



Subject: Agenda for the 129th meeting of the AUASB
Venue: Dexus Place, Level 14, 385 Bourke Street, Melbourne (and via Zoom Teleconference)
Time: Wednesday 27 April 2022 9:00 am – 4:00 pm

Attendance for Members of the public will be via **Videoconference Only** and via registration. Public attendees should register their interest in attending the public sessions by emailing enquiries@auasb.gov.au detailing:

- Name
- Entity
- Email address and
- The Agenda numbers of the public sessions they wish to attend

by no later than Friday 22 April 2022. Registered attendees will be provided the relevant zoom details prior to the meeting.

Time	Agenda Item No.
9:00am	0. Private Session
9:15am	1. Preliminary Session
10:00am	2. Sustainability
11:00am	<i>Morning Tea</i>
11:20am	3. FRC and Audit Quality Update
11:40am	4. Bank Confirmations
12:10pm	5. Conforming Amendments arising from QM Standards
12:40pm	6. Group Audits
1:00pm	<i>Lunch</i>
1:45pm	7. Public Sector Guidance Statement
2:00pm	8. Agenda Consultation
3:15pm	9. AUASB Communications Strategy
3:45pm	10. Other Business
4:00pm	<i>Close</i>

Please Note:

The order and timing of all Agenda items is subject to change on the day of the meeting based on the views of the Chair. Agenda item 0 is a closed session for AUASB Board Members and Staff only.



AUASB Agenda Paper

Title	AASB Update—Sustainability Reporting project	Date:	27 April 2022
Strategic Objective:	Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance	Agenda Item:	2.1
ATG Staff:	Siobhan Hammond (AASB) Nikole Gyles (AASB)	AUASB Sponsor:	Bill Edge

Objective

- 1 The objective of this agenda item is to provide AUASB members with an update on the AASB's Sustainability Reporting project.
- 2 This agenda item is for information purposes only and does not ask the AUASB to make any decisions.

Question for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Do AUASB members have any questions about the information provided in this agenda item?	n/a

Update on the AASB's Sustainability Reporting project

Development of a draft project plan

- 3 At its February 2022 (M185) meeting, the AASB considered feedback on [ITC 46 AASB Agenda Consultation 2022–2026](#) regarding its proposed Sustainability Reporting project. The AASB noted significant support for it to undertake a project on this topic and decided to add a project to its work program.¹ Consequently, the AASB made the following preliminary decisions to assist AASB staff in developing the draft project plan:²
 - (a) the initial focus of the draft project plan should be to develop a separate suite of sustainability reporting standards alongside the existing AASB Accounting Standards and, while climate will likely be the first sustainability-related reporting topic to be addressed, the AASB intends to address other sustainability-related reporting topics at a later stage;

¹ See AASB February 2022 (M185) [Action Alert](#) and Agenda Items [3.4 Feedback summary—ITC 46 AASB Agenda Consultation 2022–2026](#) and [3.8 Positioning sustainability reporting requirements in Australia](#).

² See AASB February 2022 (M185) [Action Alert](#) and Agenda Items [3.8](#) and [3.9 The proposed Australian perspective](#).



- (b) use the work of the IFRS Foundation's International Sustainability Standards Board (ISSB) as the foundation, with modifications for Australian matters and requirements. The AASB further clarified that the focus for the project should be to prioritise international alignment and only amend (or add to) international sustainability reporting requirements where it is necessary to do so to meet the needs of Australian stakeholders;
 - (c) the initial scope of the project relates to for-profit entities, with the draft project plan to address how to respond to feedback from for-profit entities of all sizes, not only larger listed entities. The AASB decided to consider the not-for-profit sector at a later stage and asked staff to continue to engage with not-for-profit private and public sector entities in considering the initial project development; and
 - (d) to apply its existing [Due Process Framework for Setting Standards](#) to preliminary work on the Sustainability Reporting project.
- 4 At its April 2022 (M186) meeting, the AASB further clarified that, consistent with the proposed scope of the ISSB's work, the proposed scope of the Sustainability Reporting project should focus on developing reporting requirements for sustainability-related financial information³. The AASB decided the proposed scope of the Sustainability Reporting project should focus on the connectivity between broader sustainability reporting (for example, as addressed by the Global Reporting Initiative (GRI)) and the financial statements.⁴

Next steps

- 5 In order to inform any possible future development of a separate suite of Australian sustainability reporting standards by the AASB, it decided to publish an Exposure Draft ([AASB ED 321](#)) to consult on the ISSB's Exposure Drafts on [\[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) and [\[Draft\] IFRS S2 Climate-related Disclosures](#). The AASB decided to publish these Exposure Drafts in Australia to:⁵
- (a) gather feedback to assist the AASB to provide input into the ongoing work of the ISSB; and
 - (b) inform the AASB as to the appropriateness of and support for its proposed approach to sustainability-related financial reporting in Australia.
- 6 The proposed outreach plan for [AASB ED 321](#) Request for Comment on [\[Draft\] IFRS S1 General Requirements for the Disclosure of Sustainability-related Financial Information](#) and [\[Draft\] IFRS S2 Climate-related Disclosure](#) was considered in the AASB's April 2022 (M186) meeting and highlights the inclusion of AUASB staff in proposed outreach activities to address the fact the AASB and ISSB have included specific questions on auditability/verifiability of both proposed standards.⁶ AASB ED 321 is open for comment until 15 July 2022.
- 7 A draft project plan will be further considered at the AASB's next meeting in May 2022.

³ In the ISSB's [Exposure Draft on \[Draft\] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information](#) sustainability-related financial information is defined as being 'Information that gives insight into sustainability-related risks and opportunities that affect enterprise value, providing a sufficient basis for users of general purpose financial reporting to assess the resources and relationships on which an entity's business model and strategy for sustaining and developing that model depend.'

⁴ See AASB April 2022 (M186) [Action Alert](#) and Agenda Item [3.2 Proposed project scope](#).

⁵ See AASB April 2022 (M186) [Action Alert](#).

⁶ See AASB April 2022 Agenda Item [3.1 Cover memo](#).



AUASB Agenda Paper

Title	Sustainability – IAASB discussions	Date:	13 April 2022
Strategic Objective:	Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance	Agenda Item:	2.2
ATG Staff:	Rene Herman	AUASB Sponsor:	Bill Edge

Objective

- 1 To update the AUASB as to AUASB Chair and Deputy Technical Director’s observations from the IAASB discussions that were held at the March 2022 IAASB meeting.

Questions for the Board

Question No.	Question for the Board
Question 1	Does the AUASB have any comments / questions in relation to the observations noted from the March IAASB meeting on the topic of sustainability?

IAASB Discussions

- 2 At the IAASB meeting, after receiving some presentations, the IAASB split into 6 groups to seek feedback from IAASB members and Technical Advisors as to their views on the path forward of sustainability assurance.
- 3 The observations from the break-out sessions included below are observations only, and they may be observations from one or both sessions attended. The observations may not be representative of all break-out groups (there were 6 in total). There was no feedback mechanism to the IAASB after the break-out sessions; and at this stage no feedback has been provided to the IAASB and no path forward has been presented back to the IAASB.
- 4 A strong point noted both through the presentations but also at the 2 break-out sessions attended, was the need for a timely solution by the IAASB.



Options canvassed by the staff of the IAASB:

5 The IAASB sought feedback from IAASB members and Technical Advisors on the following areas:

a) Focussing and Prioritising options – revise ISAE 3000, Guidance, New Standard

Observations from the break-out sessions attended

- To maintain position and relevance of the IAASB and to be clear that assurance is the space of the IAASB there was a steer in the 2 groups to developing a separate standard – covering sustainability broadly (refer 3b below).
- There was discussion as to whether this standard would sit under the 3000 suite or be developed under its own framework (essentially a new series) – no consensus on this.

b) Topics verses information disclosed about the topics

- i. Topics. For example, the IAASB could focus its work on dealing with assurance on climate-related disclosures
- ii. Information disclosed about the topics. For example, the IAASB could focus its work on dealing with assurance on governance information, regardless of what topic it relates to.

Observations from the break-out sessions attended

- Being topic specific could limit the application of the IAASB's Standards, when the concepts and principles underpinning the assurance on that information can be applied broadly.
- Overall view that the IAASB should not focus its work on assurance on particular topics, and rather include within the scope of the IAASB's work assurance on sustainability / ESG reporting more broadly, covering all relevant sustainability / ESG topics.

c) Remaining framework neutral

Observations from the break-out sessions attended

- Overall support for remaining standards that are framework-neutral – jurisdictions may adopt a wide variety of reporting standards

d) Remaining neutral regarding intended users

Observations from the break-out sessions attended

- Overall principles- based standards and support for both enterprise value users and wider users



e) Current challenges in performing assurance engagement on sustainability

Observations from the break-out sessions attended

- Users understanding of limited assurance
- Double materiality – enterprise value users verses wider user groups
- Experts: competency, relevant code of ethics, integration into teams
- Auditability of information available / identification of what isn't reported
- Determining the rational purpose of engagement – however more frameworks will assist with this

f) Who could use the new standard?

Observations from the break-out sessions attended

- View that to allow non-practitioners to use the standard may be problematic in terms of quality management and ethical considerations, but no consensus here.



AUASB Agenda Paper

Title	Sustainability – Profession Wide Issues Discussion	Date:	27 April 2022
Strategic Objective:	Demonstrate thought leadership through robust evidence-based research to inform strategic projects that address emerging areas of auditing and assurance	Agenda Item:	2.3
ATG Staff:	Matthew Zappulla	AUASB Sponsor:	Bill Edge

Objective

- 1 To discuss the impact of the introduction of Sustainability Reporting and Assurance requirements with AUASB members to determine what actions (if any) beyond assurance standard setting considerations the AUASB should take with other related standard setting bodies and the accounting professional bodies.

Questions for the Board

- 2 To facilitate discussion on profession wide sustainability reporting/assurance issues impacting auditors and assurance professionals we have posed several questions for AUASB members to consider below. These questions are not intended to be answered directly, but are meant to prompt discussions on the topic and highlight where additional consultation or information gathering is required.

Question No.	Question for the Board
Question 1	<i>Assurance Standards</i> <ol style="list-style-type: none">a. How do we ensure relevant AUASB standards are the preferred standard on sustainability assurance engagements?b. What minimum quality management / quality control standards should apply to a firm or practitioner responsible for sustainability assurance engagements?



Question No.	Question for the Board
Question 2	<p><i>Assurance Practitioners</i></p> <ul style="list-style-type: none">a. What minimum qualifications does an assurance practitioner need to have to perform sustainability assurance engagements?b. To what degree should experts (either internal or external) be engaged as part of the engagement team when providing sustainability assurance?c. If not a member of an Accounting professional body and bound by the APESB code, does the assurance practitioner need to comply with a minimum Code of Ethics?d. What requirements should guide whether the financial statement auditor should also provide the assurance on sustainability reporting?
Question 3	<p><i>Stakeholder Engagement</i></p> <ul style="list-style-type: none">a. What other stakeholders or organisations (including Regulators) should the AUASB be seeking to engage with to obtain feedback on these profession-wide issues?

- 3 To support responses and discussion in relation to the above questions, AUASB members are requested to engage with relevant Sustainability experts in their networks prior to the AUASB meeting.
- 4 For the purposes of this discussion, we will have representatives from the accounting professional bodies and APESB join the meeting as official observers, and where relevant the AUASB Chair will call upon these representatives for input.



AUASB Agenda Paper

Title	FRC and Audit Quality	Date:	27 April 2022
Strategic Objective/s:	Identify and implement initiatives to enhance Audit Quality	Agenda Item:	3.0
ATG Staff:	Anne Waters	AUASB Sponsor:	Bill Edge

Objective

1. The objective of this agenda item is to provide an update on initiatives to enhance audit quality, and recent developments relating to audit quality by or on behalf of the FRC.

Question for the Board

Question No.	Question for the Board
Question 1	Do you have any feedback on the current or planned initiatives to enhance audit quality being undertaken by the AUASB and/or FRC in this paper?
Question 2	Do you confirm the decisions made in relation to the PJC's recommendations relevant to the AUASB included in paragraph 10?

Background and previous discussions on the topic

2. The AUASB has the following strategic objectives relevant to audit quality:
 - (a) Number 4 - In conjunction with the Financial Reporting Council (FRC) identify and implement initiatives to enhance audit quality in Australia.
 - (b) Number 7 - Monitor the Australian Assurance environment and build strong stakeholder relationships to inform our AUASB priorities and facilitate consistent implementation of the AUASB standards.
3. Initiatives to enhance audit quality will also result in positioning the AUASB as an important stakeholder and authority in relation to the interpretation of our standards.
4. The following projects facilitate the achievement of these objectives and are important in supporting auditors in achieving enhanced audit quality.
 - (a) Taking a leading role in the implementation of the [FRC Audit Quality Action Plan](#);

- (b) Monitoring and responding to findings from the ASIC Inspection Program relevant to our Auditing Standards;
- (c) Responding to recommendations of the PJC's Inquiry into the Regulation of Auditing in Australia relevant to the AUASB; and
- (d) Proactively issuing guidance to assist auditors in applying our standards and to respond to emerging issues i.e. Implementation support for ASA 315¹, Quality Management Standards and Technology publications.

Matters for Discussion

The FRC Audit Quality Action Plan

- 5. The FRC, with assistance from the AUASB, has been implementing its [FRC Audit Quality Action Plan](#) (Action Plan) in response to ongoing concerns about the results of ASIC Audit Inspection Program.
- 6. Progress since the previous update:
 - (a) Planning for the survey of Audit Committee Chairs has commenced and ASIC have agreed to assist with its distribution. The survey will be issued in May and the results finalised by end of June.
 - (b) Planning on an alternate approach (in addition to the survey) is underway, to explore perceptions of audit quality. This is likely to involve working with an academic to conduct interviews of Audit Committee Chairs.

Monitoring and responding to findings from the ASIC Inspection Program

- 7. The AUASB chair and staff are having ongoing discussions with representatives from ASIC and the big 6 firms about topical areas relevant to audit quality. One area currently being discussed is considerations related to climate risk in the audit of a financial report. ASIC and the firms agree that the guidance issued in the joint publication by the AASB and the AUASB [Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB](#) is still relevant and helpful. The ATG are considering issuing a reminder to auditors on this publication as well as going into more detail on matters to consider in relation to climate risk in preparation for 30 June 2022 reporting period. The ATG will continue dialogue with ASIC and representatives of the big 6 firms on this matter.

Responding to recommendations of the PJC's Inquiry into the Regulation of Auditing in Australia

- 8. Following the article in the [AFR](#) on the status of the PJC recommendations the PJC Inquiry Working Group met and discussed its previous decision that it is not appropriate to move ahead of a government response in the implementation of the recommendations, unless there is an immediate policy reason to do so.
- 9. Refer to paper 3.1 *Status of PJC Recommendations* which provides a summary of the actions taken to date on all the PJC recommendations.
- 10. Following is summary of the previous decisions on the recommendations relevant to the AUASB.

¹ ASA 315 *Identifying and Assessing the Risks of Material Misstatement*

	Recommendation	Decisions made previously by the AUASB
6.	<p>The committee recommends that the Financial Reporting Council, by the end of the 2020–21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosure should include both the length of tenure of the entity's external auditor, and of the lead audit partner.</p>	<p>The AUASB discussed this matter at its 20 April 2021 meeting. The AUASB discussed that whilst some jurisdictions include this disclosure in the auditor's report, the AUASB's preference is to require this disclosure in the Directors' Report. This would require an amendment to the Corporations Act 2001. Another option supported by the AUASB is including this disclosure in the financial statements which would require an amendment to the Accounting Standards. Therefore there is no further work to be conducted by the AUASB. Refer to Minutes.</p>
8.	<p>The committee recommends that the Financial Reporting Council oversee a formal review, to report by the end of the 2020–21 financial year, of the sufficiency and effectiveness of reporting requirements under the Australian standards in relation to:</p> <ul style="list-style-type: none"> - the prevention and detection of fraud; and - management's assessment of going concern. 	<p>The IAASB have commenced projects on Fraud and going concern. At its meeting on 30 November 2021 the AUASB agreed that considerable preparatory work had been done in order to understand the issues in relation to fraud and going concern, and our stakeholders' views. Based on this it is not necessary for the AUASB to do any further work ahead of a formal government response, other than to provide input into the IAASB's projects on these topics. Refer to minutes.</p>
9.	<p>The committee recommends that the Corporations Act 2001 be amended such that entities required to have their financial reports audited under the Act must establish and maintain an internal controls framework for financial reporting. In addition, such amendments should require that:</p> <ul style="list-style-type: none"> - management evaluate and annually report on the effectiveness of the entity's internal control framework; and - the external auditor report on management's assessment of the entity's internal control framework. 	<p>This recommendation will require government to amend the Corporations Act. Preparatory work has not commenced as waiting for a government response. Also, it is worth noting that the final report indicates that the environment has changed dramatically due to COVID 19 since the inquiry, and the PJC recognises that now may not be the time to impose additional costs to businesses. Refer to final report.</p>

Issuing guidance to assist auditors

11. An AUASB bulletin *Quality Management Standards – Enhancing audit quality* is about to be issued. This bulletin is designed to highlight the key benefits of the QMS to enhance AQ, with the objective to encourage implementation.
12. The ATG are presenting at upcoming professional bodies conferences on QMS, ASA 315 and LCE.



PJC Inquiry into the Regulation of Auditing in Australia

	Recommendation	Status
1.	<p>The committee recommends that ASIC:</p> <ul style="list-style-type: none"> - formally review the manner which it publicly reports the periodic findings of its audit inspection program, giving appropriate consideration to approaches used internationally; and - based on this review, develop and implement, by the end of the 2020–21 reporting period for its audit inspection program, a revised framework for reporting inspection findings, with a focus on the transparency and relative severity of identified audit deficiencies. 	<p>Already in progress by ASIC. - ASIC developing a severity rating system to be reported in 2023.</p>
2.	<p>The committee recommends that the Australian Government introduce, by the end of the 2020–21 financial year, through appropriate legislation, a requirement that ASIC publish all future individual audit firm inspection reports on its website once ASIC has adopted a revised reporting framework referred to in Recommendation 1.</p>	<p>Already in progress by ASIC. ASIC published the individual audit firm inspection reports for the period ended 30 June 2020. The largest 6 firms had already voluntarily published their individual inspection results for periods ended 30 June 2018 and 30 June 2019.</p>
3.	<p>The committee recommends that the Financial Reporting Council, in partnership with ASIC, by the end of the 2020–21 financial year, oversee consultation, development and introduction under Australian standards of:</p> <ul style="list-style-type: none"> - defined categories and associated fee disclosure requirements in relation to audit and non-audit services; and - a list of non-audit services that audit firms are explicitly prohibited from providing to an audited entity. 	<p>The FRC and AASB have commenced preparatory work on the first part of this recommendation whilst waiting for a government response. As part of this the AASB have issued a Research Report examining fee disclosure requirements in other jurisdictions, and the APESB have issued an exposure draft with proposed categories.</p> <p>The second part of this recommendation is in progress by the APESB who have issued an exposure draft as they align to amendments made to the International Code by the International Ethics Standards Board for Accountants.</p>
4.	<p>The committee recommends that the <i>Corporations Act 2001</i> be amended so that an auditor's independence declaration is expanded to require the auditor to specifically confirm that no prohibited non-audit services have been provided.</p>	<p>Requires a legislative change. Preparatory work has not commenced as waiting for a government response.</p>



	Recommendation	Status
5.	The committee recommends that the Australian Professional and Ethical Standards Board consider revising the APES 110 Code of Ethics to include a safeguard that no audit partner can be incentivised, through remuneration advancement or any other means or practice, for selling non-audit services to an audited entity.	This is in progress by the APESB who have issued an exposure draft as they align to amendments made to the International Code by the International Ethics Standards Board for Accountants.
6.	The committee recommends that the Financial Reporting Council, by the end of the 2020–21 financial year, oversee the revision and implementation of Australian standards to require audited entities to disclose auditor tenure in annual financial reports. Such disclosure should include both the length of tenure of the entity's external auditor, and of the lead audit partner.	Preparatory work has commenced by the FRC, AASB, AUASB, and the Australian Institute of Company Directors, whilst waiting for a government response.
7.	<p>The committee recommends that the <i>Corporations Act 2001</i> be amended to implement a mandatory tendering regime such that entities required to have their financial reports audited under the Act must:</p> <ul style="list-style-type: none">• undertake a public tender process every ten years; or• if an entity elects not to undertake a public tender process, the entity must provide an explanation to shareholders in its annual report as to why this has not occurred. <p>The committee further recommends that such a tender process be implemented by 2022 for any entity that has had the same auditor for a continuous period of ten years since 2012.</p>	Requires a legislative change. Preparatory work has not commenced as waiting for a government response.
8.	<p>The committee recommends that the Financial Reporting Council oversee a formal review, to report by the end of the 2020–21 financial year, of the sufficiency and effectiveness of reporting requirements under the Australian standards in relation to:</p> <ul style="list-style-type: none">- the prevention and detection of fraud; and- management's assessment of going concern.	Preparatory work has commenced by the FRC, AASB and AUASB while waiting for a government response. Australia aims to ensure compliance with international accounting and auditing standards and the AASB and AUASB will monitor the international developments and timeline. This is being considered by the equivalent International Boards.



	Recommendation	Status
9.	<p>The committee recommends that the <i>Corporations Act 2001</i> be amended such that entities required to have their financial reports audited under the Act must establish and maintain an internal controls framework for financial reporting. In addition, such amendments should require that:</p> <ul style="list-style-type: none">- management evaluate and annually report on the effectiveness of the entity's internal control framework; and- the external auditor report on management's assessment of the entity's internal control framework.	<p>Requires a legislative change. Preparatory work has not commenced as waiting for a government response.</p>
10.	<p>The committee recommends that the Australian Government take appropriate action to make digital financial reporting standard practice in Australia.</p>	<p>Requires a legislative change. Preparatory work has not commenced as waiting for a government response.</p>



AUASB Agenda Paper

Title	GS 016 <i>Bank Confirmation Requests</i>	Date:	27 April 2022
Strategic Objective:	Domestic	Agenda Item:	4
ATG Staff:	Tim Austin	AUASB Sponsor:	Klynton Hankin

Objective

1. To present to the AUASB the ATG's planned approach to revising GS 016 *Bank Confirmation Requests* and obtain feedback on the areas to be addressed and proposed timing of the project.

Recommendations and Questions for the Board

Question	Questions for the Board	ATG Recommendation Overview
Question 1	Are there any standards not identified in Table 1 that AUASB Members consider are relevant to bank confirmation requests?	The ATG considers it has identified all applicable standards relevant to this project and no amendments are required.
Question 2	Do AUASB Members have any feedback on the ATG conclusion formed in this paper?	N/A

Background and Previous Discussions on the Topic

2. At the September 2020 AUASB Meeting ([Agenda Item 5](#)), the AUASB approved the AUASB Technical Group's (ATG) plan to update several Guidance Statements including GS 016 *Bank Confirmation Requests*. The recommendation was based on feedback received from stakeholders in response to a discussion paper and survey issued by the AUASB to obtain broad feedback on the suite of guidance statements.
3. The [current version of GS 016](#) was issued in 2010 and is focussed on the process of obtaining paper-based confirmations although, there is a small section addressing confirmations obtained electronically. The content of the current Guidance Statement is detailed and prescriptive, for example, paragraph 44 of GS 016 outlines that "where practicable, the auditor sends the bank confirmation request to the bank at least 15 working days in advance of the period end date...". Additionally, bank confirmation requests for most major banks in Australia can now be completed through designated service providers who act as an intermediary between the auditor and the bank¹ (some banks will still accept paper-based confirmations).
4. The *Foreword to AUASB Pronouncements*, updated in September 2021, outlines that Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard(s) of general application to particular circumstances or specialised industries/sectors². The *AUASB's Due Process Framework for Developing, Issuing and Mainlining AUASB Pronouncements and Other Publications* outlines the circumstances that may lead to the AUASB issuing a Guidance

¹ See *Australian Banking Association – Audit Confirmation Request*.

² See *Foreword to AUASB Pronouncements*, paragraphs 20-21.



Statement and the factors that the AUASB considers when determining whether it is appropriate to issue, update or withdraw a Guidance Statement³.

Matters for Discussion and ATG Recommendations

Form and Content of Guidance

5. The ATG, in consultation with the AUASB Chair, has prepared a project plan which is attached as **Agenda Item 4.1**. The Project Plans outlines the ATG's proposed actions which are to revise and reissue GS 016 to:
 - (a) specifically address electronic bank confirmation requests involving a service provider in a new section of GS 016;
 - (b) update cross-references to AUASB Standards which are out of date; and
 - (c) reduce the repetition and overall prescriptiveness of the current GS 016 and ensure that it aligns with the form and content of a guidance statement outlined in the *Foreword to AUASB Pronouncements* (see paragraph 4).

The ATG will not remove the content related to paper-based confirmations entirely as, based on the Australian Bank Association Audit Confirmation Request page⁴, they are still accepted by most banks in Australia.

6. The ATG considered a number of different options including issuing a separate GS specifically addressing electronic confirmations using a service provider but concluded that it would be beneficial to auditors to have all guidance related to bank confirmations in a single guidance statement.
7. To develop the project plan, the ATG identified the key standards and requirements that are relevant when external bank confirmation procedures are performed and how they may be met in the context of an electronic bank confirmation performed using a service provider. These standards and why they are relevant are outlined in **Table 1** below and discussed further in the *Relevant Requirements in the ASAs* section of this paper.
8. The ATG proposes the new section of GS 016 on electronic confirmations addresses:
 - (a) the firm's responsibility to deploy and maintain technological resources including those from service providers (ASQM 1);
 - (b) the engagement team's responsibilities when it uses firm resources (ASA 220); and
 - (c) external confirmation requirements in relevant standards that may be met at a firm level and those which remain the responsibility of the auditor to meet (ASA 505 and ASA 500).
9. The new section of GS 016 will have a focus on the firm's responsibilities related to bank confirmation procedures. This is because the main difference between the paper-based and electronic confirmation procedures is the level of control the auditor has throughout the process. In a paper-based process the engagement team has more control over how the confirmation is performed whereas when electronic bank confirmation procedures are performed using a service provider, there are elements of the process which may not be in the control of the auditor as they are relying on the proper operation of the service provider.
10. **Conclusion** – The ATG has commenced drafting the new section of GS 016 based on the key standards identified in Table 1 which are relevant to electronic confirmation procedures using a service provider.

³ See [Due Process Framework for Developing, Issuing and Mainlining AUASB Pronouncements and Other Publications](#), Section IX AUASB Guidance Statements

⁴ See [Australian Banking Association Audit Confirmation Requests](#).



Relevant Requirements in the ASAs

11. As part of the information gathering to develop this paper and the project plan, the ATG identified the standards and requirements which are relevant to external confirmation procedures. These standards and why they are relevant are outlined in **Table 1** below.
12. The ATG has included in this table of standards ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* and ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* which are not operative until “financial reporting periods commencing on or after 15 December 2022”.
13. Whilst these standards are not operative until 2023/2024 audits, the ATG considers that the new requirements and application material within the standards specifically addressing the firm and engagement team’s responsibilities for the use of technological resources (including from service providers) provide a better basis for drafting the revised GS than the current suite of quality control standards.
14. Additionally, the ATG considers that this presents a practical example of how the new QM standards are intended to operate for stakeholders.
15. **Conclusion** – The ATG plans to draft the new guidance referencing the quality management standards, specifically ASQM 1 and ASA 220. Whilst the quality management standards are not effective for most audits until 2023/2024, the ATG considers that the new requirements related to the use of technological resources provide a better basis for drafting the guidance and will align with practitioners commencing their implementation of the quality management standards. The ATG also views that compliance with the QM standards will also still allow compliance with the current suite of quality control standards as the QMs are a step up from the current QC standards.

Requirement	Relevance	Discussion
ASQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> , paragraph 32	Resources made available to the engagement team.	Paras. 16-18
ASA 220 <i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> , paragraphs 25-28 and A59-A70.	Engagement partner taking responsibility for resources made available to the engagement team. Application material addresses reliance on firm tools.	Paras. 19-21
ASA 330 <i>The Auditor's Responses to Assessed Risks</i> , paragraph 19	Auditor is required to considering whether external confirmation procedures will be performed.	Paras. 22-25
ASA 505 <i>External Confirmations</i> , paragraph 7	Auditor is required to maintain control over the external confirmation process.	Paras. 26-27
ASA 500 <i>Audit Evidence</i> , paragraphs 7 and 11	Considering the reliability of information to be used as audit evidence.	Paras. 28-30
ASA 505, paragraphs 10-11	The auditor’s responsibilities where there are factors that give rise to doubts about the reliability of a confirmation and/or there are exceptions.	Paras. 28-30

Table 1 - Table of relevant standards



Questions

1. Are there any standards not identified in **Table 1** that AUASB Members consider are relevant to bank confirmation requests?

Resources— ASQM 1, paragraphs 32 and A98-A101, and A104

16. As outlined in paragraph 3, most major banks in Australia accept electronic confirmation requests through a service provider who make available for a fee a platform through which confirmation requests can be made.
17. [Paragraph 32\(h\)](#) of ASQM 1 addresses the firm’s utilisation of service providers in the firm’s system of quality management and in the performance of engagements. In addition to the considerations in paragraph 32(h), the firm is required to take into account the quality objectives of other sub-paragraphs such as [paragraph 32\(f\)](#) which addresses the firm’s responsibility for technological resources used in the firm’s system of quality management and in the performance of engagements. The application material linked to 32(h) and 32(f) includes matters the firm should consider in using a technological resource from a service provider such as testing the technological resource to determine it is suitable for use in the audit (ASQM 1, A100 and A107) and developing policies and procedures for engagement team use of the resource (ASQM 1, A108).
18. **Conclusion** – The ATG include guidance related to paragraph 32 of ASQM 1 addressing how a firm deploys and maintains technological resources related to bank confirmations.

Resources – ASA 220, paragraph 28 and A59-A70

19. [Paragraphs 25-28](#) of ASA 220 address the engagement partner’s responsibility to use the resources provided by the firm, including technological resources. The application material linked to these paragraphs include matters such as ensuring that firm policies and procedures around the use of technological resources are followed such as situations where a particular technological resource should be used and by who.
20. In addition to the application material linked to paragraph 25-28, the application material in [paragraphs A4-A11](#) provides an overview of the interaction between the system of quality management at a firm level and the engagement partner’s responsibilities including that the engagement team may ordinarily depend on the firm’s policies and procedures to comply with the requirements of ASA 220. This is important as the engagement partner is ultimately responsible for the appropriate use of resources in the engagement.
21. **Conclusion** – The ATG will include guidance related to the engagement partner’s responsibilities in ASA 220 when using resources provided by the firm.

Considering whether to perform confirmation procedures – ASA 330, paragraph 19

22. [Paragraph 19](#) of ASA 330 is relevant as it requires auditors to consider whether they will use external confirmations as part of substantive audit procedures. The application material in paragraphs A50-A53 outline matters for the auditor to consider when determining whether external confirmation procedures are to be performed.
23. The ATG has received some informal feedback from stakeholders that guidance in addition to the guidance already in GS 016, may be needed to assist auditors in determining when bank confirmation procedures should be performed.
24. As GS 016 already does contain some guidance on when the auditor would ordinarily perform bank confirmation procedures in paragraphs 12-15. The ATG does not recommend revising this as part of the current revision of GS 016. The ATG will consider whether the current material extends beyond what is already in ASA 330 and may amend the relevant section if it goes beyond the auditing standards.
25. **Conclusion** – The ATG will review the existing material in GS 016 related to when confirmation procedures are to be performed and if the material extends beyond the auditing standards, amend it accordingly.



Maintaining control of confirmations – ASA 505 paragraph 7

26. [Paragraph 7](#) of ASA 505 requires the auditor to maintain control of the confirmation process, ensuring that the confirmation has the right information, goes to the right party and that the confirmation is returned directly to the auditor. Whilst this is largely focused on paper-based confirmations it is still a requirement of the standard. The electronic confirmation process may mitigate risks specifically identified in paragraph 7 of ASA 505 such as the risk of interception. As outlined above in the section on ASQM 1, the ATG considers that some of the requirements of paragraph 7 of ASA 505 may be met at a firm level using controls reports.
27. **Conclusion** – The ATG will include guidance that addresses maintaining control of the confirmation in the context of electronic confirmations. The ATG will explore whether elements of paragraph 7 can be met at a firm level.

Reliability of confirmations – ASA 500, paragraph 7 and ASA 505, paragraphs 10 and 11

28. [Paragraph 7](#) of ASA 500 requires the auditor to consider the relevance and reliability of information to be used as audit evidence, including information obtained from an external information source (external confirmations). [Paragraphs 10 and 11](#) of ASA 505 are relevant as they provide specific considerations, in addition to the considerations in ASA 500, for the auditor where there are doubts over the reliability of an external confirmation.
29. The ATG has not included [paragraph 13, 14 or 16](#) of ASA as part of the planned guidance as, in the view of the ATG, these paragraphs are not impacted by the form of the confirmation and do not require guidance to assist auditors in meeting them where electronic confirmations are performed.
30. **Conclusion** – The ATG will include guidance that addresses reliability of electronic confirmations. This will require more information to be obtained by the ATG about the nature of electronic confirmations in particular, the environment that an electronic confirmation service provider creates for the auditor and the bank and whether there are controls reports which the firm/auditor may be able to obtain and rely upon.

Questions

2. Do AUASB Members have any feedback on the ATG conclusion formed in this paper?

Collaboration with NZAuASB and other standard setters

31. The ATG have notified other National Standard-Setters that this project is underway and, if there is equivalent guidance, will consider it as part of the development of the AUASB's Guidance Statement.

Next steps/Way Forward

32. The ATG will continue drafting the guidance statement with a full version to be brought for review and approval to the next AUASB Meeting in June 2022.

Materials Presented

Agenda Item	Description
4.0	Bank Confirmations – Agenda Paper
4.1 (*SP)	Bank Confirmations – Project Plan
4.2 (*SP)	(Draft) GS XX Electronic Bank Confirmation Requests (To-follow)



AUASB Agenda Paper

Title	Quality Management Conforming Amendments	Date:	27 April 2022
Strategic Objective:	Issue Australian Auditing and Assurance Standards based on IAASB equivalent standards in accordance with AUASB functions and mandate from the Financial Reporting Council (FRC)	Agenda Item:	5
ATG Staff:	See Wen Ewe	AUASB Sponsor:	None

Objective

- 1 The objective of this meeting agenda item is for the AUASB to **approve**:
 - the conforming and consequential amendments to the other **international equivalent AUASB Standards** (ASREs, ASAEs, ASRSs) as a result of the Quality Management Standards (Agenda Item 5.1 in the supplementary pack); and
 - Exposure Draft 01/22 *Proposed Conforming and Consequential Amendments to the **Australian-Specific AUASB Standards*** as a result of the Quality Management Standards for an exposure period of 30-days (Agenda item 5.2 in the supplementary pack).

Recommendations and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Are there any fatal flaw comments on Agenda Item 5.1? Does the AUASB approve the conforming and consequential amendments to the other international equivalent AUASB Standards (ASREs, ASAEs, ASRSs) as a result of the Quality Management Standards?	Approve to issue the final conforming and consequential amendments to the other international equivalent AUASB Standards as a result of the Quality Management Standards.
Question 2	Does the AUASB agree with the ATG's proposed amendments on Agenda Item 5.2 and approve ED 01/22 for issuance with an exposure period of 30-days?	Approve to issue exposure draft of the conforming and consequential amendments to the Australian-specific AUASB Standards as a result of the Quality Management Standards for an exposure period of 30 days.



Background and Previous Discussions on Topic

- 2 In April 2021, the AUASB exposed [ED 01/21 Proposed Conforming and Consequential Amendments to the other AUASB Standards as a result of the New and Revised Quality Management Standards](#) in conjunction with the IAASB's exposure draft for 45 days. There were no submissions received by the AUASB and the AUASB provided a [submission to the IAASB supporting the ED](#).
- 3 The IAASB received minimal feedback on the ED and stakeholders were supportive of the amendments. Accordingly, the final approved revisions were largely consistent with the revisions proposed at the time of the ED.
- 4 In January 2022, the IAASB approved the [Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards](#). The amendments addressed any actual or perceived inconsistencies between the quality management standards and the full suite of IAASB standards to ensure that all the standards operate in conjunction with each other without conflict.
- 5 As the AUASB has several domestic standards that have no international equivalent, the AUASB need to flow the conforming and consequential amendments as processed by the IAASB through to the Australian specific standards, so that all standards are consistent in language / terminology as a result of the changes arising from the QM suite of standards.

