

ASA 2025-1
(January 2025)

Auditing Standard ASA 2025-1 *Amendments to Australian Auditing Standards*

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



Australian Government

Auditing and Assurance Standards Board

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PREFACE

Reasons for Issuing ASA 2025-1

The AUASB issues Auditing Standard ASA 2025-1 *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*. 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, the AUASB is required, inter alia, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Main Features

This Auditing Standard amends the requirements and application and other explanatory material and appendices of the following Auditing Standards:

ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued December 2015 and amended to March 2023)

ASA 260 *Communication With Those Charged With Governance* (Issued December 2015 and amended to March 2021)

ASA 2025-1 amends:

- ASA 700 in connection with disclosure concerning the application of auditor independence requirements in the Code in audit reports of public interest entities and certain other entities; and
- ASA 260 to require the auditor to communicate to those charged with governance of an audited entity on the application of the auditor independence requirements.

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2025-1 *Amendments to Australian Auditing Standards* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

Dated: 28 January 2025

D Niven
Chair - AUASB

Conformity with International Standards on Auditing

This Auditing Standard makes amendments to other auditing standards that are consistent with changes made by the International Auditing and Assurance Standards Board to the equivalent International Standard on Auditing.

AUDITING STANDARD ASA 2025-1
Amendments to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit of a financial report for a half-year, in accordance with the *Corporations Act 2001*; and
 - (b) an audit of a financial report, or a complete set of financial statements, for any other purpose.
2. This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

3. This Auditing Standard is operative for financial reporting periods commencing on or after 15 December 2024.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard amends Australian Auditing Standards ASA 700 *Forming an Opinion and Reporting on Financial Statements* and ASA 260 *Communication with Those Charged with Governance* in relation to disclosing publicly the application of the independence requirements for certain entities, including Public Interest Entities (PIEs) and communicating on those matters to those charged with governance.

Objective

5. The objective of this Auditing Standard is to amend the following Auditing Standards in connection with disclosure concerning auditor independence in audit reports following changes made by the Accounting Professional & Ethical Standards Board (APESB) to APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) and communication to those charged with governance:
 - (a) ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued 1 December 2015 and amended to 31 March 2023); and
 - (b) ASA 260 *Communication With Those Charged With Governance* (Issued 1 December 2015 and amended to 27 April 2022).

Definitions

6. For the purposes of this Auditing Standard, the meanings of terms are set out in each Auditing Standard and in the *AUASB Glossary*. This Auditing Standard does not introduce new definitions.

Amendments to Auditing Standards

7. Where relevant, this Standard uses underlining, striking out and other typographical material to identify the amendments to a Standard, in order to make the amendments more understandable. However, the amendments made by this Standard do not include that underlining, striking out or other typographical material. Amended paragraphs are shown with deleted text struck through and new text underlined. Ellipses (...) are used to help provide the context within which amendments are made and also to indicate text that is not amended.
8. Where this amending standard inserts or deletes a paragraph or footnote, as a result of that insertion or deletion relevant paragraph numbers, cross-references and footnotes are updated.

Amendments to ASA 700

9. Existing subparagraph Aus 28.1(c) is amended to read as follows:

Includes a statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities in accordance with these requirements.

- (i) The statement shall identify the relevant ethical requirements applicable within Australia; ~~and~~ (Ref: Para. Aus A34.1–A389)
- (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities; and (Ref: Para. A36)

10. Existing subparagraph Aus 50.1(e) is amended to read as follows:

A statement that the auditor is independent of the entity in accordance with the relevant ethical requirements relating to the audit, and has fulfilled the auditor's other ethical responsibilities ~~requirements~~ in accordance with these requirements.

- (i) The statement shall identify the relevant ethical requirements applicable within Australia.
- (ii) If the relevant ethical requirements require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities, the statement shall indicate that the auditor is independent of the entity in accordance with the independence requirements applicable to the audits of those entities.

11. Each of the existing paragraphs A36 to A84 are renumbered as paragraphs A37 to A85 respectively. All cross-references to those paragraphs are updated accordingly.

12. The following paragraph A36 is inserted following existing paragraph A35:

Relevant ethical requirements may:

- (a) ~~[Deleted by the AUASB. Refer to Aus A36.1(a).]~~

Aus A36.1(a) Establish independence requirements that are specific to audits of financial reports of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial reports of public interest entities in the APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code). Relevant ethical requirements may also require the auditor to determine whether it is appropriate to apply

such independence requirements to audits of financial reports of entities other than those entities specified in the relevant ethical requirements.

