

ASA 2013-2
(November 2013)

Explanatory Statement

ASA 2013-2 Amendments to Australian Auditing Standards

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 2013-2

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 2013-2 *Amendments to Australian Auditing Standards*, pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

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*.

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.

There is no equivalent International Standard on Auditing to ASA 2013-2.

Purpose of Auditing Standard ASA 2013-2 *Amendments to Australian Auditing Standards*

The purpose of this Auditing Standard is to make amendments to Australian Auditing Standards comprising:

1. Consequential amendments to other Australian Auditing Standards arising from the revision of Auditing Standard ASA 610 *Using the Work of Internal Auditors*;
2. Amendments to ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* (as amended, June 2011) arising from a decision taken by the AUASB to incorporate related services engagements into the application and scope of ASQC 1 and to ensure consistency with the international standard ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the IAASB; and
3. Consequential amendments to other Australian Auditing Standards arising from the changes to ASQC 1.

Main Features

The main proposals covered by these amendments are:

1. Amendments to Australian Auditing Standards arising from the revision of ASA 610, including:
 - (a) A new requirement in ASA 315 for the auditor's risk assessment procedures to include enquiries of appropriate individuals within the internal audit function (if the function exists).
 - (b) New and revised application and other explanatory material in ASA 315 relating to:
 - (i) How enquiries of the internal audit function may inform the external auditor's risk assessment;
 - (ii) Procedures for evaluating the internal audit function; and
 - (iii) How the work of the internal audit function may be used in obtaining audit evidence.

- (c) Consequential amendments to other Auditing Standards that do not have an impact on the requirements of the standards.
 - (d) Changes necessary to align paragraph and footnote numbering with the equivalent international standard.
2. Amendments to Australian Auditing Standards arising from the change to the scope and application of ASQC 1, including:
- (a) Changes to the title of ASQC 1, which is now *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements* and to the relevant requirements and related application and other explanatory material in ASQC 1.
 - (b) Consequential amendments to other Auditing Standards that do not have an impact on the requirements of the standards.

Operative Date

ASA 2013-2 is operative for financial reporting periods commencing on or after 1 January 2014. Early adoption is 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 02/13 *Proposed Auditing Standard ASA 610 Using the Work of Internal Auditors* was issued on 2 August 2013 with a 60 day comment period. At the same time, the AUASB issued Exposure Draft ED 03/13 *Proposed Auditing Standard ASA 2013-2 Amendments to Australian Auditing Standards*, which makes consequential amendments to Australian Auditing Standards arising from the revision of ASA 610, with a 60 day comment period.

Exposure Draft ED 04/13 *Amendments to Auditing Standard ASQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* was issued on 20 September 2013 with a 30 day exposure period.

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

Regulatory Impact Analysis

Regulation Impact Assessments (RIAs) have been prepared in connection with the preparation of ASA 2013-2. The RIAs have been cleared by the Office of Best Practice Regulation (OBPR).

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 2013-2 *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 2013-2

The purpose of ASA 2013-2 is to make amendments to Australian Auditing Standards.

Main Features

The main features of this Auditing Standard are:

1. Consequential amendments to other Australian Auditing Standards arising from the revision of Auditing Standard ASA 610 *Using the Work of Internal Auditors*;
2. Amendments to 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* (June 2011) arising from a decision taken by the AUASB to incorporate related services engagements into the application and scope of ASQC 1 and to ensure consistency with the international standard ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the IAASB; and
3. Consequential amendments to other Australian Auditing Standards arising from the changes to ASQC 1.

Human Rights Implications

This Legislative Instrument does not engage any of the applicable rights or freedoms due to the nature and content of the amendments to Australian Auditing Standards.

Conclusion

This Legislative Instrument is compatible with human rights as it does not raise any human rights issues.