Matters for Discussion and ATG Recommendations

- 6 There are two parts to the conforming and consequential amendments to the other AUASB Standards as a result of the New and Revised Quality Management Standards:
 - Agenda Item 5.1 – Final *Conforming and Consequential Amendments to the other AUASB Standards as a Result of the New and Revised Quality Management Standards*. This was exposed in April 2021 as ED 01/21; and
 - Agenda Item 5.2 – Proposed *Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards*. This document is yet to be exposed in Australia.

Agenda Item 5.1 (international equivalent standards)

- 7 The nature of the changes to other AUASB Standards as a result of the new and revised QM Standards largely fall into two categories:
 - Category 1: Update links to the structure and concepts in ASQM 1, ASQM 2 and ASA 220. An example of these changes is the definition of “engagement team”.
 - Category 2: Update references and other terminology to align with ASQM 1 and ASQM 2. An example of these changes is that the other AUASB Standards include various references to the firm's quality control policies and procedures. New terminology in ASQM 1 refers to “policies or procedures” or “system of quality management.”
- 8 After the IAASB approved the *Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards*, the ATG applied the final amendments to the extant paragraphs of the equivalent AUASB standards. This is presented in a tabular format to show the extant wording of the AUASB standards in Agenda Item 5.1, Column 2.



The amendments made by the IAASB to other IAASB's standards are included in Agenda Item 5.1, Column 3. The ATG has then applied the IAASB's amendments to the extant wording of the AUASB standards in Agenda Item 5.1, Column 4.

- 9 Working through this process highlighted a difference between the International Standards and the Australian Standards in relation to the scope of who may use the Other Standards (ASAEs and ASRSs). The Australian Standards are premised on the basis that *'The assurance practitioner who is performing the engagement is a member of a firm that is subject to ASQC 1, regarding the firm's responsibility for its system of quality control'*. The International Standards are premised on the basis that *'The practitioner who is performing the engagement is a member of a firm that is subject to ISQC 1, or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control, that are at least as demanding as ISQC 1.'* This difference flows through the requirements, application material and illustrative examples of the ASAEs and ASREs.
- 10 The ATG recognises that ASQM 1 is the cornerstone of quality and in Australia and we are not aware of any frameworks in law or regulation that are at least as demanding as ASQM 1. However, in view of the wide usage of ASAE 3000 and impending changes we anticipate may occur to this standard as a result of the initiatives to consider the Sustainability assurance framework (e.g. discussions regarding the wider issues of who the intended users of ESG assurance reports are and who can provide assurance on such engagements), the ATG recognises the need to have a more fulsome discussion on this matter of restricting scoping to firms that are subject to ASQM 1. However, as noted under Agenda Item 2, as the discussions around sustainability assurance are at an early stage, any changes to align with international terminology on this matter has not been processed by the ATG at this stage, and the extant AUASB wording of limiting the practitioner to a firm that is subject to ASQM 1 has been retained for now.
- 11 The ATG notes that when ASRS 4400 *Agreed-Upon Procedures Engagements* was revised in 2020; the AUASB aligned with the terminology used by the IAASB when it came to application of ASQC/ASQM 1 (Refer [ASRS 4400 Paragraph 30](#)).
- 12 The AUASB is requested to approve the amendments proposed by the ATG as presented in Agenda Item 5.1, Column 4. Once the AUASB approves these amendments, the ATG will prepare the revised compiled standards.

Agenda Item 5.2 (Australian domestic standards)

- 13 Since revisions to the Australian specific Other Standards have yet to be exposed, the ATG has needed to prepare the conforming and consequential amendments to the Australian domestic Other Standards (refer Agenda Item 5.2, column 3).
- 14 The process undertaken by the ATG is similar to the IAASB where the amendments are narrow in scope and do not involve reconsideration of the objectives, requirements, and application material of the Australian-specific AUASB Standards, in their own right. The conforming and consequential amendments are limited to, for example, updating titles of standards, updating references to the QM standards, and aligning terminology. The amendments also include limited changes to align concepts, specifically the conceptual changes in ASQM 1 to deal with resources more broadly. The conforming amendments do not address other potential amendments to the Australian-specific AUASB Standards that may have been considered in a project to improve those standards.



- 15 The proposed conforming and consequential amendments to the Australian-specific AUASB Standards comprise two categories:
- Category 1: Update links to the structure and concepts in ASQM 1, ASQM 2 and ASA 220
 - Category 2: Update references and other terminology to align with ASQM 1 and ASQM 2
- 16 In the process of reviewing the Australian-specific AUASB standards, the ATG noted some of the standards are still referring to the old ASA 315 and ASRS 4400 titles. As such, the ATG has also proposed references to these titles and terminology to be updated.
- 17 Since the amendments are narrow in scope, the ATG proposes to issue the exposure draft for a 30-day comment period.

Collaboration with NZAuASB and other standard setters

- 18 The ATG collaborated with NZAuASB staff on the proposed conforming and consequential amendments to ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, ASAE 3100 *Compliance Engagements* and ASAE 3150 *Assurance Engagements on Controls*. The nature of the proposals across Australia and New Zealand are consistent.
- 19 The NZAuASB has issued [Exposure Draft 2022-1 Annual Improvements and Conforming Amendments to the Domestic Assurance Standards](#) in February 2022 for a 30-day comment period.

Next steps/Way Forward

- 20 The ATG will incorporate feedback received from the AUASB on Agenda Item 5.1; and compile the amendments in Agenda Item 5.1 to the respective AUASB Standards.
- 21 Upon approval by the AUASB the ATG will issue ED 01/22 on the AUASB website for public comment for a 30-day exposure period. The ATG will bring any comments back to the AUASB for consideration and the AUASB will be asked to vote to issue these Australian specific amendments either at a future AUASB meeting, or if no significant amendments are proposed via email out-of-session after the June 2022 AUASB meeting.

Materials Presented

Agenda Item	Description
5.1*SP	Conforming and Consequential Amendments to the other AUASB Standards as a result of the New and Revised Quality Management Standards
5.2*SP	Conforming and Consequential Amendments to the other Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

*SP: AUASB Supplementary Papers Pack



AUASB Agenda Paper

Title	ASA 600	Date:	19 April 2022
Strategic Objective:	Issue Australian Auditing and Assurance Standards based on IAASB equivalent standards in accordance with AUASB functions and mandate from the Financial Reporting Council (FRC)	Agenda Item:	6.0
ATG Staff:	Rene Herman	AUASB Sponsor:	None

Objective

- 1 The objective of this meeting agenda item is for the AUASB to **approve to issue ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)** (Agenda Item 6.1 supplementary pack); **and ASA 2022-1** conforming and consequential amendments arising from the revision of ASA 600 (Agenda Item 6.2 supplementary pack).
- 2 The AUASB is requested to **approve to issue the Explanatory Statement** (Agenda Item 6.3 supplementary pack).
- 3 The AUASB is requested provide agreement with the ATG’s position on **Australian Compelling Reason amendments** required to the International Standard. The ATG’s position is outlined in paragraphs 9-10 and paragraph 12 of this Agenda Paper.
- 4 For the AUASB to consider the AUASB’s technical group proposals regarding re-expose ASA 600; and to **vote on these re-exposure proposals** (refer paragraphs 14-18 of this Agenda Paper).
- 5 For the AUASB to **provide feedback on the draft Basis for Conclusions** (refer Agenda Item 6.4 supplementary pack)

Recommendations and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Are there any fatal flaw comments on the marked up AUASB ASA 600, as included at Agenda Item 6.1 (supplementary pack)?	Approve to issue the final AUASB ASA 600 including the associated Explanatory Statements.
Question 2	Does the AUASB support the ATGs assessment of Compelling reason amendments as addressed in paragraphs 9-10 of this agenda paper?	Support the ATGs assessment of Compelling reason amendments.



Question No.	Question for the Board	ATG Recommendation Overview
Question 3	Are there any fatal flaw comments on the conforming and consequential amendments, as included at Agenda Item 6.2 (supplementary pack) and as outlined in paragraphs 11-13 of this agenda paper?	Approve to issue the final AUASB ASA 2022-1 including the associated Explanatory Statements.
Question 4	Does the AUASB agree with the ATG's proposal not to re-expose ASA 600? Refer Paragraphs 14-18 of this paper.	No re-exposure of ASA 600.
Question 5	Does the AUASB support the ATG's draft Basis of Conclusions documents as included at Agenda Item 6.4 (supplementary pack)?	Support BOC document.

Background and Previous Discussions on Topic

- 6 The IAASB approved ISA 600 at the December 2021 IAASB meeting. The Standard was approved by the PIOB in April 2022 and will become effective for periods beginning on or after 15 December 2023.
- 7 The ATG considers that the IAASB has addressed the substantive matters raised by the AUASB through the development of the proposed standard. At the December 2021 AUASB meeting, the AUASB was provided a summary of all AUASB matters raised and where the final standard landed – this information has been included in the Basis of Conclusions documents.
- 8 Throughout AUASB discussions on the progression of this standard, the AUASB and the ATG have not raised any potential Compelling Reason amendments (refer below).

Matters for Discussion and ATG Recommendations

Compelling Reasons

- 9 In line with the [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) (Harmonisation Policy) there are terms that will automatically be amended throughout ASA 600 and will not be reflected as AUS paragraphs and have not been marked up for the AUASB. Examples include financial statements to financial report, professional standards to AUASB Standards. These changes are not considered to be significant terminology changes and the intent of the language remains the same.
- 10 The ATG has considered the Compelling Reason Test as outlined in the Harmonisation Policy and consider the following Compelling Reasons to amend the revised ISA 600:
 - (a) The ATG has considered Application Material paragraph A25 which addresses joint auditors. Joint auditors are not arrangements that are allowable in Australia and accordingly, the ATG recommends the deletion of this application material paragraph. The ATG considers that the Compelling Reason test is triggered under Australian regulatory arrangements. The deletion will ensure effective and efficient compliance with the regulatory framework in Australia and will not result in a requirement that is lesser than or in conflict with the international standard.
 - (b) Carried forward (slightly amended) from extant ASA 600 is an application material paragraph Aus A34.1 that reminds auditors of the *Corporations Act 2001* requirement for the officer or



auditor of a controlled entity to give the principal auditor access to the controlled entity's books; and give the auditor any information, explanation or assistance required under section 323A of the Act. The ATG considers that the Compelling Reason test is triggered under Australian regulatory arrangements. The insertion will ensure effective and efficient compliance with the regulatory framework in Australia and will not result in a requirement that is lesser than or in conflict with the international standard.

- (c) In relation to Appendix 1 to ASA 600, the illustrative Auditor's Report, the ATG has deleted the International example and has replaced with a *Corporations Act 2001* example. The reason for the change is to be consistent with example reports provided under ASA 700 *Forming an Opinion and Reporting on a Financial Report* and within extant ASA 600. The Australian example report is in the public interest as it aids in consistency in application of the standards.

Conforming Amendments

- 11 The ATG has undertaken a review of the IAASB's *Conforming Amendments to ISAs and Related Material Arising from the ISA 600* to determine the impact on the AUASB's legislative Auditing Standards. The proposed Auditing Standard ASA 2022-1 *Amendments to Australian Auditing Standards* at Agenda Item 6.2 has been drafted using the IAASB's pronouncement as its base. The main changes are terminology and definitional alignments and referencing amendments.
- 12 Similar to paragraph 10(a) above, Conforming amendment A22 to ASA 220 in relation to joint auditors is suggested to be deleted by the AUASB.
- 13 The only completely new requirement arising is in relation to ASA 300 where there is a new requirement for the engagement partner to review the overall audit strategy and audit plan.

Considerations for Re-Exposure

14. Following the approval of ISA 600 at its December 2021 meeting the IAASB voted on whether ISA 600 should be re-exposed. The principal consideration in the IAASB's due process is "whether there has been substantial change to the exposed document such that re-exposure is necessary." The IAASB's due process includes three examples of situations that may constitute potential grounds for a decision to re-expose:
 - Substantial change to a proposal arising from matters not aired in the exposure draft (ED) such that commentators have not had an opportunity to make their views known to the IAASB before it reaches a conclusion;
 - Substantial change arising from matters not previously deliberated by the IAASB; or
 - Substantial change to the substance of a proposed international pronouncement.
15. The ISA 600 (TF) analysis for the IAASB included consideration of while there have been many changes to proposed ISA 600, the key elements of ED-ISA 600 have been retained, with further clarifications and modifications in response to comments received on exposure.
16. The IAASB voted **not to re-expose** ISA 600.
17. [The AUASB's Function and Processes document](#) now explicitly covers the matters to consider when considering re-exposure and these considerations are generally consistent with those considerations of the IAASB.
18. After consideration of the criteria for re-exposure of AUASB Standards in paragraphs 68-70 of the AUASB's Function and Process document (largely consistent with the IAASB) and after consideration



that besides the matters in paragraph 10 above, there are no substantive Aus Amendments, under the 'compelling reasons' test outlined in paragraphs 9-10 of this paper, the ATG **do not recommend re-exposure of ASA 600**.

Collaboration with NZAuASB and other standard setters

19. The ATG understands that the NZAuASB will be adopting ISA 600 in a similar manner to that recommended to the AUASB.

Next steps/Way Forward

- 20 Completion of the AUASB internal Quality Assessment (QA) processes and other internal processes.
- 21 Completion of the BOC documents (after consideration of AUASB input) to accompany ASA 600.
- 22 The ATG expects that the completion stages will be finalised by the end of April 2022 when the final approved standard can be expected to be released.
- 23 The ATG will consider what implementation support, if any, is required at this stage.

Materials Presented

Agenda Item	Description
6.1 (SP)*	Proposed ASA 600
6.2 (SP)*	Conforming and Consequential Amendments
6.3 (SP)*	Explanatory Statement
6.4 (SP)*	Basis of Conclusions Document

*(SP) – Supplemental Pack



AUASB Agenda Paper

Title:	Public Sector Audit Issues: Going Concern (GS 023 update)	Date:	27 April 2022
Strategic Objective:	Develop/maintain Australian specific guidance for topics not addressed by IAASB	Agenda Item:	7.0
ATG Staff:	Johanna Foyster Matthew Zappulla	AUASB Sponsor:	Julie Crisp

Objective

1. To provide an update on the project to develop supplementary guidance to address issues presenting challenges in applying ASA 570 *Going Concern* in the public sector, for inclusion in AUASB Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*.

Action Required and Decisions to be made

2. This Agenda Item is for noting and there are no specific actions for the AUASB.

Background and Previous Discussions on Topic

3. In April 2021, the AUASB Public Sector Audit Issues Project Advisory Group (PAG) reconsidered and reconfirmed its immediate priorities as: Terms of Engagement, Going Concern and Engagement Leader responsibilities. Further topics to be considered by the Group include: Group Audits, Reporting of KAMs, Use of Technology, and potential issues that may flow from implementation of the suite of Quality Management Standards.
4. In December 2021, the AUASB considered and approved the first version of the new GS 023, which includes the first instalment of supplementary application and other explanatory material related to ASA 210 *Agreeing the Terms of Audit Engagements*.
5. GS 023 will be incrementally updated to address the issues identified to date, as well as any further emerging issues that may arise in applying AUASB Standards to public sector engagements.

Matters for Consideration:

6. Subsequent to the release of the first instalment of GS 023 in December 2021, PAG members were requested to review and update the feedback they provided to ATG Staff in 2019, in response to a request to identify issues that presented challenges in complying with the requirements of ASA 570 on public sector engagements and the approach followed by each Audit Office to address such issues.
7. ATG Staff used this updated PAG feedback to prepare a Discussion Paper for consideration and discussion by the PAG at its February 2022 meeting. A summary of the key issues



identified by the PAG as presenting challenges in applying ASA 570 in the public sector, is attached as Appendix 1.

8. Subsequent to the February 2022 PAG meeting, ATG Staff undertook a further literature review of recent guidance materials published in the UK that addressed many of the PAG's concerns, including the Financial Reporting Council (UK) Statement of Recommended Practice – Practice Note 10 *Audit of financial statements of public sector bodies in the United Kingdom (2020)*.

Proposed GS 023 Supplementary Guidance

Concept of Going Concern in the Public Sector

(For reference: AUASB Supplementary Papers Pack - Agenda Item 7.1 Revised GS 023, paragraphs 71-77 and 80-85)

9. GS 023 will include additional explanatory guidance to interpret and supplement ASA 570 paragraphs 2 and A2, to provide the public sector perspective on the going concern assumption and to address the specific factors to be considered by an auditor when assessing going concern risk. Refer to Appendix 1, paragraphs 1-6 for further background or, for more detail, refer to the AUASB Supplementary Papers Pack.

Risk Assessment Procedures

(For reference: AUASB Supplementary Papers Pack - Agenda Item 7.1 Revised GS 023, paragraphs 86-104)

10. GS 023 is proposing a proportionate risk-based approach to assessing going concern risk based on the auditor's understanding of the entity and its environment.
11. In forming a view on a public sector entity's ability to continue its operations, the public sector auditor's consideration of going concern embraces two separate, but sometimes overlapping, factors:
 - (a) the greater risk associated with changes in policy direction; and
 - (b) the less common operational or business risk (for example, whether an entity is in financial distress).
12. For the majority of non-corporate government-controlled public sector entities that provide essential public services, going concern risk may be assessed as low on the basis that it can be assumed, in the absence of any clearly stated parliamentary or government intention to amend or discontinue such services, that the government is likely to continue to provide the minimum amount of financial support necessary to continue these public services. In these circumstances, the auditor's risk assessment procedures are likely to be less onerous and focus primarily on whether there is parliamentary or government legislative intention to amend or discontinue service delivery, rather than around the financial sustainability of the individual public sector entity.
13. Other more arms-length public sector entities, such as government-owned corporations, are typically expected to operate in a competitive market on a commercial basis and to be primarily self-funded. Many government business divisions may also be expected to recover their costs through commercial arrangements. From time to time, these types of entities may experience financial difficulties. In these circumstances, consideration of going



concern can be similar to that applied to for-profit commercial entities in the private sector and ASA 570 is generally fit-for-purpose.

14. Some public sector entities may not be financially sustainable on their own and be reliant or semi-reliant on government funding to continue operating in a competitive market. An auditor cannot assume that a government will automatically support the entity should it run into financial difficulties. Each situation will need to be assessed based on the specific facts that exist at the time. GS 023 will include examples of factors to consider in assessing going concern risk in these circumstances.
15. It is common for 'Machinery of Government' (MOG) changes to occur in order to reorganise functions and responsibilities amongst government-controlled entities. MOG changes may result in a public sector entity being discontinued. GS 023 guidance will differentiate between circumstances where:
 - (i) the services being provided by the entity to be discontinued will continue to be delivered by another public sector entity. While legislative reform of this nature may change the legal structure of how services are being provided, there is considered to be no impact on the going concern assumption as functions are merely moved around within the government as a single legal entity and services will continue to be delivered using the net assets transferred to the new or continuing entity. The financial report of any discontinued entity will therefore continue to be prepared on the going concern basis.
 - (ii) an entity's functions are to be fully discontinued or delivered outside the public sector (privatised). Continued application of the going concern assumption in the discontinued entity will no longer be appropriate.

Auditor's Evaluation of Management's Assessment of Going Concern

(For reference: AUASB Supplementary Papers Pack - Agenda Item 7.1 Revised GS 023, paragraphs 105-109)

16. Given the legislative status of most entities in the public sector, it is likely that, unless there are indications that a government intends to amend or discontinue the delivery of public services, management's assessment and the auditor's evaluation of management's assessment may be relatively straightforward.
17. GS 023 guidance will clarify the circumstances where management may reach a conclusion that the going concern basis of accounting is appropriate without performing a detailed analysis. GS 023 will furthermore provide guidance on the auditor's responsibilities in these circumstances.

Additional Audit Procedures when Events or Conditions are Identified.

(For reference: AUASB Supplementary Papers Pack - Agenda Item 7.1 Revised GS 023, paragraphs 110-123)

18. GS 023 supplementary guidance will include examples of matters to consider in order to determine whether direct confirmations (e.g. letters of support) are sufficient to be used as corroborating audit evidence. Refer to Appendix 1, paragraph 7.



Next steps/Way Forward

19. A first draft of the proposed GS 023: ASA 570 Supplementary Guidance has been shared with members of the PAG for consideration, and PAG Members have been asked to provide their feedback by 21 April 2022. This feedback will be used to prepare a final Draft which will be considered and finalised by the PAG at its next meeting in May 2022.
20. The revised GS 023, which will include the new section on ASA 570 related guidance, will be presented at the June 2022 AUASB meeting for Board consideration and approval to issue.

Materials Presented

Agenda Item	Description
7.1 *SP	Revised GS 023: ASA 570 Supplementary Guidance

*SP: AUASB Supplementary Papers Pack



Appendix 1

Key Issues identified by the PAG to be addressed by GS 023 supplementary guidance

Concept of Going Concern in the Public Sector

1. The concept of going concern as described in AASB 101/ASA 570 is generally more relevant to for-profit commercial entities (whether operating in the private sector or public sector) and may need to be interpreted and applied differently for public sector entities responsible for providing essential public functions on a non-commercial basis.
2. Cessation of a public sector entity is most likely to result from a government policy (political) decision to discontinue or privatise the functions delivered by the entity. As the majority of public sector entities undertake their functions in accordance with statutory requirements imposed by legislation, an Act of Parliament would therefore be required to amend or discontinue such functions.
3. As the majority of public sector entities exist to deliver essential public services, it may be reasonable to assume that those services will continue to be delivered by the public sector unless there is evidence to the contrary. Therefore, in the absence of any clearly expressed government or parliamentary intention to scale back or discontinue an entity's functions, it may be reasonable to assume that a parliament will continue to provide funding annually through the parliamentary appropriation (budget) process.
4. This will continue to be the case even where a public sector entity is abolished and responsibility for delivery of its services is transferred to another entity in the public sector.
5. For the majority of public sector entities, the 'continuation of services' concept may therefore be more relevant in assessing going concern risk than whether the particular public body will continue to exist in its current legal structure or whether the particular entity is financially sustainable.

Other Key Issues

6. There is general uncertainty about the level of audit evidence, if any, that is required to support the going concern assumption for the majority of public sector entities that are continuing entities and where government has not made any announcements about abolishing them (considering that changes can occur at short notice and without consultation). Management do not always prepare detailed or explicit going concern assessments for these types of entities.
7. Management and the auditor in most instances may not be aware of the strategic or legislative decisions that may impact on an entity. The auditor may consider whether to request an entity to obtain direct confirmation from a central government agency about any plans that may impact the entity's continued operational existence. However, governments will not generally provide such confirmations. Also, where direct confirmations (e.g. letters of support) can be obtained, such confirmations are often not sufficient to provide meaningful assurance on the future of an entity.



AUASB Agenda Paper

Title	AUASB Agenda Consultation	Date:	27 April 2022
Strategic Objective:	All	Agenda Item:	8
ATG Staff:	Matthew Zappulla	AUASB Sponsor:	Bill Edge

Objective

- 1 For the AUASB to review and provide feedback to AUASB Technical Group staff on the AUASB Agenda Consultation process.

Recommendations and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Do AUASB members have feedback on the draft outline of the AUASB Agenda Consultation Paper in Appendix A?	That all necessary elements of the Agenda Consultation process have been included in the outline and it is endorsed by the AUASB.
Question 2	Do AUASB members have feedback on the draft project lists and questions to be included in the AUASB Agenda Consultation Paper in Appendix B?	That the proposed project list and questions for constituents are sufficient and appropriate for inclusion in the AUASB Agenda Consultation paper.
Question 3	Do AUASB members have any other feedback on the AUASB Agenda Consultation plan provided in this paper?	That the AUASB Agenda Consultation process is endorsed by the AUASB.

Background

- 2 The AUASB's [Due Process Framework](#) requires the Board to undertake a formal agenda consultation process with stakeholders at least once every five years. With the last consultation process held in October/November 2017 we are required to carry out the next agenda consultation process in 2022. Following the extension of the AUASB Chair's term until June 2023 we plan to carry out the agenda consultation process from May to July 2022.

Matters for Discussion and ATG Recommendations

- 3 The purpose of the AUASB agenda consultation is to seek views from Australian constituents on which projects the AUASB should be addressing, with an emphasis on projects and priorities that are primarily domestic in nature. Feedback will be sought via issuing and seeking comment on a formal AUASB Agenda Consultation paper, as well as a series of associated outreach and engagement activities.



- 4 Whilst the agenda consultation process will seek constituents' views on how the AUASB should respond to current international auditing and assurance topics, with the IAASB already conducting their own consultation process on the [IAASB 2022-23 Workplan](#) (which the AUASB responded to in August 2021) any feedback on any new or revised international standard setting initiatives will be out of scope.
- 5 The purpose of this paper is to seek AUASB feedback on:
 - (a) The scope and outline of the planned AUASB Agenda Consultation Paper;
 - (b) The planned questions for constituents which we will include in the AUASB Agenda Consultation paper; and
 - (c) The list of current and planned projects which will be included in the AUASB Agenda Consultation communications.

Proposed AUASB Agenda Consultation Paper outline

- 6 **Appendix A** to this paper includes the planned outline of the AUASB Agenda Consultation paper. When developing this outline, we have drawn upon similar documents recently issued by the IAASB and AASB for inspiration.
- 7 The planned outline seeks feedback on:
 - (a) The current AUASB Strategic Priority areas;
 - (b) Current, inactive and potential new domestic projects; and
 - (c) The AUASB's response to current IAASB standard setting projects.
- 8 Whilst the AUASB Agenda Consultation paper will highlight the current AUASB strategic priorities these are provided for context only. We do however intend to highlight and seek feedback on the seven current AUASB strategic priorities areas currently included in our [2021-22 AUASB Technical Work Program](#).
- 9 **AUASB members are requested to provide feedback on the draft outline of the AUASB Agenda Consultation Paper.** Staff will then develop the final draft of the paper for 'fatal flaw' review by the AUASB out of session in May 2022 and, subject to any comments received, approval by the AUASB Chair.

Draft Project List and Questions to Stakeholders

- 10 **Appendix B** to this paper lays out the draft project list and questions to stakeholders which will be included in the AUASB Agenda Consultation paper.
- 11 The draft project list has been compiled based on the current [2021-22 AUASB Technical Work Program](#) with feedback and input from AUAS technical staff.



- 12 Questions have been limited to focus on existing AUASB and IAASB work programs, but an additional ‘open ended’ question has been provided should constituents wish to provide feedback on other topics.
- 13 **AUASB members are requested to provide feedback on the draft project lists and questions to be included in the AUASB Agenda Consultation Paper in Appendix B.**

Planned outreach and engagement activity to support the Agenda Consultation process

- 14 Details of the AUASB Agenda Consultation process will be promoted through existing AUASB Communications channels. The AUASB Technical Staff will also directly target key stakeholders (other regulators, professional bodies, academics and audit practitioners) for comment.
- 15 In addition to issuing the AUASB Agenda Consultation Paper for comment the AUASB Chair and Technical Staff plan to hold a series of outreach events to promote current AUASB activities and seek feedback on the Agenda Consultation questions. These will be presented as a mix of in person and online events to maximise opportunities for stakeholders to attend and provide feedback. We plan to arrange face to face sessions in Sydney and Melbourne in late June, with plans for other locations to be developed and subject to getting sufficient numbers to attend.

Planned project timeline

April 2022	<ul style="list-style-type: none"> Obtain feedback from AUASB on Agenda Consultation Paper outline and questions at April 2022 AUASB meeting
May 2022	<ul style="list-style-type: none"> Finalise and release AUASB Agenda Consultation Paper by Mid May 2022, with proposed 60 day comment period Develop and rollout associated Communications to support the Agenda Consultation process Commence targeted outreach with key AUASB stakeholders
June 2022	<ul style="list-style-type: none"> Provide update on Agenda Consultation process at June 2022 AUASB meeting Conduct face to face outreach in late June 2022 Continue targeted outreach
July 2022	<ul style="list-style-type: none"> Conduct final outreach and engagement activities Consultation process to conclude in Mid July
August 2022	<ul style="list-style-type: none"> AUASB Technical staff to review Agenda Consultation responses
September 2022	<ul style="list-style-type: none"> Summary of Agenda Consultation feedback and proposed actions to be presented to AUASB at the September 2022 AUASB meeting

Collaboration with NZAuASB and other standard setters

- 16 The AUASB agenda consultation process will be carried out independently, however the lists of projects and priorities included for consideration in the agenda consultation process materials are consistent with regular communication the AUASB staff have with the AASB, NZAuASB and other national standard setters.



Next steps/Way Forward

17 Subject to feedback received from AUASB members the AUASB staff will:

- (a) Develop a final version of the AUASB Agenda Consultation Paper;
- (b) Develop and rollout a Communications Plan to support the AUASB Agenda Consultation process; and
- (c) Arrange outreach events to support the AUASB Agenda Consultation process in June & July 2022.

A final draft of the AUASB Agenda Consultation Paper will be sent for AUASB ‘fatal flaw’ review out of session, and an update on related AUASB Agenda Consultation activities will be provided at the June 2022 AUASB Meeting.

Materials Presented

Agenda Item	Description
8.0	Agenda Paper - AUASB Agenda Consultation
Appendix A	AUASB Agenda Consultation Paper – Planned Outline
Appendix B	AUASB Agenda Consultation – Draft Project List and Questions to Stakeholders



APPENDIX A – PROPOSED AUASB AGENDA CONSULTATION OUTLINE

Title page: 1 page

How to comment: 1 page

AUASB Request for Comments: 1 page

- Summary of purpose of consultation document
- Overview of Questions 1-5 to respondents
- Structure of consultation document
- Period of consultation

Section 1: Introduction: 1-2 pages

- Background and objective of agenda consultation
- Summary of current AUASB Strategic objectives (alternatively could be included as an appendix)

Section 2: Domestic standard-setting projects: 3-4 pages

- Background and overview
- Current domestic strategic priorities and projects (Question 1 to stakeholders)
- Inactive domestic projects (Question 2 to stakeholders)
- Potential new projects and criteria for assessing those projects (Question 3 to stakeholders)

Section 3: Feedback on International standard-setting projects: 1-2 pages

- Background and overview
- Current and potential future projects (Question 4 to stakeholders)

Section 4: Prioritising projects and next steps: 1 page

- Considerations when developing work program (i.e. cost/benefit indicators and factors)
- Other comments (Question 5 to stakeholders)
- Next steps

Appendices: 4-5 pages

- Further narrative on current, inactive and potential projects
- Current AUASB Strategy and Strategic Priority Areas
- Current IAASB 2022-23 Work Plan

Total: ~15-17 pages (including appendices)



APPENDIX B – DRAFT PROJECT LIST AND QUESTIONS TO STAKEHOLDERS

Question 1 – Current AUASB Strategic Priority Areas and Projects

Table 1 lists the current AUASB Strategic Priority areas included in the 2021-22 AUASB Technical Work Program.

Table 2 summarises the projects which the AUASB is currently undertaking as part of its work program. Greater detail on the specifics of these projects is included in Appendix Y.

Do you agree with the strategic priorities and projects which are currently included on the AUASB’s work program and what priority would you give to each of these projects (i.e., High, Medium or Low)?

Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.

Table 1 List of Current AUASB Strategic Priority Areas

Less Complex Entity Audits
Audit Quality
IAASB Agenda (Going Concern, Fraud, Audit Evidence & PIE/Listed Entity Definition)
Quality Management Standards
Public Sector
Sustainability Reporting and Assurance
Technology

Table 2 List of Current AUASB Projects (as of May 2022)

No	Project	Strategic Priority Area
1	LCE Audits – Further Considerations	LCE Audits
2	FRC Audit Quality Action Plan and PJC Responses	Audit Quality
3	Quality Management Standards - Audit Quality Initiatives	Audit Quality
4	Quality Management Standards Implementation Support	Quality Management Standards
5	Public Sector Project Advisory Group – Going Concern Guidance	Public Sector
6	Update of GS 023 – Additional Public Sector Auditing Guidance	Public Sector
7	Sustainability Reporting and Assurance considerations (with AASB)	Sustainability
8	Update of AUASB Digital Standards Portal	Technology
9	Technology Project Advisory Group – Further guidance on common issues (e.g., SOCs vs SOX)	Technology
10	Update of GS 016 Bank Confirmations	Other
11	Post Implementation Review - ASAE 3100	Other
12	ASA 315 Implementation Guidance	Other



Question 2 – Inactive/Yet to commence AUASB Projects

Table 3 summarises the inactive projects or projects that are yet to commence on which the AUASB is seeking feedback. Greater detail on the specifics of these projects is included in Appendix Y.

Are there any inactive or yet to commence projects you think should be retained on the AUASB's upcoming work program and what priority would you give to each of these projects (i.e., High, Medium or Low)?

Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.

Table 3 List of Inactive and Yet to Commence AUASB Projects

No	Project
1	Key Audit Matters - Reporting beyond Listed Entities
2	ASAE 3450 Assurance Fundraisings Standard Update (with NZAuASB)
3	Post Implementation Review of ASAE 3500 Performance Engagements
4	NFP Assurance – Additional Research and Guidance
5	GS 008 Remuneration Reporting
6	GS 007 Service Organisations
7	GS 019 Fundraising Revenue for NFP entities
8	GS 003 Assurance Relating to Australian Financial Services Licences issued under the Corporations Act 2001

Question 3 – Potential New AUASB Projects

Are there any additional projects not included on the AUASB's work program that you consider to be a priority?

Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.

Question 4 – Current International Projects

Table 4 summarises the projects which the IAASB is currently undertaking as part of its work plan for 2022-2023. Greater detail on the IAASB's work plan is included in Appendix Z.

How would you like to AUASB to address these IAASB projects and what priority would you like the AUASB to give to each of these projects (i.e., High, Medium or Low)?

Please provide reasons explaining your views and any other relevant information, including your views on the scope of the projects.



Table 4 List of Current International Projects

No	Project
1	Audit Evidence
2	Fraud
3	Going concern
4	Audits of Less Complex Entities – Development of a Separate Standard
5	Complexity, Understandability, Scalability and Proportionality (CUSP)
6	Implications of IESBA Listed Entity and PIE Project

Question 5 – Other Comments

Do you have any additional comments on the AUASB’s activities and work program?

Please provide reasons explaining your views and any other relevant information.



AUASB Agenda Paper

Title	AUASB Communications Strategy	Date:	27 April 2022
Strategic Objective:	All	Agenda Item:	9
ATG Staff:	Matthew Zappulla	AUASB Sponsor:	Bill Edge

Objective

- 1 For the AUASB to review and provide feedback to AUASB Technical Group staff on the AUASB Communications Strategy.

Recommendations and Questions for the Board

Question No.	Question for the Board	ATG Recommendation Overview
Question 1	Do AUASB Members have any comments on the AUASB Communications Strategy as present in Agenda Item 9.1 .	That the AUASB Communications Strategy presented in Agenda Item 9.1 in endorsed by the AUASB.

Background and Previous Discussions on Topic

- 2 AUASB Members and the AUASB Technical Group (ATG) identified the need to develop an updated Communications Strategy as part of the AUASB Framework and Process Plan update which commenced in May 2020. In the second half of 2020 plans to develop a specific AUASB Communications Strategy were put on hold, and instead the development of a combined AASB-AUASB Communication Strategy was pursued. For various reasons this combined Communication Strategy has not progressed as planned, so at the request of the AUASB Chair, a standalone AUASB Communications Strategy has now been developed.

Matters for Discussion and ATG Recommendations

- 3 The AUASB Communications Strategy is based on existing AUASB communications protocols and borrows from similar communications strategies other standard setting bodies have put in place (e.g., the New Zealand XRB). It has been deliberately designed as a high-level strategy, with a focus on key principles and themes that should apply to all AUASB activities and the intention that the concepts in the Communications Strategy are embedded into the AUASB's operational activities over time.
- 4 The AUASB Communications Strategy is built around 4 core elements – Brand, Content, Media and Stakeholders. The details of what is included in each element is provided in the AUASB Communications Strategy document at **Agenda Item 9.1**. Each element has been developed and review by AUASB Senior staff and approved by the AUASB Chair. Where relevant, the AUASB Communications Strategy draws upon our legislative functions and mandate and incorporates the [AUASB Strategic Objectives](#).