- (b) Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities. For example, the Code requires that when a firm has applied the independence requirements for public interest entities in performing an audit of the financial reports of an entity, the firm publicly disclose that fact, unless making such disclosure would result in disclosing confidential future plans of the entity.²⁹

ASA 260 sets out requirements and guidance about the auditor's communication with those charged with governance, which includes communications for these cases.³⁰

13. Existing paragraph A36 is amended to read as follows:

Law or regulation, Australian Auditing Standards or the terms of an audit engagement may also require the auditor to provide in the auditor's report more specific information about the sources of the relevant ethical requirements, including those related to independence, that applied to the audit of the financial report.

Amendments to ASA 700 Appendix 1: [Aus] Illustration 1A and [Aus] Illustration 2A

14. The fifth point of [Aus] Illustration 1A and [Aus] Illustration 2A are amended as follows:

- The relevant ethical requirements that apply to the audit are the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code). The Code includes independence requirements that are applicable to audits of financial reports of public interest entities. The Code also requires the auditor to publicly disclose that the independence requirements applicable to audits of financial reports of public interest entities were applied.

15. [Aus] Illustration 1A: Example Auditor's Report for Single Company – *Corporations Act 2001* (Fair Presentation Framework), is amended as follows:

INDEPENDENT AUDITOR'S REPORT

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the ~~Accounting Professional & Ethical Standards Board's~~ Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to ~~our~~ audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

...

16. [Aus] Illustration 2A: Example Auditor's Report for Group Entity – *Corporations Act 2001* (Fair Presentation Framework), is amended as follows:

²⁹ See the Code, paragraphs R400.25-R400.26.

³⁰ See ASA 260, paragraphs 17 and A29.

INDEPENDENT AUDITOR'S REPORT

...

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the ~~Accounting Professional & Ethical Standards Board's~~ APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code) that are relevant to our audits of the financial report of public interest entities in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

...

Amendments to ASA 260

17. Each of the existing paragraphs 17 to 23 are renumbered as paragraphs 18 to 24 respectively. All cross-references to those paragraphs are updated accordingly.

18. The following paragraph 17 is inserted following existing sub-heading "*Auditor Independence*":

The auditor shall communicate with those charged with governance the relevant ethical requirements, including those related to independence, that the auditor applies for the audit engagement, including if applicable in the circumstances, any independence requirements specific to audits of financial reports of certain entities. (Ref: Para. A29)

19. In renumbered existing paragraph 18(a)(ii) 'A29' is replaced by 'A30'

20. Existing paragraph A29 and its heading are amended to read as follows:

Auditor Independence (Ref: Para. 17–18)

The auditor is required to comply with relevant ethical requirements, including those related to independence, relating to financial report audit engagements²⁴ and to communicate with those charged with governance about the requirements the auditor applies. Relevant ethical requirements may:

- (a) Establish independence requirements that are specific to audits of financial reports of certain entities specified in the relevant ethical requirements, such as the independence requirements for audits of financial reports of public interest entities in the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board Limited (the Code). If applicable in the circumstances of the audit engagement, this ASA requires that the auditor also communicates with those charged with governance that the auditor applies such independence requirements.
- (b) Require the auditor to publicly disclose when the auditor applied independence requirements specific to audits of financial reports of certain entities specified in the relevant ethical requirements.²⁵ ASA 700 addresses the requirements for the auditor's

²⁵ For example, see paragraphs R400.25-R400.26 of the Code

report relating to the auditor's independence and the relevant ethical requirements the auditor applied.²⁶

(c) [Deleted by the AUASB. Refer to Aus A29.1(c).]

Aus A29.1(c) Require the auditor to determine whether it is appropriate to apply independence requirements that are specific to audits of financial reports of certain entities to audits of financial reports of other entities not specified in the relevant ethical requirements.²⁷ If this is the case and the auditor is required to publicly disclose when the auditor applied such independence requirements, the auditor may discuss with management or those charged with governance whether there is a risk of misunderstanding the nature of the entity and any need for additional disclosure.

21. Existing paragraph A30 is amended to read as follows:

The communication about relationships and other matters, and how threats to independence that are not at an acceptable level have been addressed varies with the circumstances of the engagement and generally addresses the threats to independence, safeguards to reduce the threats, and measures to eliminate the circumstances that created the threats.

22. Delete paragraph A31.

23. Renumber existing Aus A31.1 as 'A31' and amend it to read as follows:

Relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances where breaches of independence requirements have been identified. * For example, the Code requires the auditor to communicate with those charged with governance in writing about any breach and the action the firm has taken or proposes to take²⁸.

²⁶ See ASA 700, paragraph Aus 28.1(c).

²⁷ See paragraph AUST R400.24 of the Code.

²⁸ See the Code, paragraphs R400.80-R400.84.