - c) Creates consequential changes to certain example letters and auditor's reports in the following Auditing Standards – ASAs 510, 570, 701, 710 and 800.
2. This Auditing Standard provides revised description of the responsibilities of those charged with governance in relation to establishing and maintaining controls relevant to the preparation and presentation of the financial report.

Auditing Standards affected are ASAs 200, 210, 510, 570, 700, 701, 710, 800 and ASRE 2410.

The amendments in paragraphs 1 and 2 above relate solely to an auditor's reporting obligations (applicable from the operative date

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above) and do not impose audit procedures additional to pre-existing audit procedures that an auditor would perform under existing Auditing Standards.

3. This Auditing Standard deletes footnote ¹ in ASA 700 due to the impending release by the AUASB, of a Guidance Statement on Concise Financial Reporting.

Amendments to Auditing Standards

The AUASB has consulted publicly as part of its due process in developing this Auditing Standard. Exposure Draft ED 1/07 *Proposed Amendments to ASA 700 The Auditor's Report on a General Purpose Financial Report* was issued on 1 April 2007 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.