- 5 The 'Media' element of the AUASB Communications Strategy, covering how we communicate and engage with others, includes existing communications channels we currently apply but also an objective to expand our communications offerings into newer forums, such as expanding our use of social media and technology in connection with our standard setting activities and stakeholder engagement. However, our ambitions in this space are modest – we recognise we are not experts in this area, and where required we will engage other parties to support the AUASB staff. Whilst not explicitly stated in the Communications Strategy this extends to leveraging the use of third-party communications channel, such as the communications platforms operated by the accounting professional bodies.
- 6 At the heart of the 'Stakeholders' element of the AUASB Communications Strategy is the recognition that staff need to tailor day to day communications activities based on the identified target audience. This will see AUASB staff conducting more direct outreach with stakeholders, rather than rely on more general communications with the public as may have been the case in the past. At the direction of the AUASB Chair we have already been applying this concept in our recent outreach activities on the LCE Consultation Paper and ASAE 3100 Post Implementation Review. Whilst this is sometimes more onerous, we believe it will result in richer and more relevant feedback from relevant stakeholders.
- 7 Also in the 'Stakeholders' element of the AUASB Communications Strategy is our register of Stakeholders, which is maintained by the AUASB Chair and Technical Director. This was last shared with the AUASB at our September 2021 meeting and is included again for the information of the AUASB at **Agenda Item 9.2**. The Stakeholder list identifies key AUASB Stakeholder Relationships and the key contact points at each organisation and outlines the various Stakeholder forums (Discussion Groups, Regular Meetings, Committees) the AUASB uses to engage with stakeholders as a collective on common areas of interest. The AUASB Chair and Technical Director, in conjunction with relevant AUASB staff, regularly review this stakeholder listing to analyse the effectiveness of existing AUASB Stakeholder Relationships, identify gaps and weaknesses and determine where and how regularly engagement with our key stakeholders should occur.
- 8 The key principles underpinning the AUASB Communications Strategy are included in the final page of **Agenda Item 9.1**. The intention is that these are applied by AUASB staff as part of all communication and engagement activities, with an increased emphasis on capitalising on our AUASB Digital Standards portal when promoting our AUASB pronouncements and building brand recognition through the development of consistent and appealing outputs.

Collaboration with NZAuASB and other standard setters

- 9 Whilst the AUASB Communications Strategy has been developed independently, as noted in paragraph 3 above, the ATG has appropriated concepts from the New Zealand XRB's communications strategy as source material to draw upon when compiling the strategy.

Next steps/Way Forward

- 10 Subject to feedback received from AUASB members the final AUASB Communications Strategy will be adopted by AUASB Technical Staff, and the concepts included in the strategy incorporated into all future AUASB Communications activities.



Materials Presented

Agenda Item	Description
9.0	Agenda Paper - AUASB Communications Strategy
9.1	AUASB Communications Strategy Document
9.2 (*SP)	AUASB Stakeholder Engagement List [Board Only]

*SP: AUASB Supplementary Papers Pack



AUASB Communications Strategy

April 2022



AUASB Communications Strategy

- Four core elements
 1. Brand
 2. Content
 3. Media
 4. Stakeholders
- Key principles



1) BRAND

Who we are and what we stand for

- Australian Government agency responsible for setting auditing and assurance standards
- Provider of non authoritative guidance that helps practitioners
- Australia's link to the IAASB and the international auditing standards community
- We are known and respected for our:
 - Technical excellence
 - Authority
 - Credibility
 - Independence



2) CONTENT

What do we do

- Develop and maintain auditing and assurance standards & guidance statements
- Create non authoritative guidance and other publications
- Consultation / Discussion papers to drive thought leadership
- Produce all outputs in accordance with a transparent due process
- Release limited education material to promote awareness of our pronouncements
- Help practitioners by putting out implementation support materials
- Provide evidence of collaboration with industry stakeholders
- Review and influence IAASB activities
- Complete formal submissions to the IAASB and other relevant standard setting/regulatory bodies



3) MEDIA

How we communicate and engage with others

- AUASB Website and Digital Standards Portal
- Media releases
- Direct emails to subscribers
- Targeted communications with particular stakeholders on specific issues
- Periodic newsletters to subscribers and on our website
- Periodic posts and comments on select social media platforms
- Regular industry roundtables and forums
- Presentations at Conferences and other events



4) STAKEHOLDERS

Who are our audience and how do we 'go to market'

- Tailor our communications to the target audience
 - Apply standard processes on BAU items when communicating with primary stakeholders (Practitioners, Firms, Professional Bodies, Regulators)
 - Develop specific communications for other stakeholders
- Conduct relevant engagement and outreach activities, utilising a mix of online platforms and in person events to maximise reach
- Engage regularly with primary stakeholders directly or via professional networks
- Assist Business Services to maintain Stakeholder Engagement registers and AUASB contact lists



Key principles/actions

- Visual consistency – always use AUASB Colours, Branding
- Consistency of delivery - i.e. Develop and release a common pack of materials (News items, Awareness activities) when an output is released
- Ensure ‘readability’ of communications (concise, clear, accessible)
- Promote the AUASB Digital Portal at every opportunity
- Develop and maintain an AUASB Message Calendar
 - Use Outlook so there is transparency for AUASB and Business Services staff
 - Align our communications around the timing of our strategic priorities, pronouncements and publications, and regular AUASB activities (e.g. Board Meetings, other outreach activities)





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AUASB Project Plan

Project Title:	Revision of GS 016 <i>Bank Confirmation Requests</i>
Date Approved:	18 March 2022
ATG Member:	Tim Austin
AUASB Sponsor:	Klynton Hankin

Overview of Project

Project Objective

The objective of this project is to update the bank confirmation request guidance issued by the AUASB to respond to changes in the way in which bank confirmations are performed.

Project Scope

The scope of the project is intended to be limited to modernising the guidance for bank confirmation requests and will not consider the role of bank confirmations as part of an audit of a financial report.

The current version of Guidance Statement 016 *Bank Confirmation Requests* (GS 016) was issued in 2010 and is focussed on the process of obtaining paper-based confirmations. The ATG has determined that, based on the information obtained, GS 016 should be amended and a new section included to address electronic confirmations performed using a service provider.

In addition to the proposed new section of GS 016 addressing electronic bank confirmations, the ATG will streamline the content of the current GS 016 to remove the repetition of requirements and application material from the AUASB standards in the current version of GS 016 and update the cross-references in GS 016 to the current versions of standards.

Rationale

Why is this being brought to the AUASB's attention?

At the September 2020 AUASB Meeting, the AUASB approved the AUASB Technical Group's (ATG) plan to update several Guidance Statements including GS 016 *Bank Confirmation Requests*. The recommendation was based on feedback received from stakeholders in response to a discussion paper and survey issued to obtain broad feedback on the suite of guidance statements.

What are the major issues that need to be addressed?

Since GS 016 was issued in 2010 there has been a change in how bank confirmations requests can be performed by auditors with most banks accepting confirmation requests electronically through the use of a service provider who provides an interface between the auditor and banks.

The use of a service providers in the confirmation process means there are different considerations for the auditor in determining whether they have met the requirements of relevant standards compared to a

paper-based process. Of particular importance is that when electronic bank confirmation procedures are performed using a service provider there are elements of the confirmation process that are no longer in control of the auditor as they are relying on the operation of a platform provided by service provider.

The proposed new section of GS 016 on electronic confirmations will address:

- the firm's responsibility to deploy and maintain technological resources including those from service providers (ASQM 1);
- the engagement team's responsibilities when it uses firm resources (ASA 220); and
- external confirmation requirements in relevant standards that may be met at a firm level and those which remain the responsibility of the auditor to meet (ASA 505 and ASA 500).

What information gathering has been completed to date?

The ATG undertook a process in 2019 to analyse the suite of guidance statements on issue to identify guidance statements that required updating or withdrawal. As part of this process the ATG undertook a high-level review of the guidance statement and identified out of data cross-references to AUASB standards as well as the change in the way in which bank confirmations were performed. Further feedback was sought by the ATG as part of the consultation process in 2020.

As part of developing the project plan, the ATG completed an analysis of the relevant requirements for bank confirmation procedures and how they may be met in the context of an electronic bank confirmation performed using a service provider. The ATG has also discussed the electronic confirmation process with select stakeholders including an electronic confirmation service providers.

What additional information gathering is required?

The ATG will discuss matters with the stakeholders outlined below as required throughout the process. As the initial GS 016 was developed with input from the Australian Banking Association, the ATG will discuss with them the planned revisions.

Who are the relevant stakeholders?

- Assurance Practitioners
- Australian Banking Association
- Electronic confirmation service providers
- Regulators

Project Governance

Collaboration with the NZAuASB

Whilst the NZAuASB does not have an equivalent publication, the ATG will keep the NZAuASB Technical Group informed of the progress of the project and share any information requested.

Action Plan

Date	Description
Apr 2022	AUASB Meeting – Present scoping documents
Apr-Jun 2022	Development of new GS based on AUASB feedback QA of new GS Obtain OBPR clearance
Jun 2022	AUASB Meeting – present GS for review and approval (May be approved out of session if GS is completed earlier).



Conforming and Consequential Amendments to the other AUASB Standards as a result of the New and Revised Quality Management Standards

Where this document inserts or deletes a paragraph or footnote, as a result of that insertion or deletion relevant paragraph numbers, cross-references and footnotes are updated. Where this document inserts, deletes or amends a heading or a sub-heading, as a result of that insertion, deletion or amendment, the heading or sub-heading on the Table of Contents are updated.

1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
ASRE 2400 <i>Review of a Financial Report Performed by an Assurance Practitioner Who is Not the Auditor of the Entity</i>			
ASRE 2400 paragraph 4 and its heading	<p><i>Relationship with ASQC 1²</i></p> <p>Quality control systems, policies and procedures are the responsibility of the firm. ASQC 1 applies to firms of assurance practitioners in respect of a firm's engagements to review financial statements.³ The provisions of this ASRE regarding quality control at the level of individual review engagements are premised on the basis that the firm is subject to ASQC 1. (Ref: Para. A3–A5)</p> <p>² Standard on Quality Control ASQC 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i>, as amended.</p> <p>³ See ASQC 1, paragraph Aus 0.1.</p>	<p><i>Relationship with ISQCM 1²</i></p> <p>The sSystems of qQuality controlmanagement systems, and policies and or procedures are the responsibility of the firm. ISQCM 1 applies to firms of professional accountants in respect of a firm's engagements to review financial statements.³ The provisions of this ISRE regarding quality controlmanagement at the level of individual review engagements are premised on the basis that the firm is subject to ISQCM 1 or requirements that are at least as demanding. (Ref: Para. A3–A5)</p> <p>² International Standard on Quality ControlManagement (ISQCM) 1, <i>Quality ControlManagement for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i></p> <p>³ ISQCM 1, paragraph 5</p>	<p><i>Relationship with ASQCM 1²</i></p> <p>The system of qQuality controlmanagement systems, and policies and or procedures are the responsibility of the firm. ASQCM 1 applies to firms of assurance practitioners in respect of a firm's engagements to review financial statements.³ The provisions of this ASRE regarding quality controlmanagement at the level of individual review engagements are premised on the basis that the firm is subject to ASQCM 1. (Ref: Para. A3–A5)</p> <p>² Standard on Quality ControlManagement ASQCM 1, <i>Quality ControlManagement for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance or Related Services Engagements</i>, as amended.</p> <p>³ See ASQCM 1, paragraph Aus 0.1.</p>
ASRE 2400 paragraph 16	The <i>AUASB Glossary</i> ⁵ (the Glossary) includes the terms defined in this ASRE as well as descriptions of other terms used in this ASRE, to assist in consistent application and interpretation. For	The Handbook's Glossary of Terms ⁵ (the Glossary) includes the terms defined in this ISRE as well as descriptions of other terms used in this ISRE, to assist in consistent	No change from extant.



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>example, the terms “management” and “those charged with governance” used throughout this ASRE are as defined in the Glossary. (Ref: Para. A11–A12)</p> <p>⁵ The <i>AUASB Glossary</i> issued by the AUASB.</p>	<p>application and interpretation. For example, the terms “management,” and “those charged with governance” used throughout this ISRE are as defined in the Glossary. (Ref: Para. A11–A12)</p> <p>⁵ The Glossary of Terms relating to International Standards issued by the IAASB in the <i>Handbook of International Quality Control Management, Auditing, Review, Other Assurance, and Related Services Pronouncements</i> (the Handbook), published by IFAC</p>	
ASRE 2400 paragraph Aus 17.1(p)	<p><i>Relevant ethical requirements</i>—relevant ethical requirements as described in ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>, as amended.</p>	<p><i>Relevant ethical requirements – Principles of professional ethics and ethical requirements that are applicable to which professional accountants the engagement team is subject when undertaking reviews of financial statements engagements, which. Relevant ethical requirements</i> ordinarily comprise the provisions of the International Ethics Standards Board for Accountants’ <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code) related to a reviews of financial statements, together with national requirements that are more restrictive.</p>	No change from extant.
ASRE 2400 paragraph 24 and its heading	<p>Engagement Level Quality Control</p> <p>The engagement partner shall possess competence in assurance skills and techniques, and competence in financial reporting, appropriate to the engagement circumstances. (Ref: Para. A26)</p>	<p>Ethical Requirements Engagement Level Quality Control Management</p> <p>The engagement partner shall <u>have</u> <u>competence</u> in assurance skills and techniques, and <u>competence</u> in financial reporting, and</p>	<p>Engagement Level Quality Control Management</p> <p>The engagement partner shall <u>have</u> <u>possess</u> competence in assurance skills and techniques, and <u>competence</u> in financial reporting, and <u>capabilities, including having</u></p>



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		<p><u>capabilities, including having being given sufficient time</u>, appropriate to the engagement circumstances. (Ref: Para. A26)</p>	<p><u>sufficient time</u>, appropriate to the engagement circumstances. (Ref: Para. A26)</p>
<p>ASRE 2400 paragraph 25</p>	<p>The engagement partner shall take responsibility for: (Ref: Para. A27–A30)</p> <p>(a) The overall quality of each review engagement to which that partner is assigned;</p> <p>(b) The direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements; (Ref: Para. A31)</p> <p>(c) The assurance practitioner's report being appropriate in the circumstances; and</p> <p>(d) The engagement being performed in accordance with the firm's quality control policies, including the following:</p> <p>(i) Being satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and engagements have been followed, and that conclusions reached are appropriate, including considering whether there is information that would lead</p>	<p>The engagement partner shall take <u>overall</u> responsibility for: (Ref: Para. A27–A30)</p> <p>(a) <u>The overall</u> Managing and achieving quality of <u>on</u> each review engagement to which that partner is assigned <u>and being sufficiently and appropriately involved throughout the engagement</u>;</p> <p>(b) The direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements; (Ref: Para. A31)</p> <p>(c) The practitioner's report being appropriate in the circumstances; and</p> <p>(d) The engagement being performed in accordance with the firm's <u>quality control</u> quality management policies <u>or procedures</u>, including the following:</p> <p>(i) Being satisfied that <u>appropriate procedures regarding the firm's policies or procedures</u> for the acceptance and continuance of client relationships and <u>review</u> engagements have been followed, and that conclusions reached are appropriate, including considering whether there</p>	<p>The engagement partner shall take <u>overall</u> responsibility for: (Ref: Para. A27–A30)</p> <p>(a) The overall <u>Managing and achieving</u> quality of <u>on</u> each review engagement to which that partner is assigned <u>and being sufficiently and appropriately involved throughout the engagement</u>;</p> <p>(b) The direction, supervision, planning and performance of the review engagement in compliance with professional standards and applicable legal and regulatory requirements; (Ref: Para. A31)</p> <p>(c) The assurance practitioner's report being appropriate in the circumstances; and</p> <p>(d) The engagement being performed in accordance with the firm's <u>quality control</u> management policies <u>or procedures</u>, including the following:</p> <p>(i) Being satisfied that <u>appropriate procedures regarding the firm's policies or procedures</u> for the acceptance and continuance of client relationships and <u>review</u> engagements have been followed, and that conclusions</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>the engagement partner to conclude that management lacks integrity; (Ref: Para. A32–A33)</p> <p>(ii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities, including assurance skills and techniques and expertise in financial reporting, to:</p> <p>a. Perform the review engagement in accordance with professional standards and applicable legal and regulatory requirements; and</p> <p>b. Enable a report that is appropriate in the circumstances to be issued; and</p> <p>(iii) Taking responsibility for appropriate engagement documentation being maintained.</p>	<p>is information that would lead the engagement partner to conclude that management lacks integrity; (Ref: Para. A32–A33)</p> <p><u>(iA) Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement.</u></p> <p>(ii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities, including being given <u>having sufficient time, as well as including</u> assurance skills and techniques and expertise in financial reporting, to:</p> <p>a. Perform the review engagement in accordance with professional standards and applicable legal and regulatory requirements; and</p> <p>b. Enable a report that is appropriate in the circumstances to be issued; and</p> <p>(iii) Taking responsibility for appropriate engagement documentation being maintained; <u>and</u></p>	<p>reached are appropriate, including considering whether there is information that would lead the engagement partner to conclude that management lacks integrity; (Ref: Para. A32–A33)</p> <p>(ii) <u>Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement.</u></p> <p>(iii) Being satisfied that the engagement team collectively has the appropriate competence and capabilities, including <u>having sufficient time, as well as</u> assurance skills and techniques and expertise in financial reporting, to:</p> <p>a. Perform the review engagement in accordance with professional standards and applicable legal and regulatory requirements; and</p>



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		<p><u>(iv) When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.</u>^{5A}</p> <p>^{5A} ISQM 2, <i>Engagement Quality Reviews</i></p>	<p>b. Enable a report that is appropriate in the circumstances to be issued; and</p> <p>(iv) Taking responsibility for appropriate engagement documentation being maintained; <u>and-</u></p> <p>(v) <u>When an engagement quality review is required in accordance with ASQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.</u>⁶</p> <p>⁶ See ASQM 2 <i>Engagement Quality Reviews</i>.</p>
ASRE 2400 paragraph 27	<p><i>Compliance with Relevant Ethical Requirements</i></p> <p>Throughout the engagement, the engagement partner shall remain alert, through observation and making enquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the engagement partner, in consultation with</p>	<p><i>Compliance with Relevant Ethical Requirements</i></p> <p>Throughout the engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of breaches of relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality management control or otherwise that indicate that members of the engagement team have breached relevant ethical requirements, the engagement partner, in consultation with</p>	<p><i>Compliance with Relevant Ethical Requirements</i></p> <p>Throughout the engagement, the engagement partner shall remain alert, through observation and making enquiries as necessary, for evidence of non-compliance with breaches of relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality control <u>management</u> or otherwise that indicate that members of the engagement team have not complied with <u>breached</u> relevant ethical requirements, the engagement partner, in consultation with</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	others in the firm, shall determine the appropriate action.	others in the firm, shall determine the appropriate action.	others in the firm, shall determine the appropriate action.
ASRE 2400 paragraph 28 and its heading	<p><i>Monitoring</i></p> <p>An effective system of quality control for a firm includes a monitoring process designed to provide the firm with reasonable assurance that the firm's policies and procedures relating to the system of quality control are relevant, adequate and operate effectively. The engagement partner shall consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the review engagement.</p>	<p><i>Monitoring and Remediation</i></p> <p>An effective firm's system of quality management control for a firm includes establishing a monitoring and remediation process to designed to provide the firm with reasonable assurance that the firm's policies and procedures relating to the system of quality control are relevant, adequate and operate effectively.</p> <p>(a) <u>Provide the firm with relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</u></p> <p>(b) <u>Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.</u></p> <p>The engagement partner shall consider the information from results of the firm's <u>monitoring and remediation process, as communicated as evidenced in the latest information</u> circulated by the firm and, if applicable, other network firms, and whether deficiencies noted in that information may affect the review engagement.</p>	<p><i>Monitoring and Remediation</i></p> <p>An effective firm's system of quality control management for a firm includes establishing a monitoring and remediation process to designed to provide the firm with reasonable assurance that the firm's policies and procedures relating to the system of quality control are relevant, adequate and operate effectively.</p> <p>(a) <u>Provide the firm with relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</u></p> <p>(b) <u>Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.</u></p> <p>The engagement partner shall consider the information from results of the firm's <u>monitoring and remediation process, as communicated as evidenced in the latest information</u> circulated by the firm and, if applicable, other network firms, and whether deficiencies noted in that the information may affect the review engagement.</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
<p>ASRE 2400 paragraph 92</p>	<p><i>Date of the Assurance Practitioner's Report</i></p> <p>The assurance practitioner shall date the report no earlier than the date on which the assurance practitioner has obtained sufficient appropriate evidence as the basis for the assurance practitioner's conclusion on the financial statements, including being satisfied that: (Ref: Para. A144–A147)</p> <p>(a) All the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable, have been prepared; and</p> <p>(b) Those with the recognised authority have asserted that they have taken responsibility for those financial statements.</p> <p>Aus 92.1 The assurance practitioner's report shall be dated as at the date the assurance practitioner signs that report.</p>	<p><i>Date of the Practitioner's Report</i></p> <p>The practitioner shall date the report no earlier than the date on which the practitioner has obtained sufficient appropriate evidence as the basis for the practitioner's conclusion on the financial statements, including being satisfied that: (Ref: Para. A144–A147)</p> <p>(a) All the statements that comprise the financial statements under the applicable financial reporting framework, including the related notes where applicable, have been prepared; and</p> <p>(b) Those with the recognized authority have asserted that they have taken responsibility for those financial statements.</p> <p>92A. When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the practitioner shall not date the report until the completion of the engagement quality review.^{5A}</p> <p>^{5A} ISQM 2, <i>Engagement Quality Reviews</i></p>	<p>No change from extant.</p>
<p>ASRE 2400 paragraph 94</p>	<p>In documenting the nature, timing and extent of procedures performed as</p>	<p>In documenting the nature, timing and extent of procedures performed as required in this ISRE, the practitioner shall record:</p> <p>(a) Who performed the work and the date such work was completed; and</p>	<p>In documenting the nature, timing and extent of procedures performed as required</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>required in this ASRE, the assurance practitioner shall record:</p> <ul style="list-style-type: none"> (a) Who performed the work and the date such work was completed; and (b) Who reviewed the work performed for the purpose of quality control for the engagement, and the date and extent of the review. 	<ul style="list-style-type: none"> (b) Who reviewed the work performed for the purpose of quality <u>management</u> for the engagement, and the date and extent of the review. 	<p>in this ASRE, the assurance practitioner shall record:</p> <ul style="list-style-type: none"> (a) Who performed the work and the date such work was completed; and (b) Who reviewed the work performed for the purpose of quality <u>control</u> management for the engagement, and the date and extent of the review.
<p>ASRE 2400 paragraph A3 and its heading</p>	<p><i>Relationship with ASQC 1</i> (Ref: Para. 4)</p> <p>ASQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for assurance engagements, including review engagements. Those responsibilities are directed at establishing the firm's:</p> <ul style="list-style-type: none"> • Quality control system; and • Related policies designed to achieve the objective of the quality control system and the firm's procedures to implement and monitor compliance with those policies, including 	<p><i>Relationship with ISQCMs</i> (Ref: Para. 4)</p> <p><u>ISQCM 1</u> deals with the firm's responsibilities to establish and maintain its design, implement and operate a system of quality <u>control</u> management for assurance engagements including review engagements.^{5A} <u>ISQM 1</u> also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.^{5B} <u>ISQM 2</u> deals with the <u>appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.</u>^{5C}</p> <p>Those responsibilities are directed at establishing the firm's:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Quality control system; and <input type="checkbox"/> Related policies designed to achieve the objective of the quality control system and 	<p><i>Relationship with ASQCM 1</i> (Ref: Para. 4)</p> <p><u>ASQCM 1</u> deals with the firm's responsibilities to establish and maintain its design, implement and operate a system of quality <u>control</u> management for assurance engagements, including review engagements.⁸ <u>ASQM 1</u> also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.⁹ <u>ASQM 2</u> deals with the <u>appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.</u>¹⁰</p> <p>Those responsibilities are directed at establishing the firm's:</p> <ul style="list-style-type: none"> • Quality control system; and



	<p>policies and procedures that address each of the following elements:</p> <ul style="list-style-type: none"> ○ Leadership responsibilities for quality within the firm. ○ Relevant ethical requirements. ○ Acceptance and continuance of client relationships and specific engagements. ○ Human resources. ○ Engagement performance. ○ Monitoring. 	<p>the firm's procedures to implement and monitor compliance with those policies, including policies and procedures that address each of the following elements:</p> <ul style="list-style-type: none"> ○ Leadership responsibilities for quality within the firm. ○ Relevant ethical requirements. ○ Acceptance and continuance of client relationships and specific engagements. ○ Human resources ○ Engagement performance. ○ Monitoring. <p><u>A system of quality management addresses the following eight components:</u>^{5D}</p> <ul style="list-style-type: none"> (a) <u>The firm's risk assessment process;</u> (b) <u>Governance and leadership;</u> (c) <u>Relevant ethical requirements;</u> (d) <u>Acceptance and continuance of client relationships and specific reviews specific engagements;</u> (e) <u>Engagement performance;</u> (f) <u>Resources;</u> (g) <u>Information and communication; and</u> (h) <u>The monitoring and remediation process.</u> <p><u>Firms or national requirements may use different terminology or frameworks to describe the components of the system of quality management.</u></p>	<ul style="list-style-type: none"> ● Related policies designed to achieve the objective of the quality control system and the firm's procedures to implement and monitor compliance with those policies, including policies and procedures that address each of the following elements: <ul style="list-style-type: none"> ○ Leadership responsibilities for quality within the firm. ○ Relevant ethical requirements. ○ Acceptance and continuance of client relationships and specific engagements. ○ Human resources. ○ Engagement performance. ○ Monitoring. <p><u>A system of quality management addresses the following eight components:</u>¹¹</p> <ul style="list-style-type: none"> (a) <u>The firm's risk assessment process;</u> (b) <u>Governance and leadership;</u> (c) <u>Relevant ethical requirements;</u> (d) <u>Acceptance and continuance of client relationships and specific engagements;</u> (e) <u>Engagement performance;</u> (f) <u>Resources;</u> (g) <u>Information and communication; and</u> (h) <u>The monitoring and remediation process.</u>
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1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
		^{5A} ISQM 1, paragraph 1 ^{5B} ISQM 1, paragraph 2(a) ^{5C} ISQM 1, paragraph 2(b) ^{5D} ISQM 1, paragraph 6	<p>Firms may use different terminology or frameworks to describe the components of the system of quality management.</p> <p>⁸ See ASQM 1, paragraph 1. ⁹ See ASQM 1, paragraph 2(a). ¹⁰ See ASQM 1, paragraph 2(b). ¹¹ See ASQM 1, paragraph 6.</p>
ASRE 2400 paragraph A4	<p>Under ASQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:</p> <p>(a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and</p> <p>(b) Reports issued by the firm or engagement partners are appropriate in the circumstances.⁷</p> <p>⁷ See ASQC 1, paragraph 11.</p>	<p>Under ISQCM 1, the objective of the firm has an obligation to establish and maintain is to design, implement and operate a system of quality control management for assurance engagements, including reviews of financial statements, that to provides is the firm with reasonable assurance that:</p> <p>(a) The firm and its personnel comply fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and</p> <p>(b) Reports Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.⁷</p> <p>⁷ ISQCM 1, paragraph 14</p>	<p>Under ASQCM 1, the objective of the firm has an obligation to establish and maintain is to design, implement and operate a system of quality control management for assurance engagements, including reviews of financial reports, that to provides the firm is with reasonable assurance that:</p> <p>(a) The firm and its personnel comply fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and</p> <p>(b) Reports Engagement reports issued by the firm or engagement partners are appropriate in the circumstances.⁷</p> <p>⁷ See ASQCM 1, paragraph 14.</p>
ASRE 2400 paragraph A5	[Deleted by the AUASB. Refer Aus A5.1]	National requirements that deal with the firm's responsibilities to establish and maintain design, implement and operate a	[Deleted by the AUASB. Refer Aus A5.1]



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	<p>Aus A5.1 ASQC 1 contains requirements which are at least as demanding as its international equivalent, ISQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>,* as it addresses all the elements referred to in ISQC 1 and imposes obligations on the firm that achieves the aims of the requirements set out in ISQC 1.</p>	<p>system of quality control<u>management</u> are at least as demanding as ISQC<u>ISQM</u> 1 when they address all the requirements of ISQM 1 elements referred to in paragraph A3, and impose obligations on the firm to that achieve the aims of the requirements set out in<u>objective of ISQM</u> 1.</p>	<p>Aus A5.1 ASQCM 1 contains requirements which are at least as demanding as its international equivalent, ISQC<u>ISQM</u> 1 <i>Quality Control Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i>,* as it addresses all the requirements of elements referred to in<u>requirements of ISQM</u> 1 and imposes obligations on the firm to that achieves the <u>objective of ISQM</u> 1 aims of the requirements set out in ISQC 1.</p>
<p>ASRE 2400 paragraph A27</p>	<p>Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures applicable to the engagement, and provide the firm with relevant information to enable the functioning of that part of the firm's system of quality control relating to independence.</p>	<p>Within the context of the firm's system of quality <u>management</u>, engagement teams have a responsibility to implement quality control<u>the firm's policies or procedures</u> applicable to the engagement, and provide<u>communicate</u> to the firm with relevant information to enable the functioning of that part of <u>arising from the review engagement that is required to be communicated by the firm's policies or procedures to support the firm's system of quality management</u> control relating to independence.</p>	<p>Within the context of the firm's system of quality control<u>management</u>, engagement teams have a responsibility to implement <u>the firm's policies or procedures</u> quality control procedures applicable to the engagement, and provide<u>communicate</u> to the firm with relevant information to enable the functioning of that part of <u>arising from the review engagement that is required to be communicated by the firm's policies or procedures to support the firm's system of quality management</u> control relating to independence.</p>



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ASRE 2400 paragraph A28	<p>The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking responsibility for the overall quality on each review engagement, emphasize the fact that quality is essential in performing a review engagement, and the importance to the quality of the review engagement of:</p> <ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements. (b) Complying with the firm's quality control policies and procedures as applicable. (c) Issuing a report for the engagement that is appropriate in the circumstances. (d) The engagement team's ability to raise concerns without fear of reprisals. 	<p>The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking <u>overall</u> responsibility for the overall <u>managing and achieving</u> quality on each review engagement, emphasize the fact that quality is essential in performing a review engagement, and the importance to the quality of the review engagement of:</p> <ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements. (b) Complying with the firm's quality <u>control</u> management policies <u>and</u> or procedures as applicable. (c) Issuing a report for the engagement that is appropriate in the circumstances. (d) The engagement team's ability to raise concerns without fear of reprisals. 	<p>The actions of the engagement partner and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking <u>overall</u> responsibility for the overall <u>managing and achieving</u> quality on each review engagement, emphasize the fact that quality is essential in performing a review engagement, and the importance to the quality of the review engagement of:</p> <ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements. (b) Complying with the firm's quality <u>control</u> management policies <u>and</u> or procedures as applicable. (c) Issuing a report for the engagement that is appropriate in the circumstances. (d) The engagement team's ability to raise concerns without fear of reprisals.
ASRE 2400 paragraph A29	<p>Unless information provided by the firm or other parties suggests otherwise, the engagement team is entitled to rely on the firm's system of quality control. For example, the engagement team may rely on the firm's system of quality control in relation to:</p>	<p>Unless information provided by the firm or other parties suggests otherwise <u>Ordinarily</u>, the engagement team is entitled to rely <u>may depend</u> on the firm's system of quality control <u>management unless</u>:</p>	<p>Unless information provided by the firm or other parties suggests otherwise, <u>Ordinarily</u>, the engagement team is entitled to rely <u>may depend</u> on the firm's system of quality control <u>management unless</u>:-</p> <ul style="list-style-type: none"> • <u>The engagement team's understanding or practical</u>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<ul style="list-style-type: none"> • Competence of personnel through their recruitment and formal training. • Independence through the accumulation and communication of relevant independence information. • Maintenance of client relationships through acceptance and continuance systems. • Adherence to regulatory and legal requirements through the monitoring process. <p>In considering deficiencies identified in the firm's system of quality control that may affect the review engagement, the engagement partner may consider measures taken by the firm to rectify those deficiencies.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> <u>The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u> <input type="checkbox"/> <u>Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.</u> <p>For example, the engagement team may rely<u>depend</u> on the firm's system of quality control<u>management</u> in relation to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> <u>Competence and capabilities of personnel through their recruitment and formal training.</u> <input type="checkbox"/> <u>Independence through the accumulation and communication of relevant independence information.</u> <input type="checkbox"/> <u>Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and specific review engagements systems.</u> <input type="checkbox"/> <u>Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.</u> <p>In considering deficiencies^{7B} identified in the firm's system of quality control<u>management</u></p>	<p><u>experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u></p> <ul style="list-style-type: none"> • <u>Information provided by the firm or other parties about the effectiveness of such policies or procedures suggests otherwise.</u> <p>For example, the engagement team may rely<u>depend</u> on the firm's system of quality control<u>management</u> in relation to:</p> <ul style="list-style-type: none"> • <u>Competence and capabilities of personnel through their recruitment and formal training.</u> • <u>Independence through the accumulation and communication of relevant independence information.</u> • <u>Maintenance of client relationships through the firm's policies or procedures for acceptance and continuance of client relationships and review engagements systems.</u> • <u>Adherence to regulatory and legal requirements through the firm's monitoring and remediation process.</u> <p>In considering deficiencies¹³ identified in the firm's system of quality control<u>management</u> that may affect the review engagement, the engagement partner may consider measures<u>the remedial actions</u></p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
		<p>that may affect the review engagement, the engagement partner may consider measures <u>the remedial actions taken</u> undertaken by the firm to rectify <u>address</u> those deficiencies.</p> <p>^{7B} <u>ISQM 1, paragraph 16(a)</u></p>	<p>undertaken by the firm to rectify <u>address</u> those deficiencies.</p> <p>¹³ See ASQM 1, paragraph 16(a).</p>
ASRE 2400 paragraph A30	A deficiency in the firm's system of quality control does not necessarily indicate that a review engagement was not performed in accordance with this Standard on Review Engagements, relevant ethical requirements and applicable legal and regulatory requirements, or that the assurance practitioner's report was not appropriate.	A deficiency in the firm's system of quality <u>management</u> does not necessarily indicate that a review engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.	A deficiency in the firm's system of quality control <u>management</u> does not necessarily indicate that a review engagement was not performed in accordance with this Standard on Review Engagements, relevant ethical requirements and applicable legal and regulatory requirements, or that the assurance practitioner's report was not appropriate.
ASRE 2400 paragraph A31	<p><i>Assignment of Engagement Teams</i> (Ref: Para. (b))</p> <p>When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team's:</p> <ul style="list-style-type: none"> • Understanding of, and practical experience with, review engagements of a similar nature and complexity through appropriate training and participation. 	<p><i>Assignment of Engagement Teams</i> (Ref: Para. 25(b))</p> <p>When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team's:</p> <p>...</p> <ul style="list-style-type: none"> ☐ Understanding of the firm's quality management <u>quality control</u> policies and <u>procedures.</u> 	<p><i>Assignment of Engagement Teams</i> (Ref: Para. (b))</p> <p>When considering the appropriate competence and capabilities expected of the engagement team as a whole, the engagement partner may take into consideration such matters as the team's:</p> <ul style="list-style-type: none"> • Understanding of, and practical experience with, review engagements of a similar nature and complexity through appropriate training and participation. • ...



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	<ul style="list-style-type: none"> • ... • Understanding of the firm's quality control policies and procedures. 		<ul style="list-style-type: none"> • Understanding of the firm's quality control<u>management</u> policies and<u>or</u> procedures.
<p>ASRE 2400 Paragraph A32</p>	<p><i>Acceptance and Continuance of Client Relationships and Review Engagements</i> (Ref: Para. (i))</p> <p>ASQC 1 requires the firm to obtain information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Information that assists the engagement partner in determining whether acceptance and continuance of client relationships and review engagements are appropriate may include information concerning:</p> <ul style="list-style-type: none"> • The integrity of the principal owners, key management and those charged with governance; and • Significant matters that have arisen during the current or a previous review engagement, and their implications for continuing the relationship. 	<p><i>Acceptance and Continuance of Client Relationships and Review Engagements</i> (Ref: Para. 25(d)(i))</p> <p><u>ISQCISQM 1^{7A} requires the firm to establish quality objectives that address the acceptance and continuance of client relationships and specify review engagements.</u></p> <p>obtain information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client.</p> <p>Information that assists the engagement partner in determining whether <u>the firm's policies or procedures</u> for the acceptance and continuance of client relationships and review engagements <u>have been followed, and that conclusions reached</u> are appropriate, may include information concerning:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The integrity of the principal owners, key management and those charged with governance; and <input type="checkbox"/> Significant matters that have arisen during the current or a previous review 	<p><i>Acceptance and Continuance of Client Relationships and Review Engagements</i> (Ref: Para. (i))</p> <p><u>ASQCM 1¹⁴ requires the firm to establish quality objectives that address the acceptance and continuance of client relationships and review engagements.</u></p> <p>obtain information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Information that assists the engagement partner in determining whether <u>the firm's policies or procedures for the acceptance and continuance of client relationships and review engagements have been followed, and that conclusions reached</u> are appropriate may include information concerning:</p> <ul style="list-style-type: none"> • The integrity of the principal owners, key management and those charged with governance; and • Significant matters that have arisen during the current or a previous review engagement, and their implications for continuing the relationship.



