

Explanatory Statement:

Australian National Audit Office Auditing Standards 2024

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Explanatory Statement

Mandate of the Auditor-General

- The office of Auditor-General for the Commonwealth is established by the *Auditor-General Act 1997* (the Act). The Act sets out the functions and powers of the Auditor-General. Functions and powers may also be conferred on the Auditor-General by other legislation.
- The Act also establishes the Australian National Audit Office (ANAO), which consists of the Auditor-General and staff appointed under the *Public Service Act 1999*. The function of the ANAO is to assist the Auditor-General in performing Auditor-General functions. The Auditor-General may also engage people under contract to assist in the performance of an Auditor-General function.

Purpose of ANAO Auditing Standards

- The Auditor-General sets the ANAO Auditing Standards to meet the requirement of section 24 of the Act.
- Section 24 of the Act provides:

‘The Auditor-General must, by notice in the *Gazette*, set auditing standards that are to be complied with by persons performing any of the following functions:

 - (a) an audit or review referred to in Division 1, 1A, 2 or 2A;
 - (b) an audit under Division 2 of Part 7;
 - (c) an audit under section 49 of the *Public Governance, Performance and Accountability Act 2013*.’
- These Auditing Standards are legislative instruments under the *Legislation Act 2003*.
- The functions referred to in subsection 24(a) of the Act are:
 - from Division 1 of Part 4 of the Act, annual financial statements audits of
 - Commonwealth entities and their subsidiaries in accordance with the *Public Governance, Performance and Accountability Act 2013* (PGPA Act) (section 11 of the Act);

- Commonwealth companies and their subsidiaries in accordance with the PGPA Act (section 11 of the Act); and
- Annual consolidated financial statements in accordance with the PGPA Act (section 12 of the Act);
- from Division 1A of Part 4 of the Act, annual performance statement audits of Commonwealth entities in accordance with the PGPA Act (section 15 of the Act);
- from Division 2 of Part 4 of the Act
 - performance audits of Commonwealth entities and their subsidiaries and Commonwealth companies and their subsidiaries (subsection 17(1) of the Act);
 - audits of the appropriateness of the performance measures of, and the reporting against those performance measures by, Commonwealth entities and their subsidiaries and Commonwealth companies and their subsidiaries (subsection 18A(1) of the Act);
 - performance audits of Commonwealth partners (subsection 18B(1) of the Act); and
- from Division 2A of Part 4 of the Act, assurance reviews of Commonwealth entities and their subsidiaries and Commonwealth companies and their subsidiaries (subsection 19A(1) of the Act).
- The functions referred to in subsection 24(b) of the Act are audits by the Independent Auditor of the ANAO's annual financial statements under section 44 of the Act and any performance audits undertaken under section 45 of the Act.
- The function referred to in subsection 24(c) is the audit of the annual consolidated financial statements of the Australian Government as required by section 49 of the PGPA Act.
- The persons performing the functions mentioned in section 24 of the Act will include the Auditor-General, the staff of the Australian National Audit Office, contractors engaged to assist in the performance of an Auditor-General function under section 27 of the Act, and the ANAO's Independent Auditor.

AUASB standards

- The primary functions of the AUASB under section 227B of the *Australian Securities and Investments Commission Act 2001* (ASIC Act) include:
 - to make auditing standards (under section 336 of the *Corporations Act 2001* (Corporations Act) for the purposes of the corporations legislation;
 - to formulate auditing and assurance standards for other purposes; and
 - to formulate guidance on auditing and assurance matters (that do not prescribe or create mandatory requirements).

- Further information and explanation of the nature of AUASB standards can be found in the *Foreword to AUASB Pronouncements* and the *Framework for Assurance Engagements* issued by the AUASB. These pronouncements do not form part of the ANAO Auditing Standards but provide information about the AUASB, its operations and standard-setting activity.

- The AUASB has also issued *ASA 100 Preamble to AUASB Standards* and *ASA 101 Preamble to Australian Auditing Standards*, which form part of the ANAO Auditing Standards that set out the AUASB's intentions on how the AUASB Standards are to be understood, interpreted and applied. The AUASB standards contain both mandatory requirements, consisting of principles and essential procedures, and application and other explanatory material, which assists auditors in the application of the mandatory requirements.

INTOSAI Standards

- The International Organization of Supreme Audit Institutions (INTOSAI) is an organisation consisting of supreme audit institutions, i.e., independent public sector external audit institutions, of which the ANAO is a member.

- INTOSAI issues the International Standards of Supreme Audit Institutions (ISSAIs), which set out the professional principles that underpin the effective and independent auditing of public sector entities. The purpose and authority of the ISSAIs is set out in *ISSAI 100 Fundamental Principles of Public-Sector Auditing*.