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		<p>engagement, and their implications for continuing the relationship.</p> <p>^{7A} ISQM 1, paragraphs 30</p>	<p>¹⁴ See ASQM 1, paragraph 30.</p>
<p>ASRE 2400 paragraph A34</p>	<p>Acceptance and Continuance of Client Relationships and Review Engagements (Ref: Para. 29)</p> <p>The assurance practitioner's consideration of engagement continuance, and relevant ethical requirements, including independence, occurs throughout the engagement, as conditions and changes in circumstances occur. Performing initial procedures on engagement continuance and evaluation of relevant ethical requirements (including independence) at the beginning of an engagement informs the assurance practitioner's decisions and actions prior to the performance of other significant activities for the engagement.</p>	<p>Acceptance and Continuance of Client Relationships and Review Engagements (Ref: Para. 29)</p> <p>The practitioner's consideration of <u>acceptance and engagement</u> continuance <u>of client relationships and review engagements</u>, and relevant ethical requirements, including independence, occurs throughout the engagement, as conditions and changes in circumstances occur. Performing initial procedures on <u>acceptance and engagement</u> continuance <u>of client relationships and review engagements</u> and evaluation of relevant ethical requirements (including independence) at the beginning of an engagement informs the practitioner's decisions and actions prior to the performance of other significant activities for the engagement.</p>	<p>Acceptance and Continuance of Client Relationships and Review Engagements (Ref: Para. 29)</p> <p>The assurance practitioner's consideration of <u>acceptance and engagement</u> continuance <u>of client relationships and review engagements</u>, and relevant ethical requirements, including independence, occurs throughout the engagement, as conditions and changes in circumstances occur. Performing initial procedures on <u>acceptance and engagement</u> continuance <u>of client relationships and review engagements</u> and evaluation of relevant ethical requirements (including independence) at the beginning of an engagement informs the assurance practitioner's decisions and actions prior to the performance of other significant activities for the engagement.</p>
<p>ASRE 2400 paragraph A151</p>	<p>Documentation</p> <p><i>Timeliness of Engagement Documentation</i> (Ref: Para. 93)</p> <p>ASQC 1 requires the firm to establish time limits that reflect the need to complete the assembly of final engagement files on a timely basis.</p>	<p>Documentation</p> <p>ISQCM 1 requires the firm to establish a <u>quality objective that engagement documentation is assembled</u>time limits that reflect the need to complete the assembly of final engagement files on a timely basis <u>after the date of the engagement report.</u></p>	<p>Documentation</p> <p><i>Timeliness of Engagement Documentation</i> (Ref: Para. 93)</p> <p>ASQCM 1 requires the firm to establish a <u>quality objective that engagement documentation is assembled</u>time limits that reflect the need to complete the assembly of</p>



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			<p><u>final engagement files on a timely basis after the date of the engagement report.</u></p>
<p>ASAE 3000 Assurance Engagements Other than Audits or Reviews of Historical Financial Information</p>			
<p>ASAE 3000 paragraph 3</p>	<p>This ASAE is premised on the basis that:</p> <ul style="list-style-type: none"> (a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the relevant ethical requirements[#] related to assurance engagements; and (Ref: Para. A30–A33) (b) The assurance practitioner who is performing the engagement is a member of a firm that is subject to ASQC 1,¹ regarding the firm's responsibility for its system of quality control. (Ref: Para. A61–A66) <p>¹ See Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements.</i></p>	<p>Introduction</p> <p>...</p> <ul style="list-style-type: none"> (a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the provisions of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code) related to assurance engagements, or other professional requirements, or requirements in law or regulation, that are at least as demanding; and (Ref: Para. A30–A34) (b) The practitioner who is performing the engagement is a member of a firm that is subject to ISQCM 1,¹ or other professional requirements, or requirements in law or regulation, regarding the firm's responsibility for its system of quality control <u>management</u>, that are at least as demanding as ISQCM 1. (Ref: Para. A61–A66) 	<p>This ASAE is premised on the basis that:</p> <ul style="list-style-type: none"> (a) The members of the engagement team and the engagement quality control reviewer (for those engagements where one has been appointed) are subject to the relevant ethical requirements[#] related to assurance engagements; and (Ref: Para. A30–A33) (b) The assurance practitioner who is performing the engagement is a member of a firm that is subject to ASQCM 1,¹ regarding the firm's responsibility for its system of quality control <u>management</u>. (Ref: Para. A61–A66) <p>¹ See Auditing Standard ASQCM 1 <i>Quality Control/Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Engagements and Related Services Engagements.</i></p>



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		¹ International Standard on Quality Control Management (ISQCM) 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements</i>	
ASAE 3000 paragraph 4	Quality control within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognised as being in the public interest and an integral part of high-quality assurance engagements. Assurance practitioners in public practice will be familiar with such requirements. If a competent assurance practitioner other than a member of a professional accounting body in public practice chooses to represent compliance with this or other ASAEs, it is important to recognise that this ASAE includes requirements that reflect the premise in the preceding paragraph.	Quality control management within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognized as being in the public interest and an integral part of high-quality assurance engagements. Professional accountants in public practice will be familiar with such requirements. If a competent practitioner other than a professional accountant in public practice chooses to represent compliance with this or other ISAE, it is important to recognize that this ISAE includes requirements that reflect the premise in the preceding paragraph.	Quality control management within firms that perform assurance engagements, and compliance with ethical principles, including independence requirements, are widely recognised as being in the public interest and an integral part of high-quality assurance engagements. Assurance practitioners in public practice will be familiar with such requirements. If a competent assurance practitioner other than a member of a professional accounting body in public practice chooses to represent compliance with this or other ASAEs, it is important to recognise that this ASAE includes requirements that reflect the premise in the preceding paragraph.
ASAE 3000 paragraph Aus 12.3	Lead assurance practitioner—The person in the firm who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. The “lead assurance practitioner” should be read as referring to its public sector equivalents where relevant.	Definitions (e) Engagement partner—The partner or other individual, appointed by person in the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. “Engagement partner” should be	Lead assurance practitioner—The individual, appointed by person in the firm, who is responsible for the engagement and its performance, and for the assurance report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body. The “lead assurance practitioner” should be read as



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		read as referring to its public sector equivalents where relevant.	referring to its public sector equivalents where relevant.
ASAE 3000 paragraph 12(h)	Engagement team—All assurance practitioners and staff performing the engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes an assurance practitioner's external expert engaged by the firm or a network firm.	(h) Engagement team—All partners and staff performing the engagement, and any <u>other individuals engaged by the firm or a network firm</u> who perform procedures on the engagement. This excludes <u>excluding</u> a practitioner's external expert engaged by the firm or a network firm.	Engagement team—All assurance practitioners and staff performing the engagement, and any <u>other individuals engaged by the firm or a network firm</u> who perform procedures on the engagement. This excludes <u>excluding</u> an assurance practitioner's external expert engaged by the firm or a network firm.
ASAE 3000 paragraph 21	The lead assurance practitioner shall be satisfied that appropriate procedures regarding the acceptance and continuance of client relationships and assurance engagements have been followed by the firm, and shall determine that conclusions reached in this regard are appropriate.	The engagement partner shall be satisfied that <u>the firm's policies or appropriate</u> procedures for regarding the acceptance and continuance of client relationships and assurance engagements have been followed by the firm, and shall determine that conclusions reached in this regard are appropriate.	The lead assurance practitioner shall be satisfied that <u>the firm's policies or appropriate</u> procedures for regarding the acceptance and continuance of client relationships and assurance engagements have been followed by the firm, and shall determine that conclusions reached in this regard are appropriate.
ASAE 3000 paragraph 22(b)	The assurance practitioner shall accept or continue an assurance engagement only when: (Ref: Para. A30–A34) ... (b) The assurance practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities (see	<ul style="list-style-type: none"> • Acceptance and Continuance • ... • The practitioner shall accept or continue an assurance engagement only when: • ... (b) The practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence 	The assurance practitioner shall accept or continue an assurance engagement only when: (Ref: Para. A30–A34) ... (b) The assurance practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, <u>including having sufficient time to</u>



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	<p>also paragraph 32 of this ASAE); and (c) ...</p>	<p>and capabilities, <u>including having being given sufficient time to perform the engagement</u> (see also paragraph 32); and ...</p>	<p><u>perform the engagement</u> (see also paragraph 32 of this ASAE); and (c) ...</p>
<p>ASAE 3000 paragraph 23</p>	<p>If the lead assurance practitioner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the lead assurance practitioner shall communicate that information promptly to the firm, so that the firm and the lead assurance practitioner can take the necessary action.</p>	<p>If the engagement partner obtains information that may would have caused the firm to decline the engagement had that information been <u>known by the firm prior to accepting or continuing the client relationship or specific engagement available earlier</u>, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take the necessary action.</p>	<p>If the lead assurance practitioner obtains information that may would have caused the firm to decline the engagement had that information been <u>known by the firm prior to accepting or continuing the client relationship or specific engagement available earlier</u>, the lead assurance practitioner shall communicate that information promptly to the firm, so that the firm and the lead assurance practitioner can take the necessary action.</p>
<p>ASAE 3000 paragraph 31 and its heading</p>	<p>Quality Control <i>Characteristics of the Lead Assurance Practitioner</i> The lead assurance practitioner shall:</p> <ul style="list-style-type: none"> (a) Be a member of a firm that applies ASQC 1*; (Ref: Para. A60–A66) (b) Have competence in assurance skills and techniques developed through extensive training and practical application; and (Ref: Para. A60) 	<p>Quality Control Management <i>Characteristics of the Engagement Partner</i> The engagement partner shall:</p> <ul style="list-style-type: none"> (a) Be a member of a firm that applies ISQEM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQEM 1; <p><u>Engagement Resources</u></p> <ul style="list-style-type: none"> (aa) <u>Determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into account the nature and</u> 	<p>Quality Control Management <i>Characteristics of the Lead Assurance Practitioner</i> The lead assurance practitioner shall:</p> <ul style="list-style-type: none"> (a) Be a member of a firm that applies ASQEM 1*; (Ref: Para. A60–A66) (b) <u>Engagement Resources</u> <ul style="list-style-type: none"> (i) <u>Determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into</u>



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	<p>(c) Have sufficient competence in the underlying subject matter and its measurement or evaluation to accept responsibility for the assurance conclusion. (Ref: Para. A67–A68)</p> <p>* The term the “lead assurance practitioner” is referred to in ASQC 1 as the “engagement partner”.</p>	<p><u>circumstances of the engagement, the firm’s policies or procedures, and any changes that may arise during the engagement.</u></p> <p>...</p>	<p><u>account the nature and circumstances of the engagement, the firm’s policies or procedures, and any changes that may arise during the engagement.</u></p> <p>(c) Have competence in assurance skills and techniques developed through extensive training and practical application; and (Ref: Para. A60)</p> <p>(d) ...</p> <p>* The term the “lead assurance practitioner” is referred to in ASQC 1 as the “engagement partner”.</p>
<p>ASAE 3000 paragraph 32(a) and its heading</p>	<p><i>Assignment of the Team</i></p> <p>The lead assurance practitioner shall: (Ref: Para. A69)</p> <p>(a) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities to: (Ref: Para. A70–A71)</p> <p>(i) Perform the engagement in accordance with relevant standards and applicable legal and regulatory requirements; and</p> <p>(ii) Enable an assurance report that is appropriate in the circumstances to be issued.</p>	<p><i>Assignment of the Team</i></p> <p>The engagement partner shall:</p> <p>(a) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, <u>including having being given sufficient time</u> to: ...</p>	<p><i>Assignment of the Team</i></p> <p>The lead assurance practitioner shall: (Ref: Para. A69)</p> <p>(a) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, <u>including having sufficient time</u> to: (Ref: Para. A70–A71)</p> <p>(i) ...</p>



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<p>ASAE 3000 paragraph 33</p>	<p><i>Responsibilities of the Lead Assurance Practitioner</i></p> <p>The lead assurance practitioner shall take responsibility for the overall quality on the engagement. This includes responsibility for:</p> <ul style="list-style-type: none"> (a) Appropriate procedures being performed regarding the acceptance and continuance of client relationships and engagements; (b) The engagement being planned and performed (including appropriate direction and supervision) to comply with professional standards and applicable legal and regulatory requirements; (c) Reviews being performed in accordance with the firm's review policies and procedures, and reviewing the engagement documentation on or before the date of the assurance report; (Ref: Para. A74) (d) Appropriate engagement documentation being maintained to provide evidence of achievement of the assurance practitioner's objectives, and that the engagement was performed in accordance with relevant ASAEs and relevant legal and regulatory requirements; and 	<p><i>Responsibilities of the Engagement Partner</i></p> <p>The engagement partner shall take <u>overall</u> responsibility for the overall <u>managing and achieving</u> quality on the engagement and <u>being sufficiently and appropriately involved throughout the engagement</u>. This includes responsibility for:</p> <ul style="list-style-type: none"> (a) <u>Being satisfied that the firm's policies or procedures for</u> Appropriate procedures being performed regarding the acceptance and continuance of client relationships and <u>assurance engagements have been followed</u>; (b) The engagement being planned and performed (including appropriate direction and supervision <u>of engagement team members</u>) to comply <u>in accordance</u> with professional standards and applicable legal and regulatory requirements; (c) Reviews being performed in accordance with the firm's review policies and/or procedures and reviewing the engagement documentation on or before the date of the assurance report; ... 	<p><i>Responsibilities of the Lead Assurance Practitioner</i></p> <p>The lead assurance practitioner shall take <u>overall</u> responsibility for the overall <u>managing and achieving</u> quality on the engagement and <u>being sufficiently and appropriately involved throughout the engagement</u>. This includes responsibility for:</p> <ul style="list-style-type: none"> (a) <u>Being satisfied that the firm's policies or procedures for</u> Appropriate procedures being performed regarding the acceptance and continuance of client relationships and <u>assurance engagements have been followed</u>; (b) The engagement being planned and performed (including appropriate direction and supervision <u>of engagement team members</u>) to comply <u>in accordance</u> with professional standards and applicable legal and regulatory requirements; (c) Reviews being performed in accordance with the firm's review policies and/or procedures; and reviewing the engagement documentation on or before the date of the assurance report; (Ref: Para. A74) (d) ...



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	(e) Appropriate consultation being undertaken by the engagement team on difficult or contentious matters.		
ASAE 3000 paragraph 34	Throughout the engagement, the lead assurance practitioner shall remain alert, through observation and making enquiries as necessary, for evidence of non-compliance with relevant ethical requirements by members of the engagement team. If matters come to the lead assurance practitioner's attention through the firm's system of quality control or otherwise that indicate that members of the engagement team have not complied with relevant ethical requirements, the lead assurance practitioner, in consultation with others in the firm, shall determine the appropriate action.	Throughout the engagement, the engagement partner shall remain alert, through observation and making inquiries as necessary, for evidence of breaches of relevant ethical requirements by members of the engagement team. If matters come to the engagement partner's attention through the firm's system of quality control management or otherwise that indicate that members of the engagement team have breached relevant ethical requirements, the engagement partner, in consultation with others in the firm, shall determine the appropriate action.	Throughout the engagement, the lead assurance practitioner shall remain alert, through observation and making enquiries as necessary, for evidence of breaches of non-compliance with relevant ethical requirements by members of the engagement team. If matters come to the lead assurance practitioner's attention through the firm's system of quality control management or otherwise that indicate that members of the engagement team have breached not complied with relevant ethical requirements, the lead assurance practitioner, in consultation with others in the firm, shall determine the appropriate action.
ASAE 3000 paragraph 35	The lead assurance practitioner shall consider the results of the firm's monitoring process as evidenced in the latest information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that information may affect the assurance engagement.	The engagement partner shall consider the <u>information from results of</u> the firm's monitoring and remediation process, as <u>communicated evidenced in the latest</u> information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that the information may affect the assurance engagement.	The lead assurance practitioner shall consider the <u>information from results of</u> the firm's monitoring and remediation process, as <u>communicated evidenced in the latest</u> information circulated by the firm and, if applicable, other network firms and whether deficiencies noted in that the information may affect the assurance engagement.



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<p>ASAE 3000 paragraph 36 and its heading</p>	<p><i>Engagement Quality Control Review</i></p> <p>For those engagements, if any, for which a quality control review is required by law or regulation or for which the firm has determined that an engagement quality control review is required:</p> <p>(a) The lead assurance practitioner shall take responsibility for discussing significant matters arising during the engagement with the engagement quality control reviewer, and not date the assurance report until completion of that review; and</p> <p>(b) The engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A75)</p> <p>(i) Discussion of significant matters with the lead assurance practitioner;</p> <p>(ii) Review of the subject matter information and the proposed assurance report;</p> <p>(iii) Review of selected engagement documentation relating to the significant judgements the engagement</p>	<p><i>Engagement Quality Control Review</i></p> <p>For those engagements, if any, for which an <u>engagement quality control</u> review is required by law or regulation or for which the firm has determined that an engagement quality control review is required <u>in accordance with ISQM 1 or the firm's policies or procedures:</u></p> <p>(a) The engagement partner shall take responsibility for discussing significant matters and significant judgments arising during the engagement with the engagement quality control reviewer, and not date the assurance report until completion of that review.^{2A} and</p> <p>(b) The engagement quality control reviewer shall perform an objective evaluation of the significant judgments made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A75)</p> <p>(i) Discussion of significant matters with the engagement partner;</p> <p>(ii) Review of the subject matter information and the proposed assurance report;</p> <p>(iii) Review of selected engagement documentation relating to the significant judgments the</p>	<p><i>Engagement Quality Control Review</i></p> <p>For those engagements, if any, for which an <u>engagement quality control</u> review is required by law or regulation or for which the firm has determined that an engagement quality control review is required: <u>in accordance with ASQM 1 or the firm's policies or procedures</u></p> <p>(a) The lead assurance practitioner shall take responsibility for discussing significant matters and significant judgments arising during the engagement with the engagement quality control reviewer, and not date the assurance report until completion of that review.³ and</p> <p>(b) The engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A75)</p> <p>(i) Discussion of significant matters with the lead assurance practitioner;</p> <p>(ii) Review of the subject matter information and the proposed assurance report;</p> <p>(iii) Review of selected engagement documentation relating to the significant judgements the engagement</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>team made and the conclusions it reached; and</p> <p>(iv) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate.</p>	<p>engagement team made and the conclusions it reached; and</p> <p>(v) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate.</p> <p>^{2A} ISQM 2, <i>Engagement Quality Reviews</i></p>	<p>team made and the conclusions it reached; and</p> <p>(iv) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate.</p> <p>³ See ASQM 2, <i>Engagement Quality Reviews</i>.</p>
<p>ASAE 3000 paragraph 69</p>	<p><i>Assurance Report Content</i></p> <p>The assurance report shall include at a minimum the following basic elements:</p> <p>(a) A title that clearly indicates the report is an independent assurance report. (Ref: Para. A162)</p> <p>(b) ...</p> <p>(i) A statement that the firm of which the assurance practitioner is a member applies ASQC 1. (Ref: Para. A172)</p> <p>(j) ...</p> <p>(n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which the assurance practitioner has obtained the evidence on which the assurance practitioner's conclusion is based, including evidence that those with the recognised authority have asserted that they have taken responsibility for the</p>	<p>Preparing the Assurance Report</p> <p><i>Assurance Report Content</i></p> <p>• The assurance report shall include, at a minimum, the following basic elements:</p> <p>• ...</p> <p>(i) A statement that the firm of which the practitioner is a member applies ISQEM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQEM 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQEM 1. (Ref: Para. A172)</p> <p>...</p>	<p><i>Assurance Report Content</i></p> <p>The assurance report shall include at a minimum the following basic elements:</p> <p>(a) A title that clearly indicates the report is an independent assurance report. (Ref: Para. A162)</p> <p>(b) ...</p> <p>(i) A statement that the firm of which the assurance practitioner is a member applies ASQEM 1. (Ref: Para. A172)</p> <p>(j) ...</p> <p>(n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which:</p> <p>(i) The assurance practitioner has obtained the evidence on which the assurance practitioner's conclusion is based, including evidence that those with the recognised authority have asserted that they have taken</p>



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	<p>subject matter information. (Ref: Para. A185)</p> <p>(o) ...</p>	<p>(n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which:</p> <p>(i) The practitioner has obtained the evidence on which the practitioner's conclusion is based, including evidence that those with the recognized authority have asserted that they have taken responsibility for the subject matter information; <u>and.</u></p> <p>(ii) <u>When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the engagement quality review is complete.</u> (Ref: Para. A184A–A185A)</p> <p>...</p>	<p>responsibility for the subject matter information; <u>and.</u></p> <p>(ii) <u>When an engagement quality review is required in accordance with ASQM 1 or the firm's policies or procedures, the engagement quality review is complete.</u> (Ref: Para. A185)</p> <p>(o) ...</p>
<p>ASAE 3000 paragraph A60 and its heading</p>	<p>Quality Control</p> <p><i>Assurance Practitioners in Public Practice</i> (Ref: Para. Aus 20.1, 31(a)–(b))</p> <p>This ASAE has been written in the context of a range of measures taken to ensure the quality of assurance engagements undertaken by assurance practitioners in public practice. Such measures may include:</p> <ul style="list-style-type: none"> Competency requirements, such as education and experience 	<p>Quality ControlManagement</p> <p><i>Professional Accountants in Public Practice</i> (Ref: Para. 20, 31(a)–(b))</p> <p>This ISAE has been written in the context of a range of measures taken to ensure the quality of assurance engagements undertaken by professional accountants in public practice, such as those taken by IFAC member bodies in accordance with IFAC's Member Body Compliance Program and Statements of</p>	<p>Quality ControlManagement</p> <p><i>Assurance Practitioners in Public Practice</i> (Ref: Para. Aus 20.1, 31(a)–(b))</p> <p>This ASAE has been written in the context of a range of measures taken to ensure the quality of assurance engagements undertaken by assurance practitioners in public practice. Such measures may include:</p> <ul style="list-style-type: none"> Competency requirements, such as education and experience benchmarks



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	<p>benchmarks for entry to membership, and ongoing continuing professional development as well as life-long learning requirements.</p> <ul style="list-style-type: none"> Quality control policies and procedures implemented across the firm. ASQC 1 applies to all firms of assurance practitioners in respect of assurance and related services engagements. A comprehensive Code of Ethics, including detailed independence requirements, founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. 	<p>Membership Obligations. Such measures include:</p> <ul style="list-style-type: none"> Competency requirements, such as education and experience benchmarks for entry to membership, and ongoing continuing professional development as well as life-long learning requirements. <u>A system of quality management</u> Quality control policies and procedures implemented across the firm. ISQCM 1 applies to all firms of professional accountants in respect of assurance and related services engagements. A comprehensive Code of Ethics, including detailed independence requirements, founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. 	<p>for entry to membership, and ongoing continuing professional development as well as life-long learning requirements.</p> <ul style="list-style-type: none"> <u>A system of quality management</u> Quality control policies and procedures implemented across the firm. ASQCM 1 applies to all firms of assurance practitioners in respect of assurance and related services engagements. A comprehensive Code of Ethics, including detailed independence requirements, founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
<p>ASAE 3000 paragraph A61 and its heading</p>	<p><i>Firm Level Quality Control</i> (Ref: Para. 3(b), 31(a))</p> <p>ASQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for assurance engagements. It sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements, including</p>	<p><i>Firm Level Quality Control</i> Management (Ref: Para. 3(b), 31(a))</p> <p>ISQCM 1 deals with the firm's responsibilities to establish and maintain <u>design, implement and operate a</u> its system of quality control <u>management</u> for assurance engagements.^{3A} It sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its</p>	<p><i>Firm Level Quality Control</i> Management (Ref: Para. 3(b), 31(a))</p> <p>ASQCM 1 deals with the firm's responsibilities to establish and maintain <u>design, implement and operate a</u> its system of quality control <u>management</u> for assurance engagements.⁵ It sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply <u>quality objectives</u></p>



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	<p>those pertaining to independence. Compliance with ASQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel:</p> <ul style="list-style-type: none"> (a) Leadership responsibilities for quality within the firm; (b) Relevant ethical requirements; (c) Acceptance and continuance of client relationships and specific engagements; (d) Human resources; (e) Engagement performance; and (f) Monitoring. 	<p>personnel comply quality objectives that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those pertaining related to independence. ISQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.^{3B} ISQM 2^{3B} deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.^{3C}</p> <p>Compliance with ISQCM 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel. A system of quality management addresses the following eight components:^{3D}</p> <ul style="list-style-type: none"> (a) <u>The firm's risk assessment process</u>Leadership responsibilities for quality within the firm; (b) <u>Governance and leadership;</u> (bc) <u>Relevant ethical requirements;</u> 	<p><u>that address the fulfillment of responsibilities in accordance with relevant ethical requirements, including those pertaining related to independence. ASQM 1 also deals with the firm's responsibility to establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews.⁶ ASQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.⁷ Compliance with ASQC 1 requires, among other things, that the firm establish and maintain a system of quality control that includes policies and procedures addressing each of the following elements, and that it documents its policies and procedures and communicates them to the firm's personnel. A system of quality management addresses the following eight components:⁸</u></p> <ul style="list-style-type: none"> (a) <u>The firm's risk assessment process</u>Leadership responsibilities for quality within the firm; (b) <u>Governance and leadership;</u> (c) <u>Relevant ethical requirements;</u> (d) <u>Acceptance and continuance of client relationships and specific engagements;</u> (e) <u>Engagement performance;</u>



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		<p>(ed) Acceptance and continuance of client relationships and <u>specific assurance specific engagements</u>;</p> <p>(e) <u>Engagement performance</u>; and</p> <p>(ef) <u>Human Resources</u>;</p> <p>(g) <u>Information and communication</u>; and</p> <p>(fh) <u>Monitoring</u> The monitoring and remediation process.</p> <p><u>Firms or national requirements may use different terminology or frameworks to describe the components of the system of quality management.</u></p> <p>^{3A} ISQM 1, paragraph 1</p> <p>^{3B} ISQM 2, <u>Engagement Quality Reviews</u></p> <p>^{3B} ISQM 1, paragraph 2(a)</p> <p>^{3C} ISQM 1, paragraph 2(b)</p> <p>^{3D} ISQM 1, paragraph 6</p>	<p>(f) Human Resources;</p> <p>(g) <u>Information and communication</u>; and</p> <p>(h) <u>Engagement performance</u>; and <u>Monitoring</u> The monitoring and remediation process.</p> <p><u>Firms may use different terminology or frameworks to describe the components of the system of quality management.</u></p> <p>⁵ See ASQM 1, paragraph 1.</p> <p>⁶ See ASQM 1, paragraph 2(a).</p> <p>⁷ See ASQM 1, paragraph 2(b).</p> <p>⁸ See ASQM 1, paragraph 6.</p>
ASAE 3000 paragraph A62	[Deleted by the AUASB.]	<p>Other professional requirements, or requirements in law or regulation that deal with the firm's responsibilities to <u>design, implement, and operate</u> establish and maintain a system of quality <u>control</u> management, are at least as demanding as ISQCM 1 when they address all the requirements of ISQM 1 <u>matters referred to in the preceding paragraph</u> and impose obligations on the firm to that <u>to</u> achieve the aims of the requirements set out in <u>objective of ISQCM 1</u>.</p>	No change to extant.



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ASAE 3000 paragraph A63	<p>The actions of the lead assurance practitioner, and appropriate messages to the other members of the engagement team, in the context of the lead assurance practitioner taking responsibility for the overall quality on each engagement, emphasise the fact that quality is essential in performing an assurance engagement, and the importance to the quality of the assurance engagement of:</p> <ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements. (b) Complying with the firm's quality control policies and procedures as applicable. (c) Issuing a report for the engagement that is appropriate in the circumstances. (d) The engagement team's ability to raise concerns without fear of reprisals. 	<p>The actions of the engagement partner, and appropriate messages to the other members of the engagement team, in the context of the engagement partner taking <u>overall</u> responsibility for the overall <u>managing and achieving</u> quality on each engagement and being <u>sufficiently and appropriately involved throughout the engagement</u>, emphasize the fact that quality is essential in performing an assurance engagement, and the importance to the quality of the assurance engagement of:</p> <ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements. (b) Complying with the firm's <u>quality control</u> policies and or procedures as applicable. (c) Issuing a report for the engagement that is appropriate in the circumstances. (d) The engagement team's ability to raise concerns without fear of reprisals. 	<p>The actions of the lead assurance practitioner, and appropriate messages to the other members of the engagement team, in the context of the lead assurance practitioner taking <u>overall</u> responsibility for the overall <u>managing and achieving</u> quality on each engagement <u>and being sufficiently and appropriately involved throughout the engagement</u>, emphasise the fact that quality is essential in performing an assurance engagement, and the importance to the quality of the assurance engagement of:</p> <ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements. (b) Complying with the firm's <u>quality control</u> policies and or procedures as applicable. (c) ...
ASAE 3000 paragraph A64	<p>An effective system of quality control includes a monitoring process designed to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.</p>	<p>An effective <u>firm's</u> system of quality control management includes <u>establishing</u> a monitoring <u>and remediation</u> process designed <u>to provide the firm with reasonable assurance that its policies and procedures relating to the system of quality control are relevant, adequate and operating effectively.</u></p>	<p>An effective <u>firm's</u> system of quality control management includes <u>establishing</u> a monitoring <u>and remediation</u> process designed to: provide the firm with reasonable assurance that its policies and procedures relating to the system of quality</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
		<p>(a) <u>Provide the firm with relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</u></p> <p>(b) <u>Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.</u></p>	<p>control are relevant, adequate and operating effectively.</p> <p>(a) <u>Provide the firm with relevant, reliable and timely information about the design, implementation and operation of the system of quality management.</u></p> <p>(b) <u>Take appropriate actions to respond to identified deficiencies such that deficiencies are remediated by the firm on a timely basis.</u></p>
<p>ASAE 3000 paragraph A65</p>	<p>Unless information provided by the firm or other parties suggests otherwise, the engagement team is entitled to rely on the firm's system of quality control. For example, the engagement team may rely on the firm's system of quality control in relation to:</p> <p>(a) Competence of personnel through their recruitment and formal training.</p> <p>(b) Independence through the accumulation and communication of relevant independence information.</p> <p>(c) Maintenance of client relationships through acceptance and continuance systems.</p>	<p>Unless information provided by the firm or other parties suggests otherwiseOrdinarily, the engagement team is entitled to relymay depend on the firm's system of quality control management unless:</p> <ul style="list-style-type: none"> <input type="checkbox"/> <u>The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u> <input type="checkbox"/> <u>Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.</u> <p>For example, the engagement team may relydepend on the firm's system of quality controlmanagement in relation to:</p>	<p>Unless information provided by the firm or other parties suggests otherwiseOrdinarily, the engagement team is entitled to relymay depend on the firm's system of quality management unless: control.</p> <ul style="list-style-type: none"> • <u>The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u> • <u>Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.</u> <p>For example, the engagement team may relydepend on the firm's system of quality controlmanagement in relation to:</p>



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	<p>(d) Adherence to regulatory and legal requirements through the monitoring process.</p> <p>In considering deficiencies identified in the firm's system of quality control that may affect the assurance engagement, the lead assurance practitioner may consider measures taken by the firm to rectify those deficiencies.</p>	<p>(a) Competence <u>and capabilities</u> of personnel through their recruitment and formal training.</p> <p>(b) Independence through the accumulation and communication of relevant independence information.</p> <p>(c) Maintenance of client relationships through <u>the firm's policies or procedures for acceptance and continuance systems of client relationships and assurance engagements</u>.</p> <p>(d) Adherence to regulatory and legal requirements through <u>the firm's monitoring and remediation</u> process.</p> <p>In considering deficiencies^{4A} identified in the firm's system of quality control<u>management</u> that may affect the assurance engagement, the engagement partner may consider <u>the remedial actions measures undertaken</u> by the firm to rectify<u>address</u> those deficiencies.</p> <p>^{4A} ISQM 1, paragraph 16(a)</p>	<p>(a) Competence <u>and capabilities</u> of personnel through their recruitment and formal training.</p> <p>(b) Independence through the accumulation and communication of relevant independence information.</p> <p>(c) Maintenance of client relationships through <u>the firm's policies or procedures for acceptance and continuance systems of client relationships and assurance engagements</u>.</p> <p>(d) Adherence to regulatory and legal requirements through the <u>firm's monitoring and remediation</u> process.</p> <p>In considering deficiencies⁹ identified in the firm's system of quality control<u>management</u> that may affect the assurance engagement, the lead assurance practitioner may consider <u>the remedial actions measures undertaken</u> by the firm to rectify<u>address</u> those deficiencies.</p> <p>⁹ See ASQM 1, paragraph 16(a).</p>
ASAE 3000 paragraph A66	A deficiency in the firm's system of quality control does not necessarily indicate that an assurance engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the assurance practitioner's report was not appropriate.	A deficiency in the firm's system of quality control <u>management</u> does not necessarily indicate that an assurance engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the practitioner's report was not appropriate.	A deficiency in the firm's system of quality control <u>management</u> does not necessarily indicate that an assurance engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the assurance practitioner's report was not appropriate.



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<p>ASAE 3000 paragraph A69 and its heading</p>	<p><i>Assignment of the Team</i></p> <p>Collective Competence and Capabilities (Ref: Para. 32)</p> <p>ASQC 1 requires the firm to establish policies and procedures for the acceptance and continuance of client relationships and specific engagements, designed to provide the firm with reasonable assurance that it will only undertake or continue relationships and engagements where the firm is competent to perform the engagement and has the capabilities, including time and resources, to do so.⁵</p> <p>⁵ See ASQC 1, paragraph 26.</p>	<p><i>Assignment of the Team</i><i>Engagement Resources</i></p> <p>Collective Competence and Capabilities (Ref: Para. 32)</p> <p>ISQCM 1 requires the firm to establish policies and procedures quality objectives that address for the acceptance and continuance of client relationships and assurance specific engagements, designed to provide the firm with reasonable assurance that it will only undertake. The quality objectives deal with the appropriateness of judgments by the firm about whether to accept or continue relationships and engagements that are based on the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements where the firm is competent to perform the engagement and has the capabilities, including time and resources, to do so.⁵</p> <p>⁵ ISQCM 1, paragraphs 2630(a)(ii) and A72</p>	<p><i>Assignment of the Team</i><i>Engagement Resources</i></p> <p>Collective Competence and Capabilities (Ref: Para. 32)</p> <p>ASQCM 1 requires the firm to establish policies and procedures for quality objectives that address the acceptance and continuance of client relationships and assurance specific engagements, designed to provide the firm with reasonable assurance that it will only undertake. The quality objectives deal with the appropriateness of judgments by the firm about whether to accept or continue relationships and engagements that are based on the firm's ability to perform the engagement in accordance with professional standards and applicable legal and regulatory requirements where the firm is competent to perform the engagement and has the capabilities, including time and resources, to do so.⁵</p> <p>⁵ See ASQCM 1, paragraphs 2630(a)(ii) and A72.</p>



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ASAE 3000 paragraph A74	<p><i>Review Responsibilities</i> (Ref: Para. 33(c))</p> <p>Under ASQC 1, the firm's review responsibility policies and procedures are determined on the basis that the work of less experienced team members is reviewed by more experienced team members.⁶</p> <p>⁶ See ASQC 1, paragraph 33.</p>	<p><i>Review Responsibilities</i> (Ref: Para. 33(c))</p> <p>Under ISQCM 1, the firm's <u>is required to establish a quality objective that addresses the nature, timing and extent of the direction and supervision of engagement teams and review of their work.</u> review responsibility policies and procedures are determined <u>ISQM 1 also requires that such direction, supervision and review is planned and performed</u> on the basis that the work performed by <u>performed</u> of less experienced <u>engagement</u> team members is <u>directed, supervised and reviewed</u> by more experienced <u>engagement</u> team members.⁶</p> <p>⁶ ISQCM 1, paragraph 3331(b)</p>	<p><i>Review Responsibilities</i> (Ref: Para. 33(c))</p> <p>Under ASQCM 1, the firm's <u>is required to establish a quality objective that addresses the nature, timing and extent of the direction and supervision of engagement teams and review of their work.</u> review responsibility policies and procedures are determined <u>ASQM 1 also requires that such direction, supervision and review is planned and performed</u> on the basis that the work performed by <u>performed</u> of less experienced <u>engagement</u> team members is <u>directed, supervised and reviewed</u> by more experienced <u>engagement</u> team members.⁶</p> <p>⁶ See ASQCM 1, paragraph 3331(b).</p>
ASAE 3000 paragraph A75 and its heading	<p><i>Engagement Quality Control Review</i> (Ref: Para. 36(b))</p> <p>Other matters that may be considered in an engagement quality control review include:</p> <ul style="list-style-type: none"> (a) The engagement team's evaluation of the firm's independence in relation to the engagement; (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and 	<p><i>Engagement Quality Control Review</i> (Ref: Para. 36(b))</p> <p>A75. Other matters that may be considered in an engagement quality control review include:</p> <ul style="list-style-type: none"> (a) The engagement team's evaluation of the firm's independence in relation to the engagement; (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations; and 	<p><i>Engagement Quality Control Review</i> (Ref: Para. 36(b))</p> <p>Other matters that may be considered in an engagement quality control-review include:</p> <ul style="list-style-type: none"> (a) ...



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	(c) Whether engagement documentation selected for review reflects the work performed in relation to the significant judgements and supports the conclusions reached.	(c) Whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached.	
ASAE 3000 paragraph A86	<p>Planning and Performing the Engagement</p> <p><i>Planning</i> (Ref: Para. 40)</p> <p>Planning involves the lead assurance practitioner, other key members of the engagement team, and any key assurance practitioner's external experts developing an overall strategy for the scope, emphasis, timing and conduct of the engagement, and an engagement plan, consisting of a detailed approach for the nature, timing and extent of procedures to be performed, and the reasons for selecting them. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis and properly organise and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the assurance practitioner to properly assign work to engagement team members, and facilitates the direction, supervision, and the review of their work. Further, it assists, where applicable, the co-ordination of work done by other</p>	<p>Planning and Performing the Engagement</p> <p><i>Planning</i> (Ref: Para. 40)</p> <p>Planning involves the engagement partner, other key members of the engagement team, and any key practitioner's external experts developing an overall strategy for the scope, emphasis, timing and conduct of the engagement, and an engagement plan, consisting of a detailed approach for the nature, timing and extent of procedures to be performed, and the reasons for selecting them. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis and properly organize and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the practitioner to properly assign work to engagement team members, and facilitates the direction, and supervision <u>of engagement team members</u>, and the review of their work. ...</p>	<p>Planning and Performing the Engagement</p> <p><i>Planning</i> (Ref: Para. 40)</p> <p>Planning involves the lead assurance practitioner, other key members of the engagement team, and any key assurance practitioner's external experts developing an overall strategy for the scope, emphasis, timing and conduct of the engagement, and an engagement plan, consisting of a detailed approach for the nature, timing and extent of procedures to be performed, and the reasons for selecting them. Adequate planning helps to devote appropriate attention to important areas of the engagement, identify potential problems on a timely basis and properly organise and manage the engagement in order for it to be performed in an effective and efficient manner. Adequate planning also assists the assurance practitioner to properly assign work to engagement team members, and facilitates the direction, and supervision <u>of engagement team members</u>, and the review of their work.</p>



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	<p>assurance practitioners and experts. The nature and extent of planning activities will vary with the engagement circumstances, for example the complexity of the underlying subject matter and criteria. Examples of the main matters that may be considered include:</p> <ul style="list-style-type: none"> •
<p>ASAE 3000 paragraph A121</p>	<p><i>Considerations When an Assurance Practitioner's Expert Is Involved on the Engagement</i></p> <p>Nature, Timing and Extent of Procedures (Ref: Para. 52)</p> <p>The following matters are often relevant when determining the nature, timing and extent of procedures with respect to the work of an assurance practitioner's expert when some of the assurance work is performed by one or more assurance practitioner's expert (see paragraph A70):</p> <ul style="list-style-type: none"> (a) The significance of that expert's work in the context of the engagement (see also paragraphs A122–A123); (b) The nature of the matter to which that expert's work relates; 	<p><i>Considerations When a Practitioner's Expert Is Involved on the Engagement</i></p> <p>Nature, Timing and Extent of Procedures (Ref: Para. 52)</p> <p>The following matters are often relevant when determining the nature, timing and extent of procedures with respect to the work of a practitioner's expert when some of the assurance work is performed by one or more practitioner's expert (see paragraph A70):</p> <p>...</p> <ul style="list-style-type: none"> (e) Whether that expert is subject to the practitioner's firm's quality control management policies and/or procedures (see also paragraphs A124–A125). 	<p><i>Considerations When an Assurance Practitioner's Expert Is Involved on the Engagement</i></p> <p>Nature, Timing and Extent of Procedures (Ref: Para. 52)</p> <p>The following matters are often relevant when determining the nature, timing and extent of procedures with respect to the work of an assurance practitioner's expert when some of the assurance work is performed by one or more assurance practitioner's expert (see paragraph A70):</p> <ul style="list-style-type: none"> (a) ... (e) Whether that expert is subject to the assurance practitioner's firm's quality control management policies and/or procedures (see also paragraphs A124–A125).



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	<p>(c) The risks of material misstatement in the matter to which that expert's work relates;</p> <p>(d) The assurance practitioner's knowledge of and experience with previous work performed by that expert; and</p> <p>(e) Whether that expert is subject to the assurance practitioner's firm's quality control policies and procedures (see also paragraphs A124–A125).</p>		
<p>ASAE 3000 paragraph A124 and its heading</p>	<p>The assurance practitioner's firm's quality control policies and procedures</p> <p>An assurance practitioner's internal expert may be a partner or staff, including temporary staff, of the assurance practitioner's firm, and therefore subject to the quality control policies and procedures of that firm in accordance with ASQC 1. Alternatively, an assurance practitioner's internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control policies and procedures with the assurance practitioner's firm. An assurance practitioner's external expert is not a member of the engagement team and is</p>	<p>The practitioner's firm's quality control <u>management</u> policies and or procedures</p> <p>A practitioner's internal expert may be a partner or staff, including temporary staff, of the practitioner's firm, and therefore subject to the <u>firm's system of quality management</u>, <u>including its control policies and or procedures</u>, of that firm in accordance with ISQC 1 or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQC 1. Alternatively, a practitioner's internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control <u>management</u> policies and or procedures with the practitioner's firm. A</p>	<p>The assurance practitioner's firm's quality control <u>management</u> policies and or procedures</p> <p>An assurance practitioner's internal expert may be a partner or staff, including temporary staff, of the assurance practitioner's firm, and therefore subject to the <u>firm's system of quality management</u>, <u>including its control policies and or procedures</u>, of that firm in accordance with ASQC 1. Alternatively, an assurance practitioner's internal expert may be a partner or staff, including temporary staff, of a network firm, which may share common quality control <u>management</u> policies and or procedures with the assurance practitioner's firm. An assurance practitioner's external expert is not a member of the engagement team and is not</p>



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	not subject to quality control policies and procedures in accordance with ASQC 1.	practitioner's external expert is not a member of the engagement team and is not subject to quality control policies and procedures in accordance with ISQC 1.	subject to quality control policies and procedures in accordance with ASQC 1.
ASAE 3000 paragraph A125	<p>Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances, and may affect the nature, timing and extent of the assurance practitioner's procedures with respect to such matters as:</p> <ul style="list-style-type: none"> • Competence and capabilities, through recruitment and training programs. • The assurance practitioner's evaluation of the objectivity of the assurance practitioner's expert. Assurance practitioner's internal experts are subject to relevant ethical requirements, including those pertaining to independence. • The assurance practitioner's evaluation of the adequacy of the assurance practitioner's expert's work. For example, the firm's training programs may provide the assurance practitioner's internal experts with an appropriate understanding of the interrelationship of their expertise with the evidence gathering process. Reliance on such training and other 	<p>Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. Ordinarily, the engagement team may depend on the firm's system of quality management (see paragraph A65). The extent of that reliance<u>dependence</u> will vary with the circumstances, and may affect the nature, timing and extent of the practitioner's procedures with respect to such matters as:</p> <p>...</p> <ul style="list-style-type: none"> <input type="checkbox"/> The practitioner's evaluation of the adequacy of the practitioner's expert's work. For example, the firm's training programs may provide the practitioner's internal experts with an appropriate understanding of the interrelationship of their expertise with the evidence gathering process. Reliance<u>Depending</u> on such training and other firm processes, such as protocols for scoping the work of the practitioner's internal experts, may affect the nature, timing and extent of the practitioner's procedures to evaluate the adequacy of the practitioner's expert's work. 	<p>Engagement teams are entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. Ordinarily, the engagement team may depend on the firm's system of quality management (see paragraph A65). The extent of that reliance<u>dependence</u> will vary with the circumstances, and may affect the nature, timing and extent of the assurance practitioner's procedures with respect to such matters as:</p> <ul style="list-style-type: none"> • ... • The assurance practitioner's evaluation of the adequacy of the assurance practitioner's expert's work. For example, the firm's training programs may provide the assurance practitioner's internal experts with an appropriate understanding of the interrelationship of their expertise with the evidence gathering process. Reliance<u>Depending</u> on such training and other firm processes, such as protocols for scoping the work of the assurance practitioner's internal experts, may affect the nature, timing and extent of the assurance practitioner's procedures to evaluate



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	<p>firm processes, such as protocols for scoping the work of the assurance practitioner's internal experts, may affect the nature, timing and extent of the assurance practitioner's procedures to evaluate the adequacy of the assurance practitioner's expert's work.</p> <ul style="list-style-type: none"> • Adherence to regulatory and legal requirements, through monitoring processes. • Agreement with the assurance practitioner's expert. <p>Such reliance does not reduce the assurance practitioner's responsibility to meet the requirements of this ASAE.</p>	<p><input type="checkbox"/> Adherence to regulatory and legal requirements, through <u>the firm's</u> monitoring <u>and remediation</u> processes.</p> <p>...</p> <p>Such dependance<u>reliance</u> does not reduce the practitioner's responsibility to meet the requirements of this ISAE.</p>	<p>the adequacy of the assurance practitioner's expert's work.</p> <ul style="list-style-type: none"> • Adherence to regulatory and legal requirements, through <u>the firm's</u> monitoring <u>and remediation</u> processes. • Agreement with the assurance practitioner's expert. <p>Such reliance<u>dependence</u> does not reduce the assurance practitioner's responsibility to meet the requirements of this ASAE.</p>
<p>ASAE 3000 paragraph A126</p>	<p>The Competence, Capabilities and Objectivity of the Assurance Practitioner's Expert (Ref: Para. 52(a))</p> <p>Information regarding the competence, capabilities and objectivity of an assurance practitioner's expert may come from a variety of sources, such as:</p> <ul style="list-style-type: none"> • Personal experience with previous work of that expert. • Discussions with that expert. • Discussions with other assurance practitioners or others who are familiar with that expert's work. 	<p>The Competence, Capabilities and Objectivity of the Practitioner's Expert (Ref: Para. 52(a))</p> <p>A126. Information regarding the competence, capabilities and objectivity of a practitioner's expert may come from a variety of sources, such as:</p> <p>...</p> <p><input type="checkbox"/> The firm's quality control<u>management</u> policies and procedures (see also paragraphs A124–A125).</p>	<p>The Competence, Capabilities and Objectivity of the Assurance Practitioner's Expert (Ref: Para. 52(a))</p> <p>Information regarding the competence, capabilities and objectivity of an assurance practitioner's expert may come from a variety of sources, such as:</p> <ul style="list-style-type: none"> • ... • The firm's quality control<u>management</u> policies and/or procedures (see also paragraphs A124–A125).



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	<ul style="list-style-type: none"> • Knowledge of that expert's qualifications, membership of a professional body or industry association, license to practice, or other forms of external recognition. • Published papers or books written by that expert. • The firm's quality control policies and procedures (see also paragraphs A124–A125). 		
ASAE 3000 paragraph A147	<p>Forming the Assurance Conclusion</p> <p><i>Sufficiency and Appropriateness of Evidence</i> (Ref: Para. 12(i), 64)</p> <p>Evidence is necessary to support the assurance practitioner's conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the assurance practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's quality control procedures for client acceptance and continuance. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by an expert employed or engaged by the appropriate party(ies). Evidence</p>	<p>Forming the Assurance Conclusion</p> <p><i>Sufficiency and Appropriateness of Evidence</i> (Ref: Para. 12(i), 64)</p> <p>Evidence is necessary to support the practitioner's conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's quality control policies or procedures for the client <u>quality control policies or procedures for the client acceptance and continuance of client relationships and assurance engagements</u>. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by an expert employed or</p>	<p>Forming the Assurance Conclusion</p> <p><i>Sufficiency and Appropriateness of Evidence</i> (Ref: Para. 12(i), 64)</p> <p>Evidence is necessary to support the assurance practitioner's conclusion and assurance report. It is cumulative in nature and is primarily obtained from procedures performed during the course of the engagement. It may, however, also include information obtained from other sources such as previous engagements (provided the assurance practitioner has determined whether changes have occurred since the previous engagement that may affect its relevance to the current engagement) or a firm's quality control policies or procedures for the client <u>quality control policies or procedures for the client acceptance and continuance of client relationships and assurance engagements</u>. Evidence may come from sources inside and outside the appropriate party(ies). Also, information that may be used as evidence may have been prepared by an expert employed or engaged by the</p>



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	<p>comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, refusal by the appropriate party(ies) to provide a requested representation) is used by the assurance practitioner, and therefore, also constitutes evidence. Most of the assurance practitioner's work in forming the assurance conclusion consists of obtaining and evaluating evidence.</p>	<p>engaged by the appropriate party(ies). Evidence comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, refusal by the appropriate party(ies) to provide a requested representation) is used by the practitioner, and therefore, also constitutes evidence. Most of the practitioner's work in forming the assurance conclusion consists of obtaining and evaluating evidence.</p>	<p>appropriate party(ies). Evidence comprises both information that supports and corroborates aspects of the subject matter information, and any information that contradicts aspects of the subject matter information. In addition, in some cases, the absence of information (for example, refusal by the appropriate party(ies) to provide a requested representation) is used by the assurance practitioner, and therefore, also constitutes evidence. Most of the assurance practitioner's work in forming the assurance conclusion consists of obtaining and evaluating evidence.</p>
<p>ASAE 3000 paragraph A156</p>	<p>Scope Limitations (Ref: Para. 26, 66) A scope limitation may arise from:</p> <ul style="list-style-type: none"> (a) Circumstances beyond the control of the appropriate party(ies). For example, documentation the assurance practitioner considers it necessary to inspect may have been accidentally destroyed; (b) Circumstances relating to the nature or timing of the assurance practitioner's work. For example, a physical process the assurance practitioner considers it necessary to observe may have occurred before the assurance practitioner's engagement; or 	<p>Scope Limitations (Ref: Para. 26, 66) A scope limitation may arise from: ... (c) Limitations imposed by the responsible party, the measurer or evaluator, or the engaging party on the practitioner that, for example, may prevent the practitioner from performing a procedure the practitioner considers to be necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the practitioner's consideration of engagement risk and <u>the engagement acceptance and continuance of the client relationship and the assurance engagement.</u></p>	<p>Scope Limitations (Ref: Para. 26, 66) A scope limitation may arise from:</p> <ul style="list-style-type: none"> (a) ... (c) Limitations imposed by the responsible party, the measurer or evaluator, or the engaging party on the assurance practitioner who, for example, may prevent the assurance practitioner from performing a procedure the assurance practitioner considers to be necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the assurance practitioner's consideration of engagement risk and <u>the engagement acceptance and</u>



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	<p>(c) Limitations imposed by the responsible party, the measurer or evaluator, or the engaging party on the assurance practitioner who, for example, may prevent the assurance practitioner from performing a procedure the assurance practitioner considers to be necessary in the circumstances. Limitations of this kind may have other implications for the engagement, such as for the assurance practitioner's consideration of engagement risk and engagement acceptance and continuance.</p>		<p><u>continuance of the client relationship and the assurance engagement.</u></p>
<p>ASAE 3000 paragraph A172</p>	<p>Applicable Quality Control Requirements (Ref: Para. 69(i))</p> <p>The following is an illustration of a statement in the assurance report regarding applicable quality control requirements:</p> <p>The firm applies Australian Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>	<p>Preparing the Assurance Report</p> <p>Applicable Quality ControlManagement Requirements (Ref: Para. 69(i))</p> <p>The following is an illustration of a statement in the assurance report regarding applicable quality controlmanagement requirements:</p>	<p>Applicable Quality ControlManagement Requirements (Ref: Para. 69(i))</p> <p>The following is an illustration of a statement in the assurance report regarding applicable quality controlmanagement requirements:</p> <p>The firm applies Australian Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p><u>The firm applies Australian Standard on Quality Management</u></p>



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		<p>The firm applies International Standard on Quality Management 1 and, accordingly, maintains a comprehensive system of quality control management including documented policies and/or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>The firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>	<p>1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>
<p>ASAE 3000 paragraph A205</p>	<p><i>Assembly of the Final Engagement File</i></p> <p>ASQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.¹¹ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.¹²</p> <p>¹¹ See ASQC 1, paragraph 45. ¹² See ASQC 1, paragraph A54.</p>	<p><i>Assembly of the Final Engagement File</i></p> <p>ISQEM 1 (or other professional requirements, or requirements in law or regulation that are at least as demanding as ISQEM 1) requires firms to establish a quality objective that addresses policies and procedures the assembly of engagement documentation on a timely basis after the date of the engagement report for the timely completion of the assembly of engagement files.¹¹ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance</p>	<p><i>Assembly of the Final Engagement File</i></p> <p>ASQEM 1 requires firms to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report policies and procedures for the timely completion of the assembly of engagement files.¹¹ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.¹²</p> <p>¹¹ See ASQEM 1, paragraph 4531(f). ¹² See ASQEM 1, paragraph A54A83.</p>



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		report. ¹² ¹¹ ISQCM 1, paragraph 4531(f) ¹² ISQCM 1, paragraph A54A83	
ASAE 3000 paragraph A207	ASQC 1 requires firms to establish policies and procedures for the retention of engagement documentation. ¹³ The retention period for assurance engagements ordinarily is no shorter than five years from the date of the assurance report. ¹⁴ ¹³ See ASQC 1, paragraph 47. ¹⁴ See ASQC 1, paragraph A61.	ISQCM 1 (or national requirements that are at least as demanding as ISQCM 1) requires firms to establish <u>a quality objective policies and procedures that addresses for the maintenance and retention of engagement documentation to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.</u> ¹³ The retention period for assurance engagements ordinarily is no shorter than five years from the date of the assurance report. ¹⁴ ¹³ ISQCM 1, paragraph 4731(f) ¹⁴ ISQCM 1, paragraph A61A85	ASQCM 1 requires firms to establish a <u>quality objective that addresses the maintenance and policies and procedures for the retention of engagement documentation to meet the needs of the firm and comply with law, regulation, relevant ethical requirements, or professional standards.</u> ¹³ The retention period for assurance engagements ordinarily is no shorter than five years from the date of the assurance report. ¹⁴ ¹³ See ASQCM 1, paragraph 4731(f). ¹⁴ See ASQCM 1, paragraph A61A85.
ASAE 3402 Assurance Reports on Controls at a Service Organisation			
ASAE 3402 paragraph Aus 6.1	Compliance with ASAE 3000 requires, among other things, that the service auditor complies with the relevant ethical requirements* related to assurance engagements. It also requires the lead assurance practitioner [#] to be a member of a firm that applies ASQC 1. [†] * See ASAE 3000, paragraph 3(a), Aus 20.1 and 34. ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.</i>	Compliance with ISAE 3000 (Revised) requires, among other things, compliance with the provisions of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by law and regulation, that are at least as demanding. ⁵ It also requires the engagement partner to be a member of a firm that applies	Compliance with ASAE 3000 requires, among other things, <u>compliance that the service auditor complies with the relevant ethical requirements* related to assurance engagements.</u> It also requires the lead assurance practitioner [#] to be a member of a firm that applies ASQCM 1. [†] * See ASAE 3000, paragraph 3(a), Aus 20.1 and 34. ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.</i>



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	<p># The term “lead assurance practitioner” is referred to in ASQC 1 as the “engagement partner”.</p> <p>† See ASAE 3000, paragraphs 3(b) and 31(a).</p>	<p>ISQCEM 1,⁶ or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQCEM 1.</p> <p>⁵ ISAE 3000 (Revised), paragraphs 3(a), 20 and 24</p> <p>⁶ ISAE 3000 (Revised), paragraphs 3(b) and 31 (a). International Standard of Quality Control Management (ISQCEM) 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Service Engagements</i></p>	<p># The term “lead assurance practitioner” is referred to in ASQCEM 1 as the “engagement partner”.</p> <p>† See ASAE 3000, paragraphs 3(b) and 31(a).</p>
ASAE 3402 paragraph 50	<p>The service auditor shall assemble the documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the service auditor’s assurance report.¹⁰</p> <p>¹⁰ Paragraphs A54-A55 of ASQC 1 provide further guidance.</p>	<p>The service auditor shall assemble the documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the service auditor’s assurance report.¹⁰</p> <p>¹⁰ Paragraphs A54–A55A83–A85 of ISQCEM 1 provide further guidance.</p>	<p>The service auditor shall assemble the documentation in an engagement file and complete the administrative process of assembling the final engagement file on a timely basis after the date of the service auditor’s assurance report.¹⁰</p> <p>¹⁰ Paragraphs A54–A55A83–A85 of ASQCEM 1 provide further guidance.</p>
ASAE 3402 paragraph 53	<p>Preparing the Service Auditor’s Assurance Report</p> <p><i>Content of the Service Auditor’s Assurance Report</i></p> <p>The service auditor’s assurance report shall include, at a minimum, the following basic elements: (Ref: Para. A47)</p> <p>(a) ...</p> <p>(h) [Deleted by the AUASB. Refer Aus 53.1(h).]</p>	<p>Preparing the Service Auditor’s Assurance Report</p> <p><i>Content of the Service Auditor’s Assurance Report</i></p> <p>The service auditor’s assurance report shall include, at a minimum, the following basic elements: (Ref: Para. A47)</p> <p>...</p> <p>(h) A statement that the firm of which the practitioner is a member applies ISQCEM 1, or other professional requirements, or</p>	<p>Preparing the Service Auditor’s Assurance Report</p> <p><i>Content of the Service Auditor’s Assurance Report</i></p> <p>The service auditor’s assurance report shall include, at a minimum, the following basic elements: (Ref: Para. A47)</p> <p>(a) ...</p> <p>(h) [Deleted by the AUASB. Refer Aus 53.1(h).]</p>



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	<p>Aus 53.1(h) A statement that the firm of which the assurance practitioner is a member applies ASQC 1.</p> <p>(i) ...</p> <p>(n) The date of the service auditor's assurance report, which shall be no earlier than the date on which the service auditor has obtained the evidence on which the service auditor's opinion is based.</p> <p>(o) ...</p>	<p>requirements in law or regulation, that are at least as demanding as ISQCM 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQCM 1.</p> <p>...</p> <p>(n) The date of the service auditor's assurance report, which shall be no earlier than the date on which:</p> <p>(i) <u>T</u>he service auditor has obtained the evidence on which the service auditor's opinion is based-; <u>and</u></p> <p>(ii) <u>When an engagement quality review is required in accordance with ISQM 1+ or the firm's policies or procedures, the engagement quality review is complete.</u></p>	<p>Aus 53.1(h) A statement that the firm of which the assurance practitioner is a member applies ASQCM 1.</p> <p>(i) ...</p> <p>(n) The date of the service auditor's assurance report, which shall be no earlier than the date on which:</p> <p>(i) <u>T</u>he service auditor has obtained the evidence on which the service auditor's opinion is based-; <u>and</u></p> <p>(ii) <u>When an engagement quality review is required in accordance with ASQM 1 or the firm's policies or procedures, the engagement quality review is complete.</u></p> <p>(o) ...</p>
<p>ASAE 3402 paragraph A46</p>	<p>Documentation (Ref: Para. 51)</p> <p>ASQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.¹⁵ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.¹⁶</p> <p>¹⁵ See ASQC 1, paragraph 45. ¹⁶ See ASQC 1, paragraph A54.</p>	<p>Documentation</p> <p>ISQCM 1 (or professional requirements, or requirements in law or regulation that are at least as demanding as ISQCM 1) requires firms to establish to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report policies and procedures for the timely completion of the assembly of engagement files.¹⁵ An appropriate time limit within which to</p>	<p>Documentation (Ref: Para. 51)</p> <p>ASQCM 1 requires firms to establish a <u>quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report policies and procedures for the timely completion of the assembly of engagement files.</u>¹⁵ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.¹⁶</p>



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		<p>complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the service auditor's report.¹⁶</p> <p>¹⁵ ISQCM 1, paragraph 4531(f) ¹⁶ ISQCM 1, paragraph A54A83</p>	<p>¹⁵ See ASQCM 1, paragraph 4531(f). ¹⁶ See ASQCM 1, paragraph A54A83.</p>
<p>ASAE 3402 Appendix 2 Example 1 Example 2</p>	<p>Example 1: Type 2 Service Auditor's Assurance Report</p> <p><i>Our Independence and Quality Control</i></p> <p>We have complied with relevant ethical requirements related to assurance engagements, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</p> <p>The firm applies Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements</i> and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>	<p>Illustration 1: Type 2 Service Auditor's Assurance Report</p> <p>...</p> <p><i>Our Independence and Quality ManagementControl</i></p> <p>We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants</i> (including International Independence Standards) (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. The firm applies International Standard on Quality ControlManagement 1² and accordingly maintains a comprehensive system of quality controlmanagement including documented policies and/or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The firm applies International Standard on Quality Management 1², which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical</p>	<p>Example 1: Type 2 Service Auditor's Assurance Report</p> <p><i>Our Independence and Quality ControlManagement</i></p> <p>We have complied with the independence and relevant ethical requirements related to assurance engagements,[*] which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</p> <p>The firm applies Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements</i> and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The firm applies Australian Standard ASQM 1², which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with</p>



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		<p><u>requirements, professional standards and applicable legal and regulatory requirements</u></p> <p>² ISQCM 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements</i></p>	<p><u>ethical requirements, professional standards and applicable legal and regulatory requirements.</u></p> <p>* See ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.</i></p> <p>² See ASQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.</i></p>
ASAE 3410 Assurance Engagements on Greenhouse Gas Statements			
<p>ASAE 3410 paragraph Aus 10.1</p>	<p>Compliance with ASAE 3000 requires, amongst other things, that the assurance practitioner comply with relevant ethical requirements related to assurance engagements.* It also requires the lead assurance practitioner[#] to be a member of a firm that applies ASQC 1.[†] (Ref: Para. A5–A6)</p> <p>* ASAE 3000, paragraphs 3(a), Aus 20.1 and 34. ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>, paragraph 5.</p> <p>[#] The term “lead assurance practitioner” is referred to in ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements</i> as the “engagement partner”.</p> <p>[†] ASAE 3000, paragraphs 3(b) and 31(a).</p>	<p>Compliance with ISAE 3000 (Revised) requires, among other things, compliance with the provisions of the International Ethics Standards Board for Accountants’ <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding. It also requires the engagement partner to be a member of a firm that applies ISQCM 1,⁷ or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQCM 1. (Ref: Para. A5–A6)</p> <p>⁷ ISAE 3000 (Revised), paragraphs 3(b) and 31 (a). International Standard on Quality Control Management (ISQCM) 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Service Engagements</i></p>	<p>Compliance with ASAE 3000 requires, amongst other things, that the assurance practitioner comply with relevant ethical requirements related to assurance engagements.* It also requires the lead assurance practitioner[#] to be a member of a firm that applies ASQCM 1.[†] (Ref: Para. A5–A6)</p> <p>* ASAE 3000, paragraphs 3(a), Aus 20.1 and 34. ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>, paragraph 5.</p> <p>[#] The term “lead assurance practitioner” is referred to in ASQCM 1 <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Engagements and Related Services Engagements</i> as the “engagement partner”.</p> <p>[†] ASAE 3000, paragraphs 3(b) and 31(a).</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
ASAE 3410 paragraph 71	<p>Engagement Quality Control Review</p> <p>For those engagements, if any, for which a quality control review is required by law or regulation or for which the firm has determined that an engagement quality control review is required, the engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A130)</p> <ul style="list-style-type: none"> (a) Discussion of significant matters with the lead assurance practitioner, including the engagement team's professional competencies with respect to the quantification and reporting of emissions and assurance; (b) Review of the GHG statement and the proposed assurance report; (c) Review of selected engagement documentation relating to the significant judgements the engagement team made and the conclusions it reached; and (d) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate. 	<p>Engagement Quality Control Review</p> <p>For those engagements, if any, for which a quality control review is required by law or regulation or for which the firm has determined that an engagement quality control review is required, the engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve: (Ref: Para. A130)</p> <ul style="list-style-type: none"> (a) Discussion of significant matters with the engagement partner, including the engagement team's professional competencies with respect to the quantification and reporting of emissions and assurance; (b) Review of the GHG statement and the proposed assurance report; (c) Review of selected engagement documentation relating to the significant judgements the engagement team made and the conclusions it reached; and (d) Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the proposed assurance report is appropriate. 	This paragraph is deleted.



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
ASAE 3410 paragraph 76	<p>Assurance Report Content</p> <p>The assurance report, at a minimum, shall include the following basic elements: (Ref: Para. A134)</p> <p>(a) ...</p> <p>(i) [Deleted by the AUASB. Refer Aus 76.1(i).]</p> <p>Aus 76.1(i) A statement that the firm of which the assurance practitioner is a member applies ASQC 1.</p> <p>(j) ...</p> <p>(n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which the assurance practitioner has obtained the evidence on which the assurance practitioner's conclusion is based, including evidence that those with the recognised authority have asserted that they have taken responsibility for the GHG statement.</p> <p>(o) ...</p>	<p>Assurance Report Content</p> <p>The assurance report shall include, at a minimum, the following basic elements: (Ref: Para. A134)</p> <p>...</p> <p>(i) A statement that the firm of which the practitioner is a member applies ISQCM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQCM 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQCM 1.</p> <p>...</p> <p>(n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which:</p> <p>(i) ¶The practitioner has obtained the evidence on which the practitioner's conclusion is based, including evidence that those with the recognized authority have asserted that they have taken</p>	<p>Assurance Report Content</p> <p>The assurance report, at a minimum, shall include the following basic elements: (Ref: Para. A134)</p> <p>(a) ...</p> <p>(i) [Deleted by the AUASB. Refer Aus 76.1(i).]</p> <p>Aus 76.1(i) A statement that the firm of which the assurance practitioner is a member applies ASQCM 1.</p> <p>(j) ...</p> <p>(n) The date of the assurance report. The assurance report shall be dated no earlier than the date on which:</p> <p>(i) <u>The</u> assurance practitioner has obtained the evidence on which the assurance practitioner's conclusion is based, including evidence that those with the recognised authority have asserted that they have taken responsibility for the GHG statement; <u>and</u></p> <p>(ii) <u>When an engagement quality review is required in accordance with ASQM 1 or the firm's</u></p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
		<p>responsibility for the GHG statement; and</p> <p>(ii) <u>When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the engagement quality review is complete.</u></p> <p>...</p>	<p><u>policies or procedures, the engagement quality review is complete.</u></p> <p>(o) ...</p>
<p>ASAE 3410 paragraph A128</p>	<p><i>Matters Arising after the Date of the Assurance Report</i> (Ref: Para. 68)</p> <p>Examples of exceptional circumstances include facts which become known to the assurance practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the GHG statement to be amended or the assurance practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with the firm's policies and procedures with respect to review responsibilities as required by ASQC 1, with the lead assurance practitioner taking final responsibility for the changes.²⁴</p> <p>²⁴ ASQC 1, paragraphs 32–33.</p>	<p>Documentation</p> <p><i>Matters Arising after the Date of the Assurance Report</i> (Ref: Para. 68)</p> <p>Examples of exceptional circumstances include facts which become known to the practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the GHG statement to be amended or the practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with the firm's policies and procedures with respect to <u>the nature, timing and extent of the review of engagement team members' work</u> as required by ISQCM 1,²⁴ with the engagement partner taking final responsibility for the changes.²⁴</p> <p>²⁴ ISQCM 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements</i>,</p>	<p><i>Matters Arising after the Date of the Assurance Report</i> (Ref: Para. 68)</p> <p>Examples of exceptional circumstances include facts which become known to the assurance practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the GHG statement to be amended or the assurance practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with the firm's policies and procedures with respect to <u>the nature, timing and extent of the review of engagement team members' work review responsibilities</u> as required by ASQCM 1,²⁴ with the lead assurance practitioner taking final responsibility for the changes.²⁴</p> <p>²⁴ See ASQCM 1, paragraphs 32–33 31(b).</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
ASAE 3410 paragraph A129	<p><i>Assembly of the Final Engagement File</i> (Ref: Para. 69)</p> <p>[Deleted by the AUASB. Refer Aus A129.1.]</p> <p>Aus A129.1 ASQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of engagement files.²⁵ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.²⁶</p> <p>²⁵ ASQC 1, paragraph 45. ²⁶ ASQC 1, paragraph A54.</p>	<p>and/or Other Assurance and/or Related Services Engagements, paragraphs 32–3331(b).</p> <p><i>Assembly of the Final Engagement File</i> (Ref: Para. 69)</p> <p>ISQCM 1 (or other professional requirements, or requirements in law or regulation that are at least as demanding as ISQCM 1) requires firms to establish a quality objective that addresses policies and procedures the assembly of engagement documentation on a timely basis after the date of the engagement report for the timely completion of the assembly of engagement files.¹¹ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.¹²</p> <p>¹¹ ISQCM 1, paragraph 4531(f) ¹² ISQCM 1, paragraph A54A83</p>	<p><i>Assembly of the Final Engagement File</i> (Ref: Para. 69)</p> <p>[Deleted by the AUASB. Refer Aus A129.1.]</p> <p>Aus A129.1 ASQCM 1 requires firms to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report policies and procedures for the timely completion of the assembly of engagement files.²⁵ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report.²⁶</p> <p>²⁵ See ASQCM 1, paragraph 4531(f). ²⁶ See ASQCM 1, paragraph A54A83.</p>
ASAE 3410 paragraph A130	<p>Engagement Quality Control Review (Ref: Para. 71)</p> <p>Other matters that may be considered in an engagement quality control review include:</p>	<p>Engagement Quality Control Review (Ref: Para. 71)</p> <p>Other matters that may be considered in an engagement quality control review include:</p> <p><input type="checkbox"/> The engagement team's evaluation of the firm's independence in relation to the engagement.</p>	<p>This paragraph is deleted.</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<ul style="list-style-type: none"> The engagement team's evaluation of the firm's independence in relation to the engagement. Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations. Whether engagement documentation selected for review reflects the work performed in relation to the significant judgements and supports the conclusions reached. 	<ul style="list-style-type: none"> Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations. Whether engagement documentation selected for review reflects the work performed in relation to the significant judgments and supports the conclusions reached. 	
ASAE 3410 Appendix 2 Illustration 1 Illustration 2	<p><i>Our Independence and Quality Control</i></p> <p>We have complied with the relevant ethical requirements relating to assurance engagements, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</p> <p>The firm applies Auditing Standard ASQC 1, and accordingly [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>	<p>Illustrations of Assurance Reports on GHG Statements</p> <p>Illustration 1:</p> <p>...</p> <p>We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.</p> <p>The firm applies International Standard on Quality Control Management 1⁴ and</p>	<p><i>Our Independence and Quality Control Management</i></p> <p>We have complied with the <u>independence and</u> relevant ethical requirements relating to assurance engagements,[#] which is <u>are</u> founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</p> <p>The firm applies Auditing Standard ASQC 1, and accordingly [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The firm applies Australian Standard ASQM 1²⁹,</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
		<p>accordingly maintains designs, implements and operates a comprehensive system of quality control management including documented policies and/or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>The firm applies International Standard on Quality Management 1⁴, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>⁴ ISQM 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements</i></p>	<p>which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p>[#] See ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>.</p> <p>²⁹ See ASQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i>.</p>
<p>ASAE 3420 Assurance Engagements to Report on the Compilation of Pro Forma Historical Financial Information included in a Prospectus or other Document</p>			
<p>ASAE 3420 paragraph Aus 8.1</p>	<p>Compliance with ASAE 3000 requires, among other things, compliance with relevant ethical requirements related to assurance engagements.* It also requires the lead assurance practitioner[#] to be a member of a firm that applies ASQC 1.[†]</p> <p>* See ASAE 3000, paragraphs 3(a), Aus 20.1 and 34. See also ASA 102 <i>Compliance with Relevant Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>.</p> <p>[#] The term “lead assurance practitioner” is referred to as “lead engagement partner” in ASQC 1 <i>Quality Control for</i></p>	<p>Compliance with ISAE 3000 (Revised) requires, among other things, compliance with the provisions of the International Ethics Standards Board for Accountants’ <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code) related to assurance engagements, or other professional requirements, or requirements imposed by law or regulation, that are at least as demanding.³ It also requires the engagement</p>	<p>Compliance with ASAE 3000 requires, among other things, compliance with relevant ethical requirements related to assurance engagements.* It also requires the lead assurance practitioner[#] to be a member of a firm that applies ASQEM 1.[†]</p> <p>* See ASAE 3000, paragraphs 3(a), Aus 20.1 and 34. See also ASA 102 <i>Compliance with Relevant Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>.</p> <p>[#] The term “lead assurance practitioner” is referred to as “lead engagement partner” in ASQEM 1 <i>Quality</i></p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p><i>Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Service Engagements.</i></p> <p>† See ASAE 3000, paragraphs 3(b) and 31(a). See also Auditing Standard ASQC 1.</p>	<p>partner to be a member of a firm that applies ISQEM 1,⁴ or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQEM 1.</p> <p>³ ISAE 3000 (Revised), paragraphs 3(a), 20 and 34 ⁴ ISAE 3000 (Revised), paragraphs 3(b) and 31(a). International Standard on Quality Control Management (ISQEM) 1, <i>Quality Control Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i></p>	<p>ControlManagement for Firms that Perform Audits andor Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements andor Related Services Engagements.</p> <p>† See ASAE 3000, paragraphs 3(b) and 31(a). See also Auditing Standard ASQEM 1.</p>
<p>ASAE 3420 paragraph 35</p>	<p>The assurance practitioner's report shall, at a minimum, include the following basic elements: (Ref: Para. A57-Aus A57.1)</p> <p>(a) ...</p> <p>(g) [Deleted by the AUASB. Refer Aus 35.1 (g).]</p> <p>Aus 35.1(g) A statement that the firm of which the assurance practitioner is a member, applies ASQC 1;</p> <p>(h) ...</p>	<p>The practitioner's report shall include, at a minimum, the following basic elements: (Ref: Para. A57)</p> <p>...</p> <p>(g) A statement that the firm of which the practitioner is a member applies ISQEM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQEM 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQEM 1.</p> <p>...</p>	<p>The assurance practitioner's report shall, at a minimum, include the following basic elements: (Ref: Para. A57-Aus A57.1)</p> <p>(a) ...</p> <p>(g) [Deleted by the AUASB. Refer Aus 35.1 (g).]</p> <p>Aus 35.1(g) A statement that the firm of which the assurance practitioner is a member, applies ASQEM 1;</p> <p>(h) ...</p>
<p>ASAE 3420 Appendix 1 [Aus] Appendix 2</p>	<p>Our Independence and Quality Control</p> <p>We have complied with relevant ethical requirements* related to assurance engagements which are founded on fundamental principles of integrity, objectivity, professional competence and</p>	<p>Illustrative Practitioner's Report with an Unmodified Opinion</p> <p>...</p> <p><i>Our Independence and Quality Management</i>Control</p>	<p>Our Independence and Quality ControlManagement</p> <p>We have complied with the independence and relevant ethical requirements, * related to assurance engagements which are founded on fundamental principles of</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>due care, confidentiality and professional behaviour.</p> <p>The firm applies Australian Standard on Quality Control 1[#] and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements.</p> <p>[*] See ASA 102 <i>Compliance with Relevant Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>.</p> <p>[#] See ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Assurance Engagements and Related Services Engagements</i>.</p>	<p>We have complied with the independence and other ethical requirements of the International Ethics Standards Board for Accountants' <i>International Code of Ethics for Professional Accountants (including International Independence Standards)</i> (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.</p> <p>The firm applies International Standard on Quality Control Management 1² and accordingly maintains designs, implements and operates a comprehensive system of quality control management including documented policies and/or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p> <p><u>The firm applies International Standard on Quality Management 1², which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</u></p> <p>² ISQM 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements</i></p>	<p>integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</p> <p>The firm applies Australian Standard on Quality Control 1[#] and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with relevant ethical requirements and applicable legal and regulatory requirements. The firm applies <u>Australian Standard ASQM 1,[#] which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</u></p> <p>[*] See ASA 102 <i>Compliance with Relevant Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements</i>.</p> <p>[#] See ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports, Other Assurance Engagements and Related Services Engagements</i> See ASQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i>.</p>
<p>ASRS 4400 Agreed-Upon Procedures Engagements</p>			