Development and application of the ANAO Auditing Standards

- It is the intention of the Auditor-General that audits conducted by the ANAO should be conducted to the same standards required of the auditing profession in Australia and consistent with the international public sector auditing community, to the extent that they are not inconsistent with the provisions of the Auditor-General Act or other relevant legislation.
- The ANAO Auditing Standards, therefore incorporate:
 - all standards issued by the Australian Auditing and Assurance Standards Board (AUASB) pursuant to paragraph 227B(1)(a) of the ASIC Act and section 336 of the Corporations Act;
 - relevant standards formulated by the AUASB pursuant to paragraph 227B(1)(b) of the ASIC Act; and
 - relevant auditing and assurance standards issued by INTOSAI.
- AUASB standards formulated under paragraph 227B(1)(b) of the ASIC Act and auditing and assurance standards issued by standard-setting bodies other than the AUASB do not have legal effect under the Corporations Act. Hence they do not have the same legal status as the ANAO Auditing Standards or the AUASB standards made under section 336 of the Corporations Act, (which are given legal effect by the Corporations Act).
- In the event of an inconsistency between a provision in an ANAO Auditing Standard and a provision in the Act or other relevant legislation, the provision in the legislation prevails over the relevant ANAO Auditing Standard.
- The AUASB standards incorporated in the ANAO Auditing Standards are freely available online at the following address:
<http://www.auasb.gov.au/Pronouncements/AUASB-Standards.aspx>
- The ANAO Auditing Standards relating to the conduct of financial statement and performance audits are consistent with ISSAI 200 *Financial Audit Principles* (issued in 2020) and ISSAI 300 *Performance Audit Principles* (issued in 2019) respectively. The ANAO Auditing Standards relating to the conduct of performance audits conducted as a compliance engagement are consistent with ISSAI 400 *Compliance Audit Principles* (issued in 2019).
- The INTOSAI standards partly incorporated in the ANAO Auditing Standards are freely available online at the following address:
<https://www.issai.org/professional-pronouncements/>

Commencement

- The ANAO Auditing Standards commence on registration on the Federal Register of Legislation.
- The standards replace the ANAO Auditing Standards which were made on 11 April 2023 and registered on the Federal Register of Legislation on 14 April 2023. The standards apply in accordance with the operative dates given or indicated in each individual standard.

Main changes from the ANAO Auditing Standards made in April 2023

- The main change from the ANAO Auditing Standards made in April 2023 is the deletion of the reference to ASA 100 *Preamble to AUASB Standards* in clause 5(b).
- In November 2020, ASA 100 was repealed as a standard made pursuant to section 227B of the ASIC Act and section 336 of the Corporations Act by the AUASB. ASA 100 was listed in clause 5(b) of the ANAO Auditing Standards as it continued to be relevant to Auditor-General functions carried out under ASRE 2405 *Review of Historical Financial Information Other than a Financial Report*.
- ASRE 2405 was reissued by the AUASB in September 2022. Extant ASRE 2405 refers to ASA 101 *Preamble to AUASB Standards* instead of ASA 100. Therefore, ASA 100 is no longer relevant to any Auditor-General function and has been deleted from clause 5(b).

Consultation prior to re-issuing the ANAO Auditing Standards

- Consultation was not undertaken as the main change to the ANAO Auditing Standards is a result of changes to AUASB Standards, for which appropriate consultation has already been undertaken through the AUASB. The due process for the issue of AUASB Standards is set out in the *Foreword to AUASB Pronouncements* issued by the AUASB. That due process includes the issue of exposure drafts of proposed standards for public comment.
- The persons likely to be affected by the changes to ANAO Auditing Standards – being the employees of the ANAO, contractors to the ANAO, others subject to ANAO direction, and the Independent Auditor – will be familiar with AUASB Standards through membership of a professional accounting body or through ANAO internal training programs.

Statement of Compatibility with Human Rights

- A Statement of Compatibility with Human Rights is attached as Attachment A.

Attachment A - Statement of Compatibility with Human Rights

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

Australian National Audit Office Auditing Standards

This Legislative Instrument is compatible with the human rights and freedoms recognised or declared in the international instruments listed in Part 3 of the *Human Rights (Parliamentary Scrutiny) Act 2011*.

Overview of the Legislative Instrument

The Auditor-General, through this legislative instrument, sets the ANAO Auditing Standards to meet the requirement of section 24 of the *Auditor-General Act 1997*.

The purpose of these ANAO Auditing Standards is to replace the pre-existing standards and to conform to the equivalent revised AUASB and other relevant standards.

The powers exercisable in the performance of these functions are set out in the *Auditor-General Act 1997*.

Human rights implications

The Australian National Audit Office Auditing 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 due to the nature and content of the Instrument.

Grant Hehir
Auditor-General