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
<p>ASRS 4400 paragraph Aus 3.1 and its heading</p>	<p><i>Relationship with ASQC 1¹</i></p> <p>[Deleted by the AUASB. Refer Aus 3.1]</p> <p>Aus 0.1 Quality control systems, policies and procedures are the responsibility of the firm. ASQC 1 applies to firms of assurance practitioners in respect of a firm's agreed-upon procedures engagements. The provisions of this ASRS regarding quality control at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ASQC 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)</p> <p>¹ Australian Standard on Quality Control ASQC 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements.</i></p>	<p>Introduction</p> <p>Scope of this ISRS</p> <p><i>Relationship with ISQCM 1¹</i></p> <p>The systems of quality control management systems, and policies and procedures are the responsibility of the firm. ISQCM 1 applies to firms of professional accountants in respect of a firm's agreed-upon procedures engagements.^{1A} The provisions of this ISRS regarding quality control management at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ISQCM 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)</p> <p>¹ International Standard on Quality Control Management (ISQCM) 1, <i>Quality Control Management for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements</i></p> <p>^{1A} ISQM 1, paragraph 5</p>	<p><i>Relationship with ASQCM 1¹</i></p> <p>[Deleted by the AUASB. Refer Aus 3.1]</p> <p>Aus 0.1 The system of quality control management systems, and policies and procedures are the responsibility of the firm. ASQCM 1 applies to firms of assurance practitioners in respect of a firm's agreed-upon procedures engagements.² The provisions of this ASRS regarding quality control management at the level of individual agreed-upon procedures engagements are premised on the basis that the firm is subject to ASQCM 1 or requirements that are at least as demanding. (Ref: Para. A3–A8)</p> <p>¹ See Auditing Australian Standard on Quality Control ASQCM 1, <i>Quality Control Management for Firms that Perform Audits and Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements.</i></p> <p>² See ASQM 1, paragraph 5.</p>
<p>ASRS 4400 paragraph 13</p>	<p>Definitions</p> <p>For purposes of this ASRS, the following terms have the meanings attributed below:</p> <p>...</p>	<p>Definitions</p> <p>For purposes of this ISRS, the following terms have the meanings attributed below:</p> <p>...</p>	<p>Definitions</p> <p>For purposes of this ASRS, the following terms have the meanings attributed below:</p> <p>...</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>(c) Engagement partner – The partner or other person in the firm who is responsible for the engagement and its performance, and for the agreed-upon procedures report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.</p> <p>...</p> <p>(e) Engagement team – All partners and staff performing the agreed-upon procedures engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes a practitioner's external expert engaged by the firm or a network firm.</p> <p>...</p> <p>(k) Relevant ethical requirements – Ethical requirements the engagement team is subject to when undertaking agreed-upon procedures engagements. These requirements ordinarily comprise the Accounting Professional & Ethical Standards Board (APESB)'s <i>Code of Ethics for Professional Accountants (including Independence Standards)</i> (APESB Code) together with national</p>	<p>(c) Engagement partner – The partner or other person in <u>individual, appointed by</u> the firm, who is responsible for the engagement and its performance, and for the agreed-upon procedures report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.</p> <p>...</p> <p>(e) Engagement team— All partners and staff performing the agreed-upon procedures engagement, and any <u>other</u> individuals engaged by the firm or a network firm who perform procedures on the engagement. <u>This excludes</u> excluding a practitioner's external expert engaged by the firm or a network firm.</p> <p>...</p> <p>(k) Relevant ethical requirements – <u>Principles of professional ethics and e</u> Ethical requirements <u>that are applicable to the</u> engagement team is subject to when undertaking agreed-upon procedures engagements. These Relevant Ethical requirements ordinarily comprise the <u>provisions of</u> International Ethics Standards Board for Accountants' (IESBA) <i>International Code of Ethics for Professional Accountants (including International Independence</i></p>	<p>(c) Engagement partner – The partner or other person in <u>individual, appointed by</u> the firm, who is responsible for the engagement and its performance, and for the agreed-upon procedures report that is issued on behalf of the firm, and who, where required, has the appropriate authority from a professional, legal or regulatory body.</p> <p>...</p> <p>(e) Engagement team – All partners and staff performing the agreed-upon procedures engagement, and any <u>other</u> individuals engaged by the firm or a network firm who perform procedures on the engagement. <u>This excludes</u> excluding a practitioner's external expert engaged by the firm or a network firm.</p> <p>...</p> <p>(k) Relevant ethical requirements – <u>Principles of professional ethics and e</u> Ethical requirements <u>that are applicable to the</u> engagement team is subject to when undertaking agreed-upon procedures engagements. These Relevant ethical requirements ordinarily comprise the <u>provisions of</u> Accounting Professional & Ethical Standards Board (APESB)'s <i>Code of Ethics for Professional Accountants (including Independence Standards)</i></p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	requirements that are more restrictive.	<i>Standards</i> (IESBA Code), together with national requirements that are more restrictive.	(APESB Code), together with national requirements that are more restrictive.
ASRS 4400 paragraph 19	<p>Engagement Level Quality Control</p> <p>The engagement partner shall take responsibility for:</p> <ul style="list-style-type: none"> (a) The overall quality of the agreed-upon procedures engagement including, if applicable, work performed by a practitioner's expert; and (Ref: Para. A24) (b) The engagement being performed in accordance with the firm's quality control policies and procedures by: <ul style="list-style-type: none"> (i) Following appropriate procedures regarding the acceptance and continuance of client relationships and engagements; (Ref: Para. A25) (ii) Being satisfied that the engagement team, and any practitioner's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities to perform the agreed-upon procedures engagement; (iii) Being alert for indications of non-compliance by members of the engagement team with 	<p>Engagement Level Quality Control Management</p> <p>The engagement partner shall take <u>overall</u> responsibility for:</p> <ul style="list-style-type: none"> (a) The overall <u>Managing and achieving quality of</u> on the agreed-upon procedures engagement <u>and being sufficiently and appropriately involved throughout the engagement</u> including, if applicable, work performed by a practitioner's expert, <u>and being sufficiently and appropriately involved throughout the engagement</u>; and (Ref: Para. A24) (b) The engagement being performed in accordance with the firm's <u>quality control</u> policies and <u>procedures</u> by: <ul style="list-style-type: none"> (i) Following <u>appropriate</u> the firm's <u>policies or</u> procedures regarding the acceptance and continuance of client relationships and <u>agreed-upon procedures</u> engagements; (Ref: Para. A25) (iA) <u>Determining that sufficient and appropriate resources to perform the engagement are assigned or made</u> 	<p>Engagement Level Quality Control Management</p> <p>The engagement partner shall take <u>overall</u> responsibility for:</p> <ul style="list-style-type: none"> (a) The overall <u>Managing and achieving quality of</u> on the agreed-upon procedures engagement including, if applicable, work performed by a practitioner's expert, <u>and being sufficiently and appropriately involved throughout the engagement</u>; and (Ref: Para. A24) (b) The engagement being performed in accordance with the firm's quality <u>control</u> policies <u>and</u> procedures by: <ul style="list-style-type: none"> (i) Following <u>appropriate</u> the firm's <u>policies or</u> procedures regarding the acceptance and continuance of client relationships and <u>agreed-upon procedures</u> engagements; (Ref: Para. A25) (ii) <u>Determining that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner, taking into</u>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>relevant ethical requirements, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have not complied with relevant ethical requirements; (Ref: Para. A26)</p> <p>(iv) Directing, supervising and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; and</p> <p>(v) Taking responsibility for appropriate engagement documentation being maintained.</p>	<p><u>available to the engagement team in a timely manner, taking into account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement;</u></p> <p>(ii) Being satisfied that the engagement team, and any practitioner's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, <u>including being given having sufficient time</u>, to perform the agreed-upon procedures engagement;</p> <p>(iii) Being alert for indications of non-compliance <u>breaches of relevant ethical requirements</u> by members of the engagement team with relevant ethical requirements, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have not complied with <u>breached</u> relevant ethical requirements; (Ref: Para. A26)</p>	<p><u>account the nature and circumstances of the engagement, the firm's policies or procedures, and any changes that may arise during the engagement;</u></p> <p>(iii) Being satisfied that the engagement team, and any practitioner's experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, <u>including having sufficient time</u>, to perform the agreed-upon procedures engagement;</p> <p>(iv) Being alert for indications of <u>breaches of relevant ethical requirements</u> non-compliance by members of the engagement team with relevant ethical requirements, and determining the appropriate actions if matters come to the engagement partner's attention indicating that members of the engagement team have not complied with <u>breached</u> relevant ethical requirements; (Ref: Para. A26)</p> <p>(v) <u>Directing, and supervising engagement team members, reviewing their work, and performing the engagement in compliance with professional</u></p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
		<p>(iv) Directing, <u>and</u> supervising <u>engagement team members</u>, <u>reviewing their work</u>, and performing the engagement in compliance with professional standards and applicable legal and regulatory requirements; and</p> <p>(v) Taking responsibility for appropriate engagement documentation being <u>assembled</u>, <u>appropriately maintained and retained</u>.</p> <p>(vi) <u>When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.</u>^{5A}</p> <p><small>^{5A} ISQM 2, <i>Engagement Quality Reviews</i></small></p>	<p>standards and applicable legal and regulatory requirements; and</p> <p>(vi) Taking responsibility for appropriate engagement documentation being <u>assembled</u>, <u>appropriately maintained and retained</u>.</p> <p>(vii) <u>When an engagement quality review is required in accordance with ASQM 1 or the firm's policies or procedures, not dating the report until the completion of the engagement quality review.</u>³</p> <p><small>³ See ASQM 2, <i>Engagement Quality Reviews</i>.</small></p>
ASRS 4400 paragraph 21	<p>Engagement Acceptance and Continuance</p> <p>Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept or continue the engagement if the practitioner is aware of any facts or circumstances indicating that the procedures the practitioner is being asked to perform are inappropriate for the purpose of the agreed-upon</p>	<p>Engagement Acceptance and Continuance</p> <p>Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept or continue the <u>agreed-upon procedures</u> engagement if the practitioner is aware of any facts or circumstances indicating that the procedures the practitioner is being asked to perform are inappropriate for the purpose of</p>	<p>Engagement Acceptance and Continuance</p> <p>Before accepting or continuing an agreed-upon procedures engagement, the practitioner shall obtain an understanding of the purpose of the engagement. The practitioner shall not accept or continue the <u>agreed-upon procedures</u> engagement if the practitioner is aware of any facts or circumstances indicating that the procedures the practitioner is being asked to perform are inappropriate for the purpose of</p>



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	procedures engagement. (Ref: Para. A28–A31)	the agreed-upon procedures engagement. (Ref: Para. A28–A31)	the agreed-upon procedures engagement. (Ref: Para. A28–A31)
ASRS 4400 paragraph 23	If the engagement partner obtains information that would have caused the firm to decline the engagement had that information been available earlier, the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take necessary action.	If the engagement partner obtains information that may have caused the firm to decline the engagement had that information been <u>known by the firm prior to accepting or continuing the engagement available earlier</u> , the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take necessary action.	If the engagement partner obtains information that may would have caused the firm to decline the engagement had that information been <u>known by the firm prior to accepting or continuing the engagement available earlier</u> , the engagement partner shall communicate that information promptly to the firm, so that the firm and the engagement partner can take necessary action.
ASRS 4400 paragraph 26	<p><i>Recurring Agreed-Upon Procedures Engagements</i></p> <p>On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in the engagement acceptance considerations, require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A44)</p>	<p>Agreeing the Terms of the Engagement</p> <p><i>Recurring Agreed-Upon Procedures Engagements</i></p> <p>On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in the <u>firm's judgments about whether to accept or continue the engagement-acceptance considerations</u>, require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A44)</p>	<p><i>Recurring Agreed-Upon Procedures Engagements</i></p> <p>On recurring agreed-upon procedures engagements, the practitioner shall evaluate whether circumstances, including changes in the <u>firm's judgments about whether to accept or continue the engagement acceptance considerations</u>, require the terms of the engagement to be revised and whether there is a need to remind the engaging party of the existing terms of engagement. (Ref: Para. A44)</p>
ASRS 4400 paragraph 30	<p>The Agreed-Upon Procedures Report</p> <p>The agreed-upon procedures report shall be in writing and shall include: (Ref: Para. A51)</p>	<p>The Agreed-Upon Procedures Report</p> <p>The agreed-upon procedures report shall be in writing and shall include: (Ref: Para. A51)</p> <p>...</p>	<p>The Agreed-Upon Procedures Report</p> <p>The agreed-upon procedures report shall be in writing and shall include: (Ref: Para. A51)</p>



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	<p>(a) ...</p> <p>(m) A statement that the firm of which the practitioner is a member applies ASQC 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ASQC 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ASQC 1;</p> <p>(n) ...</p> <p>(q) The date of the agreed-upon procedures report;</p> <p>(r) ...</p>	<p>(m) A statement that the firm of which the practitioner is a member applies ISQEM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ISQEM 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ISQEM 1;</p> <p>...</p> <p>(q) The date of the agreed-upon procedures report. When an engagement quality review is required in accordance with ISQM 1 or the firm's policies or procedures, the practitioner shall not date the report until the completion of the engagement quality review.^{5A}; and (Ref: Para A58A)</p> <p>...</p> <p>^{5A} ISQM 2, <i>Engagement Quality Reviews</i></p>	<p>(a) ...</p> <p>(m) A statement that the firm of which the practitioner is a member applies ASQEM 1, or other professional requirements, or requirements in law or regulation, that are at least as demanding as ASQEM 1. If the practitioner is not a professional accountant, the statement shall identify the professional requirements, or requirements in law or regulation, applied that are at least as demanding as ASQEM 1;</p> <p>(n) ...</p>
ASRS 4400 paragraph A3 and its heading	<p><i>Relationship with ASQC 1</i> (Ref: Para. Aus 3.1)</p> <p>ASQC 1 deals with the firm's responsibilities to establish and maintain its system of quality control for related services engagements, including agreed-upon procedures engagements. Those</p>	<p><i>Relationship with ISQEMs-1</i> (Ref: Para. 3)</p> <p>ISQEM 1 deals with the firm's responsibilities to establish and maintain its design, implement and operate a system of quality control management for related services engagements, including agreed-upon procedures engagements.^{5B} ISQM 1 also deals with the firm's responsibility to establish</p>	<p><i>Relationship with ASQEM 1</i> (Ref: Para. Aus 3.1)</p> <p>ASQEM 1 deals with the firm's responsibilities to establish and maintain its design, implement and operate a system of quality control management for related services engagements, including agreed-upon procedures engagements.⁴ ASQM 1 also deals with the firm's responsibility to</p>



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	<p>responsibilities are directed at establishing:</p> <ul style="list-style-type: none"> • The firm's quality control system; and • The firm's related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies. 	<p>policies or procedures addressing engagements that are required to be subject to engagement quality reviews^{5C}. ISQM 2^{5C} deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.^{5D}</p> <p>Those responsibilities are directed at establishing:</p> <ul style="list-style-type: none"> <input type="checkbox"/> The firm's quality control system; and <input type="checkbox"/> The firm's related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies. <p>^{5A} ISQM 1, paragraph 1 ^{5B} ISQM 1, paragraph 2(a) ^{5C} ISQM 2, <i>Engagement Quality Reviews</i> ^{5D} ISQM 1, paragraph 2(b)</p>	<p>establish policies or procedures addressing engagements that are required to be subject to engagement quality reviews⁵. ASQM 2 deals with the appointment and eligibility of the engagement quality reviewer, and the performance and documentation of the engagement quality review.⁶ Those responsibilities are directed at establishing:</p> <ul style="list-style-type: none"> • The firm's quality control system; and • The firm's related policies designed to achieve the objective of the quality control system and its procedures to implement and monitor compliance with those policies. <p>⁴ See ASQM 1, paragraph 1. ⁵ See ASQM 1, paragraph 2(a). ⁶ See ASQM 1, paragraph 2(b).</p>
ASRS 4400 paragraph A4	<p>Under ASQC 1, the firm has an obligation to establish and maintain a system of quality control to provide it with reasonable assurance that:</p> <ul style="list-style-type: none"> (a) The firm and its personnel comply with professional standards and applicable legal and regulatory requirements; and (b) Reports issued by the firm or engagement partners are appropriate in the circumstances.² 	<p>Under ISQCM 1, the objective of the firm has an obligation to establish and maintain is to design, implement and operate a system of quality control management for related services engagements, including agreed-upon procedures engagements, that to provides it the firm with reasonable assurance that:</p> <ul style="list-style-type: none"> (a) The firm and its personnel comply fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and 	<p>Under ASQCM 1, the objective of the firm has an obligation to establish and maintain is to design, implement and operate a system of quality control management for related services engagements, including agreed-upon procedures engagements, that to provides the firm it with reasonable assurance that:</p> <ul style="list-style-type: none"> (a) The firm and its personnel comply fulfill their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct



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	<p>² ASQC 1, paragraph 11.</p>	<p>(b) Reports <u>Engagement reports</u> issued by the firm or engagement partners are appropriate in the circumstances.²</p> <p>² ISQCM 1, paragraph 4+14</p>	<p><u>engagements in accordance with such standards and requirements;</u> and</p> <p>(b) Engagement r <u>Reports</u> issued by the firm or engagement partners are appropriate in the circumstances.²</p> <p>² See ASQCM 1, paragraph 4+14.</p>
<p>ASRS 4400 paragraph A5</p>	<p>A jurisdiction that has not adopted ASQC 1 in relation to agreed-upon procedures engagements may set out requirements for quality control in firms performing such engagements. The provisions of this ASRS regarding quality control at the engagement level are premised on the basis that quality control requirements adopted are at least as demanding as those of ASQC 1. This is achieved when those requirements impose obligations on the firm to achieve the aims of the requirements of ASQC 1, including an obligation to establish a system of quality control that includes policies and procedures that address each of the following elements:</p> <ul style="list-style-type: none"> • Leadership responsibilities for quality within the firm; • Relevant ethical requirements; • Acceptance and continuance of client relationships and specific engagements; • Human resources; 	<p>A jurisdiction that has not adopted ISQCM 1 in relation to agreed-upon procedures engagements may set out requirements for quality control <u>management</u> in firms performing such engagements. The provisions of this ISRS regarding quality control <u>management</u> at the engagement level are premised on the basis that quality control <u>management</u> requirements adopted are at least as demanding as those of ISQCM 1. This is achieved when those requirements <u>address the requirements of ISQM 1 and impose obligations on the firm to achieve the objective of ISQM 1.</u> impose obligations on the firm to achieve the aims of the requirements of ISQCM 1, including an obligation to establish a system of quality control that includes policies and procedures that address each of the following elements. <u>Compliance with ISQM 1 requires, among other things, that the firm's system of quality management addresses the following eight components:</u>^{6A}</p> <p>(a) <u>The firm's risk assessment process;</u></p>	<p>A jurisdiction that has not adopted ASQCM 1 in relation to agreed-upon procedures engagements may set out requirements for quality control <u>management</u> in firms performing such engagements. The provisions of this ASRS regarding quality control <u>management</u> at the engagement level are premised on the basis that quality control <u>management</u> requirements adopted are at least as demanding as those of ASQCM 1. This is achieved when those requirements <u>address the requirements of ASQM 1 and impose obligations on the firm to achieve the objective of ASQM 1.</u> impose obligations on the firm to achieve the aims of the requirements of ASQC 1, including an obligation to establish a system of quality control that includes policies and procedures that address each of the following elements. <u>Compliance with ASQM 1 requires, among other things, that the firm's system of quality management addresses the following eight components:</u>⁸</p> <p>(a) <u>The firm's risk assessment process;</u></p> <p>(b) <u>Governance and leadership;</u></p>



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	<ul style="list-style-type: none"> • Engagement performance; and • <u>Monitoring.</u> 	<p>(b) <u>Governance and leadership;</u></p> <p>(c) <u>Relevant ethical requirements;</u></p> <p>(d) <u>Acceptance and continuance of client relationships and specific engagements;</u></p> <p>(e) <u>Engagement performance;</u></p> <p>(f) <u>Resources;</u></p> <p>(g) <u>Information and communication; and</u></p> <p>(h) <u>The monitoring and remediation process elements:-</u></p> <ul style="list-style-type: none"> <input type="checkbox"/> Leadership responsibilities for quality within the firm; <input type="checkbox"/> Relevant ethical requirements; <input type="checkbox"/> Acceptance and continuance of client relationships and specific engagements; <input type="checkbox"/> Human resources; <input type="checkbox"/> Engagement performance; and <input type="checkbox"/> Monitoring. <p>^{6A} <u>ISQM 1, paragraph 6</u></p>	<p>(c) <u>Relevant ethical requirements;</u></p> <p>(d) <u>Acceptance and continuance of client relationships and specific engagements;</u></p> <p>(e) <u>Engagement performance;</u></p> <p>(f) <u>Resources;</u></p> <p>(g) <u>Information and communication; and</u></p> <p>(h) <u>The monitoring and remediation process.</u></p> <ul style="list-style-type: none"> • Leadership responsibilities for quality within the firm; • Relevant ethical requirements; • Acceptance and continuance of client relationships and specific engagements; • Human resources; • Engagement performance; and • <u>Monitoring.</u> <p>⁸ See ASQM 1, paragraph 6.</p>
ASRS 4400 paragraph A6	<p>Within the context of the firm's system of quality control, engagement teams have a responsibility to implement quality control procedures applicable to the engagement.</p>	<p>Within the context of the firm's system of quality control <u>management</u>, engagement teams have a responsibility to implement <u>quality control</u> policies or procedures applicable to the engagement.</p>	<p>Within the context of the firm's system of quality control <u>management</u>, engagement teams have a responsibility to implement <u>quality control</u> policies or procedures applicable to the engagement.</p>



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<p>ASRS 4400 paragraph A7</p>	<p>Unless information provided by the firm or other parties suggests otherwise, the engagement team is entitled to rely on the firm's system of quality control. For example, the engagement team may rely on the firm's system of quality control in relation to:</p> <ul style="list-style-type: none"> • Competence of personnel through their recruitment and formal training. • Maintenance of client relationships through acceptance and continuance systems. • Adherence to legal and regulatory requirements through the monitoring process. <p>In considering deficiencies identified in the firm's system of quality control that may affect the agreed-upon procedures engagement, the engagement partner may consider measures taken by the firm to rectify the situation that the engagement partner considers are sufficient in the context of that agreed-upon procedures engagement.</p>	<p>Unless information provided by the firm or other parties suggests otherwise Ordinarily, the engagement team is entitled to rely may depend on the firm's system of quality control management unless:</p> <ul style="list-style-type: none"> <input type="checkbox"/> <u>The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u> <input type="checkbox"/> <u>Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.</u> <p>For example, the engagement team may rely depend on the firm's system of quality control management in relation to:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Competence <u>and capabilities</u> of personnel through their recruitment and formal training. <input type="checkbox"/> Maintenance of client relationships through <u>the firm's policies or procedures for acceptance and continuance of client relationships and agreed-upon procedures engagements systems.</u> <input type="checkbox"/> Adherence to legal and regulatory requirements through the <u>firm's monitoring and remediation</u> process. 	<p>Unless information provided by the firm or other parties suggests otherwise Ordinarily, the engagement team is entitled to rely may depend on the firm's system of quality control management unless:-</p> <ul style="list-style-type: none"> • <u>The engagement team's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u> • <u>Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.</u> <p>For example, the engagement team may rely depend on the firm's system of quality control management in relation to:</p> <ul style="list-style-type: none"> • Competence <u>and capabilities</u> of personnel through their recruitment and formal training. • Maintenance of client relationships through <u>the firm's policies or procedures for acceptance and continuance of client relationships and agreed-upon procedures engagements systems.</u> • Adherence to legal and regulatory requirements through the <u>firm's monitoring and remediation</u> process. <p>In considering deficiencies² identified in the firm's system of quality control management that may affect the</p>



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		<p>In considering deficiencies^{7A} identified in the firm's system of quality control<u>management</u> that may affect the agreed-upon procedures engagement, the engagement partner may consider measures<u>the remedial actions</u> undertaken by the firm to address the situation<u>those deficiencies</u> that the engagement partner considers are sufficient in the context of that agreed-upon procedures engagement.</p> <p>^{7A} ISQM 1, paragraph 16(a)</p>	<p>agreed-upon procedures engagement, the engagement partner may consider measures<u>the remedial actions undertaken by the firm to address those deficiencies to rectify the situation</u> that the engagement partner considers are sufficient in the context of that agreed-upon procedures engagement.</p> <p>⁹ See ASQM 1, paragraph 16(a).</p>
ASRS 4400 paragraph A8	<p>A deficiency in the firm's system of quality control does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.</p>	<p>A deficiency in the firm's system of quality control<u>management</u> does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.</p>	<p>A deficiency in the firm's system of quality control<u>management</u> does not necessarily indicate that an agreed-upon procedures engagement was not performed in accordance with professional standards and applicable legal and regulatory requirements, or that the agreed-upon procedures report was not appropriate.</p>
ASRS 4400 paragraph A24 and its heading	<p>Engagement Level Quality Control (Ref: Para. 19–20)</p> <p>The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking responsibility for the overall quality on each engagement, emphasise the importance to achieving the quality of the engagement of:</p>	<p>Engagement Level Quality Control<u>Management</u> (Ref: Para. 19–20)</p> <p>The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking <u>overall</u> responsibility for the overall<u>managing and achieving</u> quality on each engagement, emphasize the importance to achieving the quality of the engagement of:</p>	<p>Engagement Level Quality Control<u>Management</u> (Ref: Para. 19–20)</p> <p>The actions of the engagement partner and appropriate messages to the other members of the engagement team, in taking <u>overall</u> responsibility for the overall<u>managing and achieving</u> quality on each engagement, emphasise the importance to achieving the quality of the engagement of:</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements; (b) Complying with the firm's quality control policies and procedures as applicable; and (c) Issuing the practitioner's report for the engagement in accordance with this ASRS. 	<ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements; (b) Complying with the firm's quality control policies and/or procedures as applicable; and (c) Issuing the practitioner's report for the engagement in accordance with this ISRS. 	<ul style="list-style-type: none"> (a) Performing work that complies with professional standards and regulatory and legal requirements; (b) Complying with the firm's quality control policies and/or procedures as applicable; and (c) Issuing the practitioner's report for the engagement in accordance with this ASRS.
ASRS 4400 paragraph A25	<p>ASQC1 requires the firm to obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client. Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate may include information concerning the integrity of the principal owners, key management and those charged with governance. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.</p>	<p>ISQCM 1 requires the firm to <u>establish a quality objectives dealing with the appropriateness of to obtain such</u> its judgments about whether to accept or continue a client relationship or engagement based on information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client <u>obtained about the nature and circumstances of the agreed-upon procedures engagement and</u> Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate <u>may include information concerning the integrity and ethical values of the principal owners, key client (including management, and, when</u></p>	<p>ASQCM 1 requires the firm to <u>establish quality objectives dealing with the appropriateness of its judgements about whether to accept or continue a client relationship or engagement based on</u> obtain such information as it considers necessary in the circumstances before accepting an engagement with a new client, when deciding whether to continue an existing engagement, and when considering acceptance of a new engagement with an existing client <u>obtained about the nature and circumstances of the agreed-upon procedures engagement and.</u> Information that assists the engagement partner in determining whether acceptance or continuance of client relationships and agreed-upon procedures engagements is appropriate <u>may include information concerning the integrity and ethical values of the client (including principal owners, key management, and, when appropriate, those charged with governance) that is</u></p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
		<p><u>appropriate</u>, those charged with governance) <u>that is sufficient to support such judgements</u>. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.</p>	<p><u>sufficient to support such judgements</u>. If the engagement partner has cause to doubt management's integrity to a degree that is likely to affect proper performance of the engagement, it may not be appropriate to accept the engagement.</p>
ASRS 4400 paragraph A26	<p>ASQC1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply with relevant ethical requirements. This ASRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements.</p>	<p>ISQCM 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply <u>quality objectives that address the fulfillment of responsibilities in relation to the</u> with relevant ethical requirements. This ISRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements.^{6A} ^{6A} ISQM 1, paragraph 29</p>	<p>ASQCM 1 sets out the responsibilities of the firm for establishing policies and procedures designed to provide it with reasonable assurance that the firm and its personnel comply <u>quality objectives that address the fulfillment of responsibilities in relation to</u> with relevant ethical requirements. This ASRS sets out the engagement partner's responsibilities with respect to the engagement team's compliance with relevant ethical requirements.¹⁴ ¹⁴ See ASQM 1, paragraph 29.</p>
ASRS 4400 paragraph A37	<p><i>Compliance with Independence Requirements</i> (Ref: Para. 22(e), 24(e))</p> <p>Paragraph 22(e) applies when the practitioner is required to comply with independence requirements for reasons such as those set out in paragraph A15. Paragraph 22(e) also applies when the practitioner agrees with the engaging party, in the terms of engagement, to comply with independence requirements. For example, the practitioner may have initially determined that the practitioner is</p>	<p>Engagement Acceptance and Continuance (Ref: Para. 21–23)</p> <p><i>Compliance with Independence Requirements</i> (Ref: Para. 22(e), 24(e))</p> <p>Paragraph 22(e) applies when the practitioner is required to comply with independence requirements for reasons such as those set out in paragraph A15. Paragraph 22(e) also applies when the practitioner agrees with the engaging party, in the terms of engagement, to comply</p>	<p><i>Compliance with Independence Requirements</i> (Ref: Para. 22(e), 24(e))</p> <p>Paragraph 22(e) applies when the practitioner is required to comply with independence requirements for reasons such as those set out in paragraph A15. Paragraph 22(e) also applies when the practitioner agrees with the engaging party, in the terms of engagement, to comply with independence requirements. For example, the practitioner may have initially determined that the practitioner is not</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p>not required by relevant ethical requirements, law or regulation, or other reasons to comply with independence requirements. However, when considering engagement acceptance and continuance or agreeing the terms of engagement, the practitioner's knowledge of the following matters may indicate that a discussion with the engaging party as to whether compliance with certain identified independence requirements is appropriate for the purpose of the agreed-upon procedures engagement:</p> <ul style="list-style-type: none"> • ... 	<p>with independence requirements. For example, the practitioner may have initially determined that the practitioner is not required by relevant ethical requirements, law or regulation, or other reasons to comply with independence requirements. However, when considering <u>engagement</u> acceptance and continuance <u>of the engagement</u> or agreeing the terms of engagement, the practitioner's knowledge of the following matters may indicate that a discussion with the engaging party as to whether compliance with certain identified independence requirements is appropriate for the purpose of the agreed-upon procedures engagement:</p> <p>...</p>	<p>required by relevant ethical requirements, law or regulation, or other reasons to comply with independence requirements. However, when considering <u>engagement</u> acceptance and continuance <u>of the engagement</u> or agreeing the terms of engagement, the practitioner's knowledge of the following matters may indicate that a discussion with the engaging party as to whether compliance with certain identified independence requirements is appropriate for the purpose of the agreed-upon procedures engagement:</p> <ul style="list-style-type: none"> • ...
ASRS 4400 paragraph A47	<p>A practitioner's expert may be an external expert engaged by the practitioner or an internal expert who is part of the firm and therefore subject to the firm's system of quality control. The practitioner is entitled to rely on the firm's system of quality control, unless information provided by the firm or other parties suggests otherwise. The extent of that reliance will vary with the circumstances and may affect the nature, timing and extent of the practitioner's procedures with respect to matters such as:</p>	<p>A practitioner's expert may be an external expert engaged by the practitioner or an internal expert who is part of the firm and therefore subject to the firm's system of quality control <u>management</u>. Ordinarily, t<u>The practitioner may depend is entitled to rely on the firm's system of quality control <u>management</u>, unless:</u></p> <ul style="list-style-type: none"> □ <u>The practitioner's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u> 	<p>A practitioner's expert may be an external expert engaged by the practitioner or an internal expert who is part of the firm and therefore subject to the firm's system of quality control <u>management</u>. Ordinarily, t<u>The practitioner may depend is entitled to rely on the firm's system of quality control <u>management</u>, unless:</u></p> <ul style="list-style-type: none"> • <u>The practitioner's understanding or practical experience indicates that the firm's policies or procedures will not effectively address the nature and circumstances of the engagement; or</u> • <u>Information provided by the firm or other parties, about the effectiveness</u>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<ul style="list-style-type: none"> Competence and capabilities, through recruitment and training programs. The practitioner's evaluation of the objectivity of the practitioner's expert. Agreement with the practitioner's expert. <p>Such reliance does not reduce the practitioner's responsibility to meet the requirements of this ASRS.</p>	<ul style="list-style-type: none"> <input type="checkbox"/> <u>Information provided by the firm or other parties, about the effectiveness of such policies or procedures suggests otherwise.</u> <p>information provided by the firm or other parties suggests otherwise. The extent of that reliance dependence will vary with the circumstances and may affect the nature, timing and extent of the practitioner's procedures with respect to matters such as:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Competence and capabilities, through recruitment and training programs. <input type="checkbox"/> The practitioner's evaluation of the objectivity of the practitioner's expert. <input type="checkbox"/> Agreement with the practitioner's expert. <p>Such reliance dependence does not reduce the practitioner's responsibility to meet the requirements of this ISRS.</p>	<p><u>of such policies or procedures suggests otherwise.</u></p> <p>information provided by the firm or other parties suggests otherwise. The extent of that reliance dependence will vary with the circumstances and may affect the nature, timing and extent of the practitioner's procedures with respect to matters such as:</p> <ul style="list-style-type: none"> Competence and capabilities, through recruitment and training programs. The practitioner's evaluation of the objectivity of the practitioner's expert. Agreement with the practitioner's expert. <p>Such reliance dependence does not reduce the practitioner's responsibility to meet the requirements of this ASRS.</p>
ASRS 4400 Appendix 2 Illustration 1	<p><i>Professional Ethics and Quality Control</i></p> <p>We have complied with the ethical requirements in [describe the relevant ethical requirements], including the fundamental principle of objectivity. For the purpose of this engagement, there are no independence requirements with which we are required to comply.</p> <p>Our firm applies Australian Standard on Quality Control ASQC 1, <i>Quality Control for Firms that Perform Audits and</i></p>	<p>Illustration 1</p> <p><i>Professional Ethics and Quality Control Management</i></p> <p>...</p> <p>Our firm applies International Standard on Quality Control Management (ISQCM) 1, Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements, and</p>	<p><i>Professional Ethics and Quality Control Management</i></p> <p>...</p> <p>Our firm applies Australian Standard on Quality Control ASQC 1, Quality Control for Firms that Perform Audits and Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements, and accordingly, maintains a comprehensive system of quality control including documented policies and</p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	<p><i>Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements</i>, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>	<p>accordingly, maintains a comprehensive system of quality control management including documented policies and or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>	<p>procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our firm applies Auditing Standard ASQM 1, Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>
<p>ASRS 4400 Appendix 2 Illustration 2</p>	<p>Professional Ethics and Quality Control</p> <p>We have complied with the ethical requirements in [describe the relevant ethical requirements], including the fundamental principle of objectivity and the independence requirements in accordance with [describe the relevant independence requirements].¹¹</p> <p>Our firm applies Australian Standard on Quality Control ASQC 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements</i>, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding</p>	<p>Illustration 2</p> <p><i>Professional Ethics and Quality Control</i> Management</p> <p>...</p> <p>Our firm applies International Standard on Quality Control Management (ISQCM) 1, <i>Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Statements, and/or Other Assurance and/or Related Services Engagements</i>, and accordingly, maintains design, implement and operate a comprehensive system of quality control management including documented policies and or procedures regarding compliance with ethical requirements,</p>	<p><i>Professional Ethics and Quality Control</i> Management</p> <p>...</p> <p>Our firm applies Australian Standard on Quality Control ASQC 1, <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports, and Other Assurance Engagements and Related Services Engagements</i>, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. Our firm applies Auditing Standard ASQM 1, <i>Quality Management for Firms that Perform Audits or Reviews of</i></p>



1. AUASB Standard Para No.	2. Extant Wording in AUASB Standards	3. Amendments made by the IAASB to other IAASB's Standards	4. Amendments proposed by ATG
	compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.	<p>professional standards and applicable legal and regulatory requirements.</p> <p><u>Our firm applies International Standard on Quality Management 1, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</u></p>	<p><i>Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i>, which requires the firm to <u>design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</u></p>

Draft

April 2022

Explanatory Memorandum

Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

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

Draft



Australian Government
Auditing and Assurance Standards Board

Obtaining a Copy of this Explanatory Memorandum

This Explanatory Memorandum is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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CONTENTS

	<i>Paragraphs</i>
Introduction	1
Background	2-3
Overview	4-8
Request for Comments	9
Exposure Draft Questions	
Application	10
Comment Date	11-12

ATTACHMENT 1: Exposure Draft 01/22 *Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a Result of the New and Revised Quality Management Standards*

Draft

EXPLANATORY MEMORANDUM

Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

Introduction

1. The AUASB is seeking feedback from stakeholders on proposed conforming and consequential amendments to the Australian-specific AUASB Standards in response to the new and revised Quality Management (QM) standards, which are detailed in the attachment – Exposure Draft 01/22 *Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards* (ED 01/22). The aim of this Explanatory Memorandum is to provide stakeholders with information about ED 01/22.

Background

2. The conforming amendments to Australian Auditing Standards arising from the QM Standards (ASA 2021-2) were issued with the QM Standards in March 2021. In January 2022, the IAASB issued the [*Conforming and Consequential Amendments to the IAASB's Other Standards as a Result of the New and Revised Quality Management Standards*](#). These conforming amendments have previously been exposed in Australia in conjunction with the IAASB's exposure draft.
3. As part of the AUASB's strategic objective to develop and issue Australian Auditing and Assurance Standards that are in the public interest and meet the needs of stakeholders based on IAASB equivalents in accordance with AUASB functions and our direction from the Financial Reporting Council (FRC), the AUASB has undertaken a review of the Australian-specific AUASB standards and proposed conforming and consequential amendments to the Australian-specific AUASB Standards in response to the new and revised Quality Management (QM) standards.

Overview

4. This Explanatory Memorandum gives Australian stakeholders an overview of:
 - a) Exposure draft questions; and
 - b) How to provide comments and the comment date.
5. The AUASB is issuing this exposure draft covering the necessary conforming and consequential amendments to address inconsistencies between the Australian-specific AUASB Standards with the new and revised QM standards. The purpose of making the amendments is solely to avoid conflicts with the QM standards and to ensure that the Australian-specific AUASB Standards can continue to be applied together with the QM standards.
6. The conforming and consequential amendments have a narrow scope and do not involve re-consideration of the objectives, requirements, and application material of the Australian-specific AUASB Standards, in their own right. The proposed conforming and consequential amendments to the Australian-specific AUASB Standards comprise two categories:
 - a) Category 1: Update links to the structure and concepts in ASQM 1, ASQM 2 and ASA 220
 - b) Category 2: Update to references and other terminology to align with ASQM 1 and ASQM 2
7. The ED also includes updating the references to ASA 315 *Identifying and Assessing the Risks of Material Misstatement* and ASRS 4400 *Agreed-Upon Procedures Engagements*.

Explanatory Memorandum: *Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards*

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8. A tabular presentation format has been used to show the extant text, the proposed conforming and consequential amendments to the Australian-specific AUASB Standards, and the rationale of the proposed amendments.

Request for Comments

9. The AUASB requests comments on all matters in relation to ED 01/22, but specifically in relation to the questions below. Stakeholders may address only specific questions relevant to them or raise matters not specifically addressed by a question.

Exposure Draft Questions

1. Do respondents believe the proposed conforming and consequential amendments are sufficient to resolve actual or perceived inconsistencies between the Australian-specific AUASB Standards and the new and revised QM standards?
2. Do respondents support the proposed effective date?
3. Have applicable laws and regulations been appropriately addressed in the proposed conforming and consequential amendments to the Australian-specific AUASB Standards? Are there any references to relevant laws or regulations that have been omitted?
4. Whether there are any laws or regulations that may, or do, prevent or impede the application of the proposed conforming and consequential amendments to the Australian-specific AUASB Standards, or may conflict with the proposed conforming and consequential amendments to the Australian-specific AUASB Standards?
5. Whether there are any principles and practices considered appropriate in maintaining or improving audit quality in Australia that may, or do, prevent or impede the application of the proposed conforming and consequential amendments to the Australian-specific AUASB Standards, or may conflict with the proposed conforming and consequential amendments to the Australian-specific AUASB Standards?
6. What, if any, are the additional significant costs to/benefits for auditors and the business community arising from compliance with the requirements of this proposed conforming and consequential amendments to the Australian-specific AUASB Standards? If significant costs are expected, the AUASB would like to understand:
 - (i) Where those costs are likely to occur;
 - (ii) The estimated extent of costs, in percentage terms (relative to audit fees); and
 - (iii) Whether expected costs outweigh the benefits to the users of audit services?
7. Are there any other significant public interest matters that stakeholders wish to raise?

Application

10. To align with the effective date of the revised QM standards, the AUASB proposed effective date of the amendments are for:
- a) Reviews of financial reports for financial reporting periods commencing on or after 15 December 2022; and
 - b) Other assurance and related services engagements commencing on or after 15 December 2022.

Comment Date

11. Comments to the AUASB will close on Tuesday 31 May 2022.
12. At the completion of the exposure period, the AUASB will consider stakeholders' submissions.

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**ATTACHMENT 1 – EXPOSURE DRAFT 01/22 PROPOSED
CONFORMING AND CONSEQUENTIAL AMENDMENTS TO
THE AUSTRALIAN-SPECIFIC AUASB STANDARDS AS A
RESULT OF THE NEW AND REVISED QUALITY
MANAGEMENT STANDARDS**

Draft

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

Conforming and Consequential Amendments to the other Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

Where this document inserts or deletes a paragraph or footnote, as a result of that insertion or deletion relevant paragraph numbers, cross-references and footnotes are updated. Where this document inserts, deletes or amends a heading or a sub-heading, as a result of that insertion, deletion or amendment, the heading or sub-heading on the Table of Contents are updated.

1. Paragraph No.	2. Extant Wording	3. Proposed Change	4. Reason
Other AUASB Standards in harmonisation with NZAuASB			
ASRE 2410 <i>Review of a Financial Report Performed by the Independent Auditor of the Entity</i>			
ASRE 2410 paragraph 9	The auditor shall implement quality control procedures that are applicable to the individual engagement.	The auditor shall implement quality control <u>management</u> procedures that are applicable to the individual engagement.	Change in terminology consistent with ASQM 1
ASRE 2410 paragraph 13	The auditor shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports, sufficient to plan and conduct the engagement so as to be able to: ...	The auditor shall obtain an understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity's system of including its internal control,</u> as it relates to the preparation of both the annual and interim or other financial reports, sufficient to plan and conduct the engagement so as to be able to: ...	ASA 315 terminology change – see ASA 2020-1 paragraph 9
ASRE 2410 paragraph 14	In order to plan and conduct a review of a financial report, a recently appointed auditor, who has not yet performed an audit of the annual financial report in accordance with Australian Auditing Standards, shall obtain an understanding of the entity and its environment, including its internal control, as it relates to the preparation of both the annual and interim or other financial reports.	In order to plan and conduct a review of a financial report, a recently appointed auditor, who has not yet performed an audit of the annual financial report in accordance with Australian Auditing Standards, shall obtain an understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity's system of including its internal control,</u> as it relates to the preparation of both the annual and interim or other financial reports.	ASA 315 terminology change – see ASA 2020-1 paragraph 9
ASRE 2410 paragraph A4	Through performing the audit of the annual financial report, the auditor obtains an	Through performing the audit of the annual financial report, the auditor obtains an	ASA 315 terminology

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	<p>understanding of the entity and its environment, including its internal control. When the auditor is engaged to review the financial report, under paragraph 13, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of a financial report, and who is not the auditor of the entity, does not perform the review in accordance with ASRE 2410*, as the practitioner ordinarily does not have the same understanding of the entity and its environment, including its internal control, as the auditor of the entity.</p> <p>Although other Auditing Standards do not apply to review engagements, they include guidance which may be helpful to auditors performing reviews covered by this Auditing Standard.</p>	<p>understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity’s system of including its internal control.</u> When the auditor is engaged to review the financial report, under paragraph 13, the auditor needs to update this understanding through enquiries made in the course of the review, to assist the auditor in focusing the enquiries to be made and the analytical and other review procedures to be applied. A practitioner who is engaged to perform a review of a financial report, and who is not the auditor of the entity, does not perform the review in accordance with ASRE 2410*, as the practitioner ordinarily does not have the same understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity’s system of including its internal control,</u> as the auditor of the entity.</p> <p>Although other Auditing Standards do not apply to review engagements, they include guidance which may be helpful to auditors performing reviews covered by this Auditing Standard.</p>	<p>change – see ASA 2020-1 paragraph 9</p>
<p>ASRE 2410 paragraph A6</p>	<p>The elements of quality control that are relevant to an individual engagement include leadership responsibilities for quality on the engagement, ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams, engagement performance, and monitoring. ASQC 1 and ASA 220⁶ include guidance that may be helpful.</p> <p>⁶ See ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i> and ASA 220 <i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information.</i></p>	<p>The elements of quality control <u>management</u> that are relevant to an individual engagement include leadership responsibilities for <u>managing and achieving</u> quality on the engagement, <u>relevant</u> ethical requirements, acceptance and continuance of client relationships and specific engagements, assignment of engagement teams <u>engagement resources,</u> engagement performance, and <u>monitoring and remediation.</u> ASQCM 1 and ASA 220⁶ include guidance that may be helpful.</p> <p>⁶ See ASQCM 1 <i>Quality Control Management for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance or Related Services Engagements</i> and ASA 220 <i>Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information.</i></p>	<p>Change consistent with ASRE 2400 paragraphs 25 and 28</p>

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

<p>ASRE 2410 paragraph A9</p>	<p>Under ASA 315 <i>Identifying and Assessing the Risks of Material Misstatement</i>, the auditor who has audited the entity’s financial report for one or more annual periods has obtained an understanding of the entity and its environment, including its internal control, as it relates to the preparation of the annual financial report, that was sufficient to conduct the audit. In planning a review of a financial report, the auditor needs to update this understanding. The auditor also needs to obtain a sufficient understanding of internal control as it relates to the preparation of the financial report subject to review, as it may differ from internal control as it relates to the preparation of the annual financial report.</p>	<p>Under ASA 315 <i>Identifying and Assessing the Risks of Material Misstatement</i>, the auditor who has audited the entity’s financial report for one or more annual periods has obtained an understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity’s system of including its internal control</u>, as it relates to the preparation of the annual financial report, that was sufficient to conduct the audit. In planning a review of a financial report, the auditor needs to update this understanding. The auditor also needs to obtain a sufficient understanding of <u>the entity’s system of internal control</u> as it relates to the preparation of the financial report subject to review, as it may differ from internal control as it relates to the preparation of the annual financial report.</p>	<p>ASA 315 terminology change – see ASA 2020-1 paragraph 9</p>
<p>ASRE 2410 paragraph A10</p>	<p>The auditor needs to use the understanding of the entity and its environment, including its internal control, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied.</p>	<p>The auditor needs to use the understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity’s system of including its internal control</u>, to determine the enquiries to be made and the analytical and other review procedures to be applied, and to identify the particular events, transactions or assertions to which enquiries may be directed or analytical or other review procedures applied.</p>	<p>ASA 315 terminology change – see ASA 2020-1 paragraph 9</p>
<p>ASRE 2410 paragraph A11</p>	<p>The procedures performed by the auditor to update the understanding of the entity and its environment, including its internal control, ordinarily include the following:</p> <p>...</p> <p>(j) enquiring of management about the effect of changes in the entity’s business activities;</p> <p>...</p>	<p>The procedures performed by the auditor to update the understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity’s system of including its internal control</u>, ordinarily include the following:</p> <p>...</p> <p>(j) enquiring of management <u>and of other appropriate individuals within the entity</u> about the effect of changes in the entity’s business activities;</p> <p>...</p>	<p>Change consistent with ASA 315 paragraph 14(a)</p>

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

ASRE 2410 paragraph A19	A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of a financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial report. The auditor's understanding of the entity and its environment, including its internal control, the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the financial report, affects the nature and extent of the enquiries made, and analytical and other review procedures applied.	A review ordinarily does not require tests of the accounting records through inspection, observation or confirmation. Procedures for performing a review of a financial report ordinarily are limited to making enquiries, primarily of persons responsible for financial and accounting matters and applying analytical and other review procedures, rather than corroborating information obtained concerning matters relating to the financial report. The auditor's understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity's system of including its internal control</u> , the results of the risk assessments relating to the preceding audit and the auditor's consideration of materiality as it relates to the financial report, affects the nature and extent of the enquiries made, and analytical and other review procedures applied.	ASA 315 terminology change – see ASA 2020-1 paragraph 9
ASRE 2410 paragraph A21	The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the financial report. For example, it may be practicable to update the understanding of the entity and its environment, including its internal control, and begin reading applicable minutes before the end of the period. Performing some of the review procedures earlier in the period also permits early identification and consideration of significant accounting matters affecting the financial report.	The auditor may perform many of the review procedures before or simultaneously with the entity's preparation of the financial report. For example, it may be practicable to update the understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity's system of including its internal control</u> , and begin reading applicable minutes before the end of the period. Performing some of the review procedures earlier in the period also permits early identification and consideration of significant accounting matters affecting the financial report.	ASA 315 terminology change – see ASA 2020-1 paragraph 9
ASAE 3100 Compliance Engagements			
ASAE 3100 paragraph 5 Footnote 1	See ASRS 4400 <i>Agreed upon Procedures Engagements to Report Factual Findings</i> .	See ASRS 4400 <i>Agreed-Upon Procedures Engagements to Report Factual Findings</i> .	Change in title

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

ASAE 3100 Paragraph 10	This ASAE requires the assurance practitioner to apply the ASAE 3000 requirement to comply with relevant ethical requirements related to assurance engagements. It also requires the lead assurance practitioner to be a member of a firm that applies ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements</i> .	This ASAE requires the assurance practitioner to apply the ASAE 3000 requirement to comply with relevant ethical requirements related to assurance engagements. It also requires the lead assurance practitioner to be a member of a firm that applies ASQEM 1 <i>Quality Control Management for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Financial Information, or Other Assurance or Engagements and Related Services Engagements</i> .	Change in title
ASAE 3100 paragraph 17(1)	Firm—A sole assurance practitioner, partnership or corporation or other entity of individual assurance practitioners. “Firm” should be read as referring to its public sector equivalents where relevant.	No change.	The definition in ASAE 3100 is consistent with ASAE 3000, the IAASB did not change the definition in ISAE 3000. The main change in definition of firm in ISQM 1 was the inclusion of public sector which is already in AUASB extant definition. On that basis no change at this time.
ASAE 3100 paragraph 28 and its heading	Quality Control The assurance practitioner shall implement quality control management procedures as required by ASAE 3000. ¹³	Quality Control Management The assurance practitioner shall implement quality control management procedures as required by ASAE 3000. ¹³	Change in terminology consistent with ASQM 1
ASAE 3100 paragraph 56(1)	A statement that the firm of which the assurance practitioner is a member applies ASQC 1;	A statement that the firm of which the assurance practitioner is a member applies ASQEM 1;	Change in title

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	
ASAE 3100 paragraph A7	Relevant competence and capabilities to perform the compliance engagement, as required by ASAE 3000 ³¹ by persons who are to perform the engagement, include matters such as the following: ...	Relevant competence and capabilities, <u>including having sufficient time</u> to perform the compliance engagement, as required by ASAE 3000 ³¹ by persons who are to perform the engagement, include matters such as the following: ...	Change consistent with ASAE 3000 paragraph 22(b)
ASAE 3100 Appendix 5 Example 1, Example 2, Example 3	<i>[Our Independence and Quality Control]</i> We will comply with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i> in undertaking this assurance engagement.	<i>[Our Independence and Quality Control Management]</i> We will comply with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQEM 1 <i>Quality Control Management for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance or Related Services Engagements</i> in undertaking this assurance engagement.	Change in title
ASAE 3100 Appendix 6 Example 1, Example 2, Example 3	<i>Our Independence and Quality Control</i> We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i> in undertaking this assurance engagement.	<i>Our Independence and Quality Control Management</i> We have complied with the independence and other relevant ethical requirements relating to assurance engagements, and apply Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i> in undertaking this assurance engagement,* which are <u>founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</u> <u>The firm applies Auditing Standard ASQM 1,[#] which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with</u>	Change consistent with ASAE 3420 Appendix 2 Example 1 and Example 2

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

		<p><u>ethical requirements, professional standards and applicable legal and regulatory requirements.</u></p> <p><i>* See ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.</i></p> <p><i># See ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.</i></p>	
ASAE 3150 Assurance Engagements on Controls			
ASAE 3150 paragraph 1 footnote 2	<p>This Standard on Assurance Engagements applies to assurance engagements to provide an assurance report on controls at an entity, except for engagements to which ASAE 3402¹ is applicable.²</p> <p>² The assurance practitioner applies ASA 315 <i>Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i> when obtaining an understanding of controls for the purposes of the audit of a financial report, standards on review engagements when obtaining an understanding of controls for the purposes of the review of a financial report or ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>, as revised in June 2014, and any subject matter specific standard when understanding controls for the purposes of an assurance engagement on subject matters other than historical financial information.</p>	<p>This Standard on Assurance Engagements applies to assurance engagements to provide an assurance report on controls at an entity, except for engagements to which ASAE 3402¹ is applicable.²</p> <p>² The assurance practitioner applies ASA 315 <i>Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment</i> when obtaining an understanding of controls for the purposes of the audit of a financial report, standards on review engagements when obtaining an understanding of controls for the purposes of the review of a financial report or ASAE 3000 <i>Assurance Engagements Other than Audits or Reviews of Historical Financial Information</i>, as revised in June 2014, and any subject matter specific standard when understanding controls for the purposes of an assurance engagement on subject matters other than historical financial information.</p>	Change in title
ASAE 3150 paragraph 6 footnote 4	<p>Agreed-upon procedures engagements, where procedures are conducted and factual findings are reported but no conclusion is provided, and consulting engagements, for the purpose of providing advice, on controls are not assurance engagements and are not dealt with in this ASAE. Agreed-upon procedures engagements are addressed</p>	<p>Agreed-upon procedures engagements, where procedures are conducted and factual findings are reported but no conclusion is provided, and consulting engagements, for the purpose of providing advice, on controls are not assurance engagements and are not dealt with in this ASAE. Agreed-upon procedures engagements are addressed under Standard on Related Services, ASRS 4400.⁴</p>	Change in title

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	under Standard on Related Services, ASRS 4400. ⁴ ⁴ See ASRS 4400 <i>Agreed-upon Procedures Engagements to Report Factual Findings</i> .	4 See ASRS 4400 <i>Agreed-upon Procedures Engagements to Report Factual Findings</i> .	
ASAE 3150 paragraph 10 footnote 12	Compliance with ASAE 3000 requires, among other things, that the assurance practitioner complies with relevant ethical requirements related to assurance engagements. ¹¹ (Ref: Para. 19) It also requires the lead assurance practitioner ¹² to be a member of a firm that applies ASQC 1. ¹³ ¹² The term “lead assurance practitioner” is referred to in ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i> as the “engagement partner”.	Compliance with ASAE 3000 requires, among other things, that the assurance practitioner complies with relevant ethical requirements related to assurance engagements. ¹¹ (Ref: Para. 19) It also requires the lead assurance practitioner ¹² to be a member of a firm that applies ASQEM 1. ¹³ ¹² The term “lead assurance practitioner” is referred to in ASQEM 1 <i>Quality Control Management for Firms that Perform Audits and Other Assurance or Related Services Engagements</i> as the “engagement partner”.	Change in title
ASAE 3150 paragraph 17(s)	Firm—A sole assurance practitioner, partnership or corporation or other entity of individual assurance practitioners. “Firm” should be read as referring to its public sector equivalents where relevant.	No change.	See comment on ASAE 3100 paragraph 17(l)
ASAE 3150 paragraph 28	Quality Control The assurance practitioner shall implement quality control procedures as required by ASAE 3000. ²⁵	Quality Control Management The assurance practitioner shall implement quality control management procedures as required by ASAE 3000. ²⁵	Change in terminology consistent with ASQM 1
ASAE 3150 paragraph 89(k)	a statement that the firm of which the assurance practitioner is a member applies ASQC 1;	a statement that the firm of which the assurance practitioner is a member applies ASQEM 1;	Change in title
ASAE 3150 paragraph A12	Competence and Capabilities to Perform the Engagement Relevant competence and capabilities to perform the controls engagement, as	Competence and Capabilities to Perform the Engagement Relevant competence and capabilities, including having sufficient time to perform the controls	Change consistent with ASAE 3000 paragraph 22(b)

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	required by ASAE 3000 ⁴⁹ by persons who are to perform the engagement, include matters such as the following:	engagement, as required by ASAE 3000 ⁴⁹ by persons who are to perform the engagement, include matters such as the following:	
ASAE 3150 paragraph A151 footnote 58	For application material on preparing and maintaining documentation refer to ASAE 3000. ⁵⁸ ⁵⁸ See ASAE 3000, paragraphs A193-A200.	For application material on preparing and maintaining documentation refer to ASAE 3000. ⁵⁸ ⁵⁸ See ASAE 3000, paragraphs A193-200-A200-207.	Update of footnote references
ASAE 3150 Appendix 4	Second row last column on the right: ASRS 4400 Agreed-upon Procedures	Second row last column on the right: ASRS 4400 Agreed-upon Procedures Engagements	Change in title
ASAE 3150 Appendix 8 Example 1, Example 2, Example 3 and Example 4	<i>Our Independence and Quality Control</i> We have complied with the relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In accordance with Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i> , [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.	<i>Our Independence and Quality Control Management</i> We have complied with the <u>independence and relevant ethical requirements relating to assurance engagements,*</u> which include <u>independence and other requirements</u> are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. In accordance with Auditing Standard ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i>, [name of firm] maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. The firm applies <u>Australian Standard ASQM 1,[#] which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical</u>	Change consistent with ASAE 3420 Appendix 2 Example 1 and Example 2

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

		<p><u>requirements, professional standards and applicable legal and regulatory requirements.</u></p> <p><i>* See ASA 102 Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.</i></p> <p><i># See ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.</i></p>	
Other AUASB Standards (Domestic Standards)			
ASRE 2405 Review of Historical Financial Information Other than a Financial Report			
ASRE 2405 paragraph 5.3	The assurance practitioner shall implement quality control procedures that are relevant to the individual engagement (paragraph 11).	The assurance practitioner shall implement <u>the firm’s policies or procedures applicable to quality control procedures that are relevant to the individual engagement</u> (paragraph 11).	Change consistent with ASRE 2400 paragraph A27
ASRE 2405 paragraph 7	AUS 902 includes a separate mandatory paragraph relating to the direction, supervision and review of work performed by assistants. In this ASRE, this requirement is addressed by the mandatory Requirements to comply with professional standards (paragraph 8) and with quality control procedures (paragraph 11).	AUS 902 includes a separate mandatory paragraph relating to the direction, <u>and supervision of engagement team members and the review of their work performed by assistants.</u> In this ASRE, this requirement is addressed by the mandatory Requirements to comply with professional standards (paragraph 8) and with quality <u>control management</u> procedures (paragraph 11).	Change consistent with ASAE 3000 paragraph A86
ASRE 2405 paragraph 11	The assurance practitioner shall implement quality control procedures to address the following elements of a quality control	The assurance practitioner shall implement <u>quality control procedures</u> a system of <u>quality management</u> to address the following <u>eight components</u> elements of a quality <u>control management</u> system that apply to the individual engagement: ² <p>(a) <u>The risk assessment process</u> leadership responsibilities for quality on the assurance engagement;</p> <p>(b) <u>Governance and leadership</u>;</p>	Change consistent with ASRE 2400 paragraph A3

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	<p>system that apply to the individual engagement:</p> <p>(a) leadership responsibilities for quality on the assurance engagement;</p> <p>(b) ethical requirements;</p> <p>(c) acceptance and continuance of client relationships and specific engagements;</p> <p>(d) assignment of engagement teams;</p> <p>(e) engagement performance; and</p> <p>(f) monitoring.</p>	<p>(c) <u>Relevant</u> ethical requirements;</p> <p>(d) <u>Acceptance</u> and continuance of client relationships and specific engagements;</p> <p>(e) <u>assignment of engagement teams</u><u>Resources</u>;</p> <p>(f) <u>Engagement</u> performance;</p> <p>(g) <u>Information and communication</u>; and</p> <p>(h) <u>The monitoring and remediation process</u>.</p> <p><u>Firms may use different terminology or frameworks to describe the components of the system of quality management.</u></p> <p>² See ASQM 1, paragraph 6.</p>	
<p>ASRE 2405 paragraph 12</p>	<p>The quality control procedures relevant to an audit engagement are contained in Auditing Standard ASA 220 <i>Quality Control for an Audit of Historical Financial Information</i>, and may be helpful in determining quality control procedures relevant to a review engagement.</p>	<p>The <u>firm's policies or quality control procedures applicable relevant</u> to an audit engagement are contained in Auditing Standard ASA 220 <i>Quality Control Management for an Audit of a Financial Report and Other Historical Financial Information</i>, and may be helpful in determining <u>firm's policies or quality control procedures applicable relevant</u> to a review engagement.</p>	<p>Change consistent with ASRE 2400 paragraph A27</p>
<p>ASRE 2405 paragraph 67</p>	<p>ISRE 2400 <i>Engagements to Review Financial Statements</i>, establishes standards and provides guidance to practitioners who are not the auditor of the entity, when engaged to review financial statements. ISRE 2400 is to be applied, adapted as necessary in the circumstances, to</p>	<p>ISRE 2400 <i>Engagements to Review Financial Statements</i>, establishes standards and provides guidance to practitioners who are not the auditor of the entity, when engaged to review financial statements. ISRE 2400 is to be applied, adapted as necessary in the circumstances, to engagements to review other historical financial information.</p> <p>...</p> <ul style="list-style-type: none"> The assurance practitioner shall implement <u>the firm's policies or procedures applicable quality control procedures that are relevant</u> 	<p>Change consistent with ASRE 2400 paragraph A27</p>

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	<p>engagements to review other historical financial information.</p> <p>...</p> <ul style="list-style-type: none"> The assurance practitioner shall implement quality control procedures that are relevant to the individual engagement (paragraph 11). 	<p>to the individual engagement (paragraph 11).</p>	
<p>ASRE 2405 Appendix 4</p>	<p>ILLUSTRATIVE DETAILED PROCEDURES THAT THE ASSURANCE PRACTITIONER MAY CONSIDER WHEN PERFORMING A REVIEW ENGAGEMENT</p> <p>1. The enquiry and analytical procedures carried out in a review engagement are determined by the assurance practitioner exercising professional judgement. The procedures listed below are for illustrative purposes only and are considered by the assurance practitioner who is presumed to have obtained an understanding of the entity and its environment, including internal controls relative to the preparation of the historical financial information. It is not intended that all the procedures listed apply to every review engagement. This Appendix is intended as helpful guidance and not to serve as a program or checklist in the conduct of a review.</p> <p>...</p>	<p>ILLUSTRATIVE DETAILED PROCEDURES THAT THE ASSURANCE PRACTITIONER MAY CONSIDER WHEN PERFORMING A REVIEW ENGAGEMENT</p> <p>1. The enquiry and analytical procedures carried out in a review engagement are determined by the assurance practitioner exercising professional judgement. The procedures listed below are for illustrative purposes only and are considered by the assurance practitioner who is presumed to have obtained an understanding of the entity and its environment, <u>the applicable financial reporting framework, and the entity's system of</u>including internal controls relative to the preparation of the historical financial information. It is not intended that all the procedures listed apply to every review engagement. This Appendix is intended as helpful guidance and not to serve as a program or checklist in the conduct of a review.</p> <p>...</p>	<p>ASA 315 terminology change – see ASA 2020-1 paragraph 9</p>

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

ASRE 2415 Review of a Financial Report: Company Limited by Guarantee or an Entity Reporting under the ACNC Act or Other Applicable Legislation or Regulation			
ASRE 2415 paragraph 13	The auditor shall implement quality control procedures that are applicable to the individual engagement. ⁶ ⁶ See ASA 220 <i>Quality Control for an Audit of a Financial Report and Other Historical Financial Information</i> which may be helpful in determining quality control procedures applicable to a review engagement.	The auditor shall implement the firm's policies or quality control procedures that are applicable to the individual engagement. ⁶ ⁶ See ASA 220 <i>Quality ControlManagement for an Audit of a Financial Report and Other Historical Financial Information</i> which may be helpful in determining quality control management procedures applicable to a review engagement.	Change consistent with ASRE 2400 paragraph A27
ASAE 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information			
ASAE 3450 paragraph 18	The assurance practitioner shall comply with relevant ethical requirements relating to assurance engagements, including those pertaining to independence, and implement quality control procedures that are applicable to the individual engagement in accordance with ASA 102. ²²	The assurance practitioner shall comply with relevant ethical requirements relating to assurance engagements, including those pertaining to independence, and implement the firm's policies or quality control procedures that are applicable to the individual engagement in accordance with ASA 102. ²²	Change consistent with ASRE 2400 paragraph A27
ASAE 3450 paragraph 19	The assurance practitioner shall establish and maintain a system of quality control in accordance with ASQC 1. ²³ ²³ See ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i> .	The assurance practitioner shall design, implement and operate establish and maintain a system of quality control management in accordance with ASQEM 1. ²³ ²³ See ASQEM 1 <i>Quality ControlManagement for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, and/or Other Assurance or Related Services Engagements</i> .	Change consistent with ASAE 3000 paragraph A61
ASRE 3450 paragraph 92 and its heading	Quality Control The assurance practitioner shall include in the engagement documentation: (a) ... (d) evidence of compliance with applicable systems of quality	Quality ControlManagement The assurance practitioner shall include in the engagement documentation: (a) ...	Change in title

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	<p>control requirements within the firm;⁵¹ and</p> <p>(e) ...</p> <p>⁵¹ See ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements</i>, for further guidance.</p>	<p>(d) evidence of compliance with applicable systems of quality control<u>management</u> requirements within the firm;⁵¹ and</p> <p>(e) ...</p> <p>⁵¹ See ASQCM 1 <i>Quality Control<u>Management</u> for Firms that Perform Audits and<u>or</u> Reviews of Financial Reports and Other Financial Information, and<u>or</u> Other Assurance or Related Services Engagements</i>, for further guidance.</p>	
ASAE 3500 Performance Engagements			
ASAE 3500 paragraph 10	<p>This ASAE requires the assurance practitioner to apply the ASAE 3000 requirement to comply with relevant ethical requirements related to assurance engagements. It also requires the Audit Office of the Auditor-General to apply ASQC 1² or the lead assurance practitioner to be a member of a firm that applies ASQC 1.</p> <p>² ASQC 1 <i>Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, Other Assurance Engagements and Related Services Engagements</i>.</p>	<p>This ASAE requires the assurance practitioner to apply the ASAE 3000 requirement to comply with relevant ethical requirements related to assurance engagements. It also requires the Audit Office of the Auditor-General to apply ASQCM 1² or the lead assurance practitioner to be a member of a firm that applies ASQCM 1.</p> <p>² ASQCM 1 <i>Quality Control<u>Management</u> for Firms that Perform Audits and<u>or</u> Reviews of Financial Reports and Other Financial Information, or<u>or</u> Other Assurance Engagements and<u>or</u> Related Services Engagements</i>.</p>	Change in title
ASAE 3500 paragraph 21	<p>The assurance practitioner shall initiate, where the assurance practitioner has the legislative mandate to do so, or accept a performance engagement only when:</p> <p>(a) ...</p> <p>(b) the assurance practitioner is satisfied that those persons who are to perform the engagement</p>	<p>The assurance practitioner shall initiate, where the assurance practitioner has the legislative mandate to do so, or accept a performance engagement only when:</p> <p>(a) ...</p> <p>(b) the assurance practitioner is satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities,</p>	Change consistent with ASAE 3000 paragraph 22(b)

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	collectively have the appropriate competence and capabilities; (c) ...	<u>including having sufficient time to perform the engagement;</u> (c) ...	
ASAE 3500 paragraph 26 and its heading	Quality Control The assurance practitioner shall implement quality control procedures as required by ASAE 3000. ⁷	Quality Control Management The assurance practitioner shall implement <u>the firm's policies or quality control</u> procedures as required by ASAE 3000. ⁷	Change consistent with ASRE 2400 paragraph A27
ASAE 3500 paragraph A7	When initiating or accepting a performance engagement, in order to satisfy themselves that those persons who are to perform the performance engagement collectively have the appropriate competence and capabilities, the assurance practitioner may need to either assemble a multi-disciplinary team or be a specialist in the relevant discipline.	When initiating or accepting a performance engagement, in order to satisfy themselves that those persons who are to perform the performance engagement collectively have the appropriate competence and capabilities, <u>including having sufficient time to perform the engagement</u> , the assurance practitioner may need to either assemble a multi-disciplinary team or be a specialist in the relevant discipline.	Change consistent with ASAE 3000 paragraph 22(b)
ASAE 3500 paragraph A8	When multi-disciplinary teams are used in a performance engagement, adequate direction, supervision and review are particularly important so that the team members' different perspectives, experience and specialties are appropriately used. It is important that all team members understand the objectives of the particular performance engagement and the terms of reference of work assigned to them. Adequate direction, supervision and review are important so that the work of all team members is executed properly and is in compliance with this ASAE and meets the quality control requirements of ASAE 3000.	When multi-disciplinary teams are used in a performance engagement, adequate direction, <u>and supervision of engagement teams and review of their work</u> are particularly important so that the <u>engagement</u> team members' different perspectives, experience and specialties are appropriately used. It is important that all <u>engagement</u> team members understand the objectives of the particular performance engagement and the terms of reference of work assigned to them. Adequate direction, <u>and supervision of engagement teams and review of their work</u> are important so that the work of all <u>engagement</u> team members is executed properly and is in compliance with this ASAE and meets the quality control <u>management</u> requirements of ASAE 3000.	Change consistent with ASAE 3000 paragraph A74

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

<p>ASAE 3500 paragraph A22</p>	<p>Planning involves developing an overall strategy for the scope, emphasis, timing and conduct of the performance engagement. The performance engagement plan, consists of a detailed approach for the nature, timing and extent of evidence-gathering procedures to be undertaken and the reasons for selecting them. Ordinarily, adequate planning:</p> <ul style="list-style-type: none"> • ... • assists the assurance practitioner to properly assign work to performance engagement team members, and facilitates their direction and supervision and the review of their work; and • ... 	<p>Planning involves developing an overall strategy for the scope, emphasis, timing and conduct of the performance engagement. The performance engagement plan, consists of a detailed approach for the nature, timing and extent of evidence-gathering procedures to be undertaken and the reasons for selecting them. Ordinarily, adequate planning:</p> <ul style="list-style-type: none"> • ... • assists the assurance practitioner to properly assign work to performance engagement team members, and facilitates the direction and supervision of engagement team members and the review of their work; and • ... 	<p>Change consistent with ASAE 3000 paragraph A86</p>
<p>ASAE 3610 Assurance Engagements on General Purpose Water Accounting Reports</p>			
<p>ASAE 3610 paragraph 12</p>	<p>Compliance with ASAE 3000 requires, among other things, that the assurance practitioner comply with relevant ethical requirements⁸ related to assurance engagements. It also requires the lead assurance practitioner to be a member of a firm that applies 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 (ASQC 1).^{9,10}</p> <p>¹⁰ The term “lead assurance practitioner” is referred to in ASQC 1 as “engagement partner”.</p>	<p>Compliance with ASAE 3000 requires, among other things, that the assurance practitioner comply with relevant ethical requirements⁸ related to assurance engagements. It also requires the lead assurance practitioner to be a member of a firm that applies ASQCM 1 Quality Control Management for Firms that Perform Audits and/or Reviews of Financial Reports and Other Financial Information, or Other Assurance Engagements and/or Related Services Engagements (ASQCM 1).^{9,10}</p> <p>¹⁰ The term “lead assurance practitioner” is referred to in ASQCM 1 as “engagement partner”.</p>	<p>Change in title</p>

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

ASAE 3610 paragraph 15(n)	Engagement team – all assurance practitioners and staff performing the assurance engagement, and any individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes an assurance practitioner’s external expert engaged by the firm or a network firm.	Engagement team – all assurance practitioners and staff performing the assurance engagement, and any other individuals engaged by the firm or a network firm who perform procedures on the engagement. This excludes an assurance practitioner’s external expert engaged by the firm or a network firm.	Change consistent with ASAE 3000 paragraph 12(h)
ASAE 3610 paragraph 17	<p>The lead assurance practitioner shall:</p> <p>(a) Have competence in assurance skills and techniques developed through extensive training and practical application, and sufficient competence in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities to accept responsibility for the assurance conclusion; and</p> <p>(b) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, including in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities, and in assurance, to perform the assurance engagement in accordance with this Standard.</p>	<p>The lead assurance practitioner shall:</p> <p>(a) Have competence in assurance skills and techniques developed through extensive training and practical application, and sufficient competence in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities to accept responsibility for the assurance conclusion; and</p> <p>(b) Be satisfied that those persons who are to perform the engagement collectively have the appropriate competence and capabilities, including having sufficient time to perform the engagement, including in the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities, and in assurance, to perform the assurance engagement in accordance with this Standard.</p>	Change consistent with ASAE 3000 paragraph 22(b)
ASAE 3610 paragraph 94 and its heading	<p>Quality Control</p> <p>The assurance practitioner shall include in the engagement documentation:</p> <p>...</p>	<p>Quality Control Management</p> <p>The assurance practitioner shall include in the engagement documentation:</p> <p>...</p>	Change in title

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

<p>ASAE 3610 paragraph 98 and its heading</p>	<p>Engagement Quality Control Review</p> <p>For those engagements, if any, for which a quality control review is required by law or regulation or for which the assurance practitioner’s firm has determined that an engagement quality control review is required, the engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve:</p> <p>(a) Discussion of significant matters with the lead assurance practitioner, including the engagement team’s professional competencies with respect to the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities, and assurance;</p> <p>(b) Review of the general purpose water accounting report and the assurance report;</p> <p>(c) Review of selected engagement documentation relating to the significant judgements the engagement team made and the conclusions it reached; and</p> <p>(d) Evaluation of the conclusions reached in formulating the assurance report and consideration</p>	<p>Engagement Quality Control Review</p> <p>For those engagements, if any, for which <u>an engagement quality control review is required in accordance with ASQM 1 or the firm’s policies or procedures by law or regulation or for which the assurance practitioner’s firm has determined that an engagement quality control review is required,</u> the <u>lead assurance practitioner shall discuss significant matters and significant judgements arising during the engagement with the engagement quality reviewer, and not date the assurance report until completion of that review.</u>²⁰ engagement quality control reviewer shall perform an objective evaluation of the significant judgements made by the engagement team, and the conclusions reached in formulating the assurance report. This evaluation shall involve:</p> <p>(a) Discussion of significant matters with the lead assurance practitioner, including the engagement team’s professional competencies with respect to the quantification and reporting of water assets, water liabilities and changes in water assets and water liabilities, and assurance;</p> <p>(b) Review of the general purpose water accounting report and the assurance report;</p> <p>(c) Review of selected engagement documentation relating to the significant</p>	<p>Change consistent with ASAE 3000 paragraph 36</p>
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ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	of whether the assurance report is appropriate.	judgements the engagement team made and the conclusions it reached; and Evaluation of the conclusions reached in formulating the assurance report and consideration of whether the assurance report is appropriate. ²⁰ See ASQM 2, Engagement Quality Reviews.	
ASAE 3610 paragraph 103	The assurance report shall include, at a minimum, the following basic elements: (a) ... (h) A statement that the firm of which the assurance practitioner is a member applies ASQC 1. (i) ...	The assurance report shall include, at a minimum, the following basic elements: (a) ... (h) A statement that the firm of which the assurance practitioner is a member applies <u>ASQEM 1</u> . (i) ...	Change in title
ASAE 3610 paragraph A165	Examples of exceptional circumstances include facts which become known to the assurance practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the general purpose water accounting report to be amended or the assurance practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with quality control policies and procedures with respect to review responsibilities, such as those required by ASQC 1, with the lead	Examples of exceptional circumstances include facts which become known to the assurance practitioner after the date of the assurance report but which existed at that date and which, if known at that date, might have caused the general purpose water accounting report to be amended or the assurance practitioner to modify the conclusion in the assurance report, for example, the discovery of a significant uncorrected error. The resulting changes to the engagement documentation are reviewed in accordance with <u>the firm's quality control policies and/or procedures with respect to the nature, timing and extent of the review of engagement team members' work review responsibilities, such as those required by ASQEM</u>	Change consistent with ASAE 3410 paragraph A128

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

	assurance practitioner taking final responsibility for the changes. ³² ³² ASQC 1, paragraphs 32–33.	1, ³² with the lead assurance practitioner taking final responsibility for the changes. ³² ³² See ASQEM 1, paragraphs 32–33, 31(b).	
ASAE 3610 paragraph A166	ASQC 1 requires firms to establish policies and procedures for the timely completion of the assembly of engagement files. ³³ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report. ³⁴ ³³ ASQC 1, paragraph 45. ³⁴ ASQC 1, paragraph A54.	<u>ASQEM 1 requires firms to establish a quality objective that addresses the assembly of engagement documentation on a timely basis after the date of the engagement report.</u> policies and procedures for the timely completion of the assembly of engagement files. ³³ An appropriate time limit within which to complete the assembly of the final engagement file is ordinarily not more than 60 days after the date of the assurance report. ³⁴ ³³ ASQEM 1, paragraph 45, 31(f). ³⁴ ASQEM 1, paragraph A54, A83.	Change consistent with ASAE 3000 paragraph A205
ASAE 3610 paragraph A167	Engagement Quality Control Review Other matters that may be considered in an engagement quality control review include: (a) The engagement team’s evaluation of their independence in relation to the engagement. (b) Whether appropriate consultation has taken place on matters involving differences of opinion or other difficult or contentious matters, and the conclusions arising from those consultations. (c) Whether engagement documentation selected for review reflects the work performed in relation to the significant judgements and supports the conclusions reached.	This paragraph is deleted.	Change consistent with ASAE 3410 paragraph A130

ED 01/22: Proposed Conforming and Consequential Amendments to the Australian-Specific AUASB Standards as a result of the New and Revised Quality Management Standards

<p>ASAE 3610 Appendix Illustration 1, Illustration 2, Illustration 3, Illustration 4, Illustration 5 and Illustration 6</p>	<p>Assurance Practitioner’s Independence and Quality Control</p> <p>We have complied with relevant ethical requirements relating to assurance engagements, which include independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</p> <p>[Name of assurance practitioner’s firm] applies Auditing Standard ASQC 1, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</p>	<p>Assurance Practitioner’s Independence and Quality Control Management</p> <p>We have complied with <u>the independence and relevant ethical requirements relating to assurance engagements,[#] which are include independence and other requirements</u> founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.</p> <p>[Name of assurance practitioner’s firm] applies Auditing Standard ASQC 1, and accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements. <u>applies Auditing Standard ASQM 1[†], which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.</u></p> <p>[#] See ASA 102 <i>Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements.</i></p> <p>[†] See ASQM 1 <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements.</i></p>	<p>Change consistent with ASAE 3410 Appendix 2 Illustration 1 and Illustration 2</p>
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ASA 600
(April 2022)

Auditing Standard ASA 600
*Special Considerations—Audits of a Group
Financial Report (Including the Work of
Component Auditors)*

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	Aus 0.1-Aus 0.2
Operative Date	Aus 0.3
Introduction	
Scope of this Auditing Standard	1-11
Effective Date	12
Objectives	13
Definitions	14-15
Requirements	
Leadership Responsibilities for Managing and Achieving Quality on a Group Audit	16
Acceptance and Continuance	17-21
Overall Group Audit Strategy and Group Audit Plan	22-29
Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group’s System of Internal Control	30-32
Identifying and Assessing the Risks of Material Misstatement	33-34
Materiality	35-36
Responding to the Assessed Risks of Material Misstatement	37-44
Evaluating the Component Auditor’s Communications and the Adequacy of Their Work	45-48
Subsequent Events	49-50
Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained	51-52
Auditor’s Report	53
Communication with Group Management and Those Charged with Governance of the Group	54-58
Documentation	59
Application and Other Explanatory Material	
Scope of this ASA	A1-A18
Definitions	A19-A28
Leadership Responsibilities for Managing and Achieving Quality on a Group Audit	A29-A31
Acceptance and Continuance	A32-A46
Overall Group Audit Strategy and Group Audit Plan	A47-A87
Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group’s System of Internal Control	A88-A107

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Identifying and Assessing the Risks of Material Misstatement	A108-A115
Materiality	A116-A123
Responding to the Assessed Risks of Material Misstatement	A124-A143
Evaluating the Component Auditor’s Communication and the Adequacy of Their Work	A144-A149
Subsequent Events.....	A150
Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained.....	A151-A156
Auditor’s Report.....	A157-A158
Communication with Group Management and Those Charged with Governance of the Group	A159-A165
Documentation	A166-A182
Appendix 1: Illustration of Independent Auditor’s Report When the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion	
Appendix 2: Understanding the Group’s System of Internal Control	
Appendix 3: Examples of Events or Conditions that May Give Rise to Risks of Material Misstatement of the Group Financial Report	

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Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

PREFACE

Reasons for Issuing ASA 600

The AUASB issues Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* 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.

Main Features

This Auditing Standard represents the Australian equivalent of ISA 600 (Revised) *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* (April 2022) and will replace the current ASA 600 issued by the AUASB in October 2009 (as amended).

This Auditing Standard contains differences from the ISA 600 (Revised), which have been made in the Application and Other Explanatory Material and Appendices to reflect Australian regulatory requirements.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001* and section 336 of the *Corporations Act 2001*.

This Auditing Standard is to be read in conjunction with ASA 101 *Preamble to AUASB Standards*, which sets out how AUASB Standards are to be understood, interpreted and applied. This Auditing Standard is to be read also in conjunction with ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

Dated: <TypeHere>

W R Edge
Chair - AUASB

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Conformity with International Standards on Auditing

This Auditing Standard conforms with International Standard on Auditing ISA 600 (Revised) *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Paragraphs that have been added to this Auditing Standard (and do not appear in the text of the equivalent ISA) are identified with the prefix “Aus”.

This Auditing Standard incorporates terminology and definitions used in Australia.

The equivalent requirements and related application and other explanatory material included in ISA 600 (Revised) in respect of “relevant ethical requirements”, have been included in Auditing Standard, ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*. There is no international equivalent to ASA 102.

Compliance with this Auditing Standard enables compliance with ISA 600 (Revised).

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AUDITING STANDARD ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Application

- Aus 0.1 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.
- Aus 0.2 This Auditing Standard also applies, as appropriate, to an audit of other historical financial information.

Operative Date

- Aus 0.3 This Auditing Standard is operative for financial reporting periods commencing on or after 15 December 2023. Early adoption of this Auditing Standard is permitted prior to this date.

Introduction

Scope of this Auditing Standard

1. The Australian Auditing Standards (ASAs) apply to the audit of a group financial report (a group audit). This ASA deals with special considerations that apply to a group audit, including in those circumstances when component auditors are involved. The requirements and guidance in this ASA refer to, or expand on, the application of other relevant ASAs to a group audit, in particular ASA 220,¹ ASA 230,² ASA 300,³ ASA 315,⁴ and ASA 330.⁵ (Ref: Para. A1–A2)
2. A group financial report includes the financial information of more than one entity or business unit through a consolidation process, as described in paragraph 14(k). The term consolidation process as used in this ASA refers not only to the preparation of a consolidated financial report in accordance with the applicable financial reporting framework, but also to the presentation of a combined financial report, and to the aggregation of the financial information of entities or business units such as branches or divisions. (Ref: Para. A3–A5, A27)
3. As explained in ASA 220,⁶ this ASA, adapted as necessary in the circumstances, may also be useful in an audit of a financial report other than a group audit when the engagement team includes individuals from another firm. For example, this ASA may be useful when involving such an individual to attend a physical inventory count, inspect property, plant and equipment, or perform audit procedures at a shared service centre at a remote location.

Groups and Components

4. A group may be organised in various ways. For example, a group may be organised by legal or other entities (e.g., a parent and one or more subsidiaries, joint ventures, or investments

¹ See ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information*.

² See ASA 230 *Audit Documentation*.

³ See ASA 300 *Planning an Audit of a Financial Report*.

⁴ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

⁵ See ASA 330 *The Auditor's Responses to Assessed Risks*.

⁶ See ASA 220, paragraph A1.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

accounted for by the equity method). Alternatively, the group may be organised by geography, by other economic units (including branches or divisions), or by functions or business activities. In this ASA, these different forms of organisation are collectively referred to as “entities or business units.” (Ref: Para. A6)

5. The group auditor determines an appropriate approach to planning and performing audit procedures to respond to the assessed risks of material misstatement of the group financial report. For this purpose, the group auditor uses professional judgement in determining the components at which audit work will be performed. This determination is based on the group auditor’s understanding of the group and its environment, and other factors such as the ability to perform audit procedures centrally, the presence of shared service centres, or the existence of common information systems and internal control. (Ref: Para. A7–A9)

Involvement of Component Auditors

6. ASA 220⁷ requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. In a group audit, such resources may include component auditors. Therefore, this ASA requires the group auditor to determine the nature, timing and extent of involvement of component auditors.
7. The group auditor may involve component auditors to provide information, or to perform audit work, to fulfill the requirements of this ASA. Component auditors may have greater experience with, and a more in-depth knowledge of, the components and their environments (including laws and regulations, business practices, language, and culture) than the group auditor. Accordingly, component auditors can be, and often are, involved in all phases of the group audit. (Ref: Para. A10–A11)
8. Audit risk is a function of the risks of material misstatement and detection risk.⁸ Detection risk in a group audit includes the risk that a component auditor may not detect a misstatement in the financial information of a component that could cause a material misstatement of the group financial report, and that the group auditor may not detect this misstatement. Accordingly, this ASA requires sufficient and appropriate involvement by the group engagement partner or group auditor, as applicable, in the work of component auditors and emphasises the importance of two-way communication between the group auditor and component auditors. In addition, this ASA explains the matters that the group auditor takes into account when determining the nature, timing and extent of the direction and supervision of component auditors and the review of their work. (Ref: Para. A12–A13)

Professional Scepticism

9. In accordance with ASA 200,⁹ the engagement team is required to plan and perform the group audit with professional scepticism and to exercise professional judgement. The appropriate exercise of professional scepticism may be demonstrated through the actions and communications of the engagement team, including emphasising the importance of each engagement team member exercising professional scepticism throughout the group audit. Such actions and communications may include specific steps to mitigate impediments that may impair the appropriate exercise of professional scepticism. (Ref: Para. A14–A18)

Scalability

10. This ASA is intended for all group audits, regardless of size or complexity. However, the requirements of this ASA are intended to be applied in the context of the nature and

⁷ See ASA 220, paragraph 25.

⁸ See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph A34.

⁹ See ASA 200, paragraphs 15–16.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

circumstances of each group audit. For example, when a group audit is carried out entirely by the group auditor, some requirements in this ASA are not relevant because they are conditional on the involvement of component auditors. This may be the case when the group auditor is able to perform audit procedures centrally or is able to perform procedures at the components without involving component auditors. The guidance in paragraphs A119 and A120 also may be helpful in applying this ASA in these circumstances.

Responsibilities of the Group Engagement Partner and Group Auditor

11. The group engagement partner remains ultimately responsible, and therefore accountable, for compliance with the requirements of this ASA. The term “the group engagement partner shall take responsibility for...” or “the group auditor shall take responsibility for...” is used for those requirements when the group engagement partner or group auditor, respectively, is permitted to assign the design or performance of procedures, tasks or actions to other appropriately skilled or suitably experienced members of the engagement team, including component auditors. For other requirements, this ASA expressly intends that the requirement or responsibility be fulfilled by the group engagement partner or group auditor, as applicable, and the group engagement partner or group auditor may obtain information from the firm or other members of the engagement team. (Ref: Para. A29)

Effective Date

12. [Deleted by the AUASB. Refer Aus 0.3]

Objectives

13. The objectives of the auditor are to:
 - (a) With respect to the acceptance and continuance of the group audit engagement, determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained to provide a basis for forming an opinion on the group financial report;
 - (b) Identify and assess the risks of material misstatement of the group financial report, whether due to fraud or error, and plan and perform further audit procedures to appropriately respond to those assessed risks;
 - (c) Be sufficiently and appropriately involved in the work of component auditors throughout the group audit, including communicating clearly about the scope and timing of their work, and evaluating the results of that work; and
 - (d) Evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed, including with respect to the work performed by component auditors, as a basis for forming an opinion on the group financial report.

Definitions

14. For the purposes of this Auditing Standard, the following terms have the meanings attributed below:
 - (a) Aggregation risk – The probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial report as a whole. (Ref: Para. A19)
 - (b) Component – An entity, business unit, function or business activity, or some combination thereof, determined by the group auditor for purposes of planning and performing audit procedures in a group audit. (Ref: Para. A20)

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

-
- (c) Component auditor – An auditor who performs audit work related to a component for purposes of the group audit. A component auditor is a part of the engagement team¹⁰ for a group audit. (Ref: Para. A21–A23)
 - (d) Component management – Management responsible for a component. (Ref: Para. A24)
 - (e) Component performance materiality – An amount set by the group auditor to reduce aggregation risk to an appropriately low level for purposes of planning and performing audit procedures in relation to a component.
 - (f) Group – A reporting entity for which a group financial report is prepared.
 - (g) Group audit – The audit of a group financial report.
 - (h) Group auditor – The group engagement partner and members of the engagement team other than component auditors. The group auditor is responsible for:
 - (i) Establishing the overall group audit strategy and group audit plan;
 - (ii) Directing and supervising component auditors and reviewing their work;
 - (iii) Evaluating the conclusions drawn from the audit evidence obtained as the basis for forming an opinion on the group financial report.
 - (i) Group audit opinion – The audit opinion on the group financial report.
 - (j) Group engagement partner – The engagement partner¹¹ who is responsible for the group audit. (Ref: Para. A25)
 - (k) Group financial report – A financial report that includes the financial information of more than one entity or business unit through a consolidation process. For purposes of this ASA, a consolidation process includes: (Ref: Para. A26–A28)
 - (i) Consolidation, proportionate consolidation, or an equity method of accounting;
 - (ii) The presentation in a combined financial report of the financial information of entities or business units that have no parent but are under common control or common management; or
 - (iii) The aggregation of the financial information of entities or business units such as branches or divisions.
 - (l) Group management – Management responsible for the preparation of the group financial report.
 - (m) Group performance materiality – Performance materiality¹² in relation to the group financial report as a whole, as determined by the group auditor.
15. Reference in this ASA to “the applicable financial reporting framework” means the financial reporting framework that applies to the group financial report.

¹⁰ See ASA 220, paragraph 12(d).

¹¹ See ASA 220, paragraph 12(a).

¹² See ASA 320 *Materiality in Planning and Performing an Audit*, paragraphs 9 and 11.

Requirements

Leadership Responsibilities for Managing and Achieving Quality on a Group Audit

16. In applying ASA 220,¹³ the group engagement partner is required to take overall responsibility for managing and achieving quality on the group audit engagement. In doing so, the group engagement partner shall: (Ref: Para. A29–A30)
- (a) Take responsibility for creating an environment for the group audit engagement that emphasises the expected behaviour of engagement team members. (Ref: Para. A31)
 - (b) Be sufficiently and appropriately involved throughout the group audit engagement, including in the work of component auditors, such that the group engagement partner has the basis for determining whether the significant judgements made, and the conclusions reached, are appropriate given the nature and circumstances of the group audit engagement.

Acceptance and Continuance

17. Before accepting or continuing the group audit engagement, the group engagement partner shall determine whether sufficient appropriate audit evidence can reasonably be expected to be obtained to provide a basis for forming an opinion on the group financial report. (Ref: Para. A32–A35)
18. If, after the acceptance or continuance of the group audit engagement, the group engagement partner concludes that sufficient appropriate audit evidence cannot be obtained, the group engagement partner shall consider the possible effects on the group audit. (Ref: Para. A36)

Terms of the Engagement

19. In applying ASA 210,¹⁴ the group auditor shall obtain the agreement of group management that it acknowledges and understands its responsibility to provide the engagement team with: (Ref: Para. A37)
- (a) Access to all information of which group management is aware that is relevant to the preparation of the group financial report such as records, documentation and other matters;
 - (b) Additional information that the engagement team may request from group management or component management for the purpose of the group audit; and
 - (c) Unrestricted access to persons within the group from whom the engagement team determines it necessary to obtain audit evidence.

Restrictions on Access to Information or People Outside the Control of Group Management

20. If the group engagement partner concludes that group management cannot provide the engagement team with access to information or unrestricted access to persons within the group due to restrictions that are outside the control of group management, the group engagement partner shall consider the possible effects on the group audit. (Ref: Para. A38–A46)

Restrictions on Access to Information or People Imposed by Group Management

21. If the group engagement partner concludes that: (Ref: Para. A43–A46)

¹³ See ASA 220, paragraph 13.

¹⁴ See ASA 210 *Agreeing the Terms of Audit Engagements*, paragraphs 6(b) and 8(b).

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- (a) It will not be possible for the group auditor to obtain sufficient appropriate audit evidence due to restrictions imposed by group management; and
- (b) The possible effect of this limitation will result in a disclaimer of opinion on the group financial report,

the group engagement partner shall either:

- (i) In the case of an initial engagement, not accept the engagement, or, in the case of a recurring engagement, withdraw from the engagement, when withdrawal is possible under applicable law or regulation; or
- (ii) When law or regulation prohibit an auditor from declining an engagement or when withdrawal from an engagement is not otherwise possible, having performed the audit of the group financial report to the extent possible, disclaim an opinion on the group financial report.

Overall Group Audit Strategy and Group Audit Plan

22. In applying ASA 300,¹⁵ the group auditor shall establish, and update as necessary, an overall group audit strategy and group audit plan. In doing so, the group auditor shall determine: (Ref: Para. A47–A50)
- (a) The components at which audit work will be performed; and (Ref: Para. A51)
 - (b) The resources needed to perform the group audit engagement, including the nature, timing and extent to which component auditors are to be involved. (Ref: Para. A52–A56)

Considerations When Component Auditors Are Involved

23. In establishing the overall group audit strategy and group audit plan, the group engagement partner shall evaluate whether the group auditor will be able to be sufficiently and appropriately involved in the work of the component auditor. (Ref: Para. A57)
24. As part of the evaluation in paragraph 23, the group auditor shall request the component auditor to confirm that the component auditor will cooperate with the group auditor, including whether the component auditor will perform the work requested by the group auditor. (Ref: Para. A58)

Relevant Ethical Requirements, Including Those Related to Independence

25. In applying ASA 220,¹⁶ the group engagement partner shall take responsibility for: (Ref: Para. A59–A60, A87)
- (a) Component auditors having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the group audit engagement; and
 - (b) Confirming whether the component auditors understand and will comply with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement.

¹⁵ See ASA 300, paragraphs 7–11.

¹⁶ See ASA 220, paragraph 17.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Engagement Resources

26. In applying ASA 220,¹⁷ the group engagement partner shall: (Ref: Para. A61–A68)
- (a) Determine that component auditors have the appropriate competence and capabilities, including sufficient time, to perform the assigned audit procedures at the component; and
 - (b) If information about the results of the monitoring and remediation process or external inspections related to the component auditor has been provided by the group auditor's firm or has otherwise been made available to the group engagement partner, determine the relevance of such information to the group auditor's determination in paragraph 26(a).
27. The group auditor shall obtain sufficient appropriate audit evidence relating to the work to be performed at the component without involving the component auditor if:
- (a) The component auditor does not comply with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement;¹⁸ or (Ref: Para. A69–A70)
 - (b) The group engagement partner has serious concerns about the matters in paragraphs 23–26. (Ref: Para. A71)

Engagement Performance

28. In applying ASA 220,¹⁹ the group engagement partner shall take responsibility for the nature, timing and extent of direction and supervision of component auditors and the review of their work, taking into account: (Ref: Para. A72–A77)
- (a) Areas of higher assessed risks of material misstatement of the group financial report, or significant risks identified in accordance with ASA 315; and
 - (b) Areas in the audit of the group financial report that involve significant judgement.

Communications with Component Auditors

29. The group auditor shall communicate with component auditors about their respective responsibilities and the group auditor's expectations, including an expectation that communications between the group auditor and component auditors take place at appropriate times throughout the group audit. (Ref: Para. A78–A87)

Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group's System of Internal Control

30. In applying ASA 315,²⁰ the group auditor shall take responsibility for obtaining an understanding of the following: (Ref: Para. A88–A92)
- (a) The group and its environment, including: (Ref: Para. A93–A95)
 - (i) The group's organisational structure and its business model, including:

¹⁷ See ASA 220, paragraphs 25–26.

¹⁸ See ASA 200, paragraph 14.

¹⁹ See ASA 220, paragraph 29.

²⁰ See ASA 315, paragraphs 19–27.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

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- a. The locations in which the group has its operations or activities;
 - b. The nature of the group’s operations or activities and the extent to which they are similar across the group; and
 - c. The extent to which the group’s business model integrates the use of information technology (IT);
- (ii) Regulatory factors impacting the entities and business units in the group; and
 - (iii) The measures used internally and externally to assess the financial performance of the entities or business units;
- (b) The applicable financial reporting framework and the consistency of accounting policies and practices across the group; and
 - (c) The group’s system of internal control, including:
 - (i) The nature and extent of commonality of controls; (Ref: Para. A96–A99, A102)
 - (ii) Whether, and if so, how, the group centralizes activities relevant to financial reporting; (Ref: Para. A100–A102)
 - (iii) The consolidation process used by the group, including sub-consolidations, if any, and consolidation adjustments; and
 - (iv) How group management communicates significant matters that support the preparation of the group financial report and related financial reporting responsibilities in the information system and other components of the group’s system of internal control to management of entities or business units. (Ref: Para. A103–A105)

Considerations When Component Auditors Are Involved

- 31. The group auditor shall communicate to component auditors on a timely basis: (Ref: Para. A106)
 - (a) Matters that the group auditor determines to be relevant to the component auditor’s design or performance of risk assessment procedures for purposes of the group audit;
 - (b) In applying ASA 550,²¹ related party relationships or transactions identified by group management, and any other related parties of which the group auditor is aware, that are relevant to the work of the component auditor; and (Ref: Para. A107)
 - (c) In applying ASA 570,²² events or conditions identified by group management or the group auditor that may cast significant doubt on the group’s ability to continue as a going concern that are relevant to the work of the component auditor.
- 32. The group auditor shall request component auditors to communicate on a timely basis:
 - (a) Matters related to the financial information of the component that the component auditor determines to be relevant to the identification and assessment of the risks of material misstatement of the group financial report, whether due to fraud or error;

²¹ See ASA 550 *Related Parties*, paragraph 17.

²² See ASA 570 *Going Concern*.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- (b) Related party relationships not previously identified by group management or the group auditor; and (Ref: Para. A107)
- (c) Any events or conditions identified by the component auditor that may cast significant doubt on the group's ability to continue as a going concern.

Identifying and Assessing the Risks of Material Misstatement

33. In applying ASA 315,²³ based on the understanding obtained in paragraph 30, the group auditor shall take responsibility for the identification and assessment of the risks of material misstatement of the group financial report, including with respect to the consolidation process. (Ref: Para. A108–A113)

Considerations When Component Auditors Are Involved

34. In applying ASA 315,²⁴ the group auditor shall evaluate whether the audit evidence obtained from the risk assessment procedures performed by the group auditor and component auditors provides an appropriate basis for the identification and assessment of the risks of material misstatement of the group financial report. (Ref: Para. A114–A115)

Materiality

35. In applying ASA 320²⁵ and ASA 450,²⁶ when classes of transactions, account balances or disclosures in the group financial report is disaggregated across components, for purposes of planning and performing audit procedures, the group auditor shall determine:
- (a) Component performance materiality. To address aggregation risk, such amount shall be lower than group performance materiality. (Ref: Para. A116–A120)
 - (b) The threshold above which misstatements identified in the component financial information are to be communicated to the group auditor. Such threshold shall not exceed the amount regarded as clearly trivial to the group financial report. (Ref: Para. A121)

Considerations When Component Auditors Are Involved

36. The group auditor shall communicate to the component auditor the amounts determined in accordance with paragraph 35. (Ref: Para. A122–A123)

Responding to the Assessed Risks of Material Misstatement

37. In applying ASA 330,²⁷ the group auditor shall take responsibility for the nature, timing and extent of further audit procedures to be performed, including determining the components at which to perform further audit procedures and the nature, timing and extent of the work to be performed at those components. (Ref: Para. A124–A139)

Consolidation Process

38. The group auditor shall take responsibility for designing and performing further audit procedures to respond to the assessed risks of material misstatement of the group financial report arising from the consolidation process. This shall include: (Ref: Para. A140)

²³ See ASA 315, paragraphs 28–34.

²⁴ See ASA 315, paragraph 35.

²⁵ See ASA 320, paragraph 11.

²⁶ See ASA 450 *Evaluation of Misstatements Identified during the Audit*, paragraph 5.

²⁷ See ASA 330, paragraphs 6–7.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- (a) Evaluating whether all entities and business units have been included in the group financial report as required by the applicable financial reporting framework and, if applicable, for designing and performing further audit procedures on sub-consolidations;
 - (b) Evaluating the appropriateness, completeness and accuracy of consolidation adjustments and reclassifications; (Ref: Para. A141)
 - (c) Evaluating whether management’s judgements made in the consolidation process give rise to indicators of possible management bias; and
 - (d) Responding to assessed risks of material misstatement due to fraud arising from the consolidation process.
39. If the financial information of an entity or business unit has not been prepared in accordance with the same accounting policies applied to the group financial report, the group auditor shall evaluate whether the financial information has been appropriately adjusted for purposes of preparing and presenting the group financial report.
40. If the group financial report includes the financial information of an entity or business unit with a financial reporting period-end that differs from that of the group, the group auditor shall take responsibility for evaluating whether appropriate adjustments have been made to that financial information in accordance with the applicable financial reporting framework.

Considerations When Component Auditors Are Involved

41. When the group auditor involves component auditors in the design or performance of further audit procedures, the group auditor shall communicate with the component auditor about matters that the group auditor or component auditor determine to be relevant to the design of responses to the assessed risks of material misstatement of the group financial report.
42. For areas of higher assessed risks of material misstatement of the group financial report, or significant risks identified in accordance with ASA 315, on which a component auditor is determining the further audit procedures to be performed, the group auditor shall evaluate the appropriateness of the design and performance of those further audit procedures. (Ref: Para. A142)
43. When component auditors perform further audit procedures on the consolidation process, including on sub-consolidations, the group auditor shall determine the nature and extent of direction and supervision of component auditors and the review of their work. (Ref: Para. A143)
44. The group auditor shall determine whether the financial information identified in the component auditor’s communication (see paragraph 45(a)) is the financial information that is incorporated in the group financial report.

Evaluating the Component Auditor’s Communications and the Adequacy of Their Work

45. The group auditor shall request the component auditor to communicate matters relevant to the group auditor’s conclusion with regard to the group audit. Such communication shall include: (Ref: Para. A144)
- (a) Identification of the financial information on which the component auditor has been requested to perform audit procedures;
 - (b) Whether the component auditor has performed the work requested by the group auditor;

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- (c) Whether the component auditor has complied with the relevant ethical requirements, including those related to independence, that apply to the group audit engagement;
 - (d) Information about instances of non-compliance with laws or regulations;
 - (e) Corrected and uncorrected misstatements of the component financial information identified by the component auditor and that are above the threshold communicated by the group auditor in accordance with paragraph 36; (Ref: Para. A145)
 - (f) Indicators of possible management bias;
 - (g) Description of any deficiencies in the system of internal control identified in connection with the audit procedures performed;
 - (h) Fraud or suspected fraud involving component management, employees who have significant roles in the group's system of internal control at the component or others where the fraud resulted in a material misstatement of the component financial information;
 - (i) Other significant matters that the component auditor communicated or expects to communicate to component management or those charged with governance of the component;
 - (j) Any other matters that may be relevant to the group audit, or that the component auditor determines are appropriate to draw to the attention of the group auditor, including exceptions noted in the written representations that the component auditor requested from component management; and
 - (k) The component auditor's overall findings or conclusions. (Ref: Para. A146)
46. The group auditor shall:
- (a) Discuss significant matters arising from communications with the component auditor, including those in accordance with paragraph 45, with the component auditor, component management or group management, as appropriate; and
 - (b) Evaluate whether communications with the component auditor are adequate for the group auditor's purposes. If such communications are not adequate for the group auditor's purposes, the group auditor shall consider the implications for the group audit. (Ref: Para. A147)
47. The group auditor shall determine whether, and the extent to which, it is necessary to review additional component auditor audit documentation. In making this determination, the group auditor shall consider: (Ref: Para. A148–A149)
- (a) The nature, timing and extent of the work performed by the component auditor;
 - (b) The competence and capabilities of the component auditor as determined in accordance with paragraph 26(a); and
 - (c) The direction and supervision of the component auditor and review of their work.
48. If the group auditor concludes that the work of the component auditor is not adequate for the group auditor's purposes, the group auditor shall determine what additional audit procedures are to be performed, and whether they are to be performed by a component auditor or by the group auditor.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Subsequent Events

49. In applying ASA 560,²⁸ the group auditor shall take responsibility for performing procedures, including, as appropriate, requesting component auditors to perform procedures, designed to identify events that may require adjustment of, or disclosure in, the group financial report. (Ref: Para. A150)

Considerations When Component Auditors Are Involved

50. The group auditor shall request the component auditors to notify the group auditor if they become aware of subsequent events that may require adjustment of, or disclosure in, the group financial report. (Ref: Para. A150)

Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained

51. In applying ASA 330,²⁹ the group auditor shall evaluate whether sufficient appropriate audit evidence has been obtained from the audit procedures performed, including from the work performed by component auditors, on which to base the group audit opinion. (Ref: Para. A151–A155)
52. The group engagement partner shall evaluate the effect on the group audit opinion of any uncorrected misstatements (whether identified by the group auditor or communicated by component auditors) and any instances when there has been an inability to obtain sufficient appropriate audit evidence. (Ref: Para. A156)

Auditor's Report

53. The auditor's report on the group financial report shall not refer to a component auditor, unless required by law or regulation to include such reference. If such reference is required by law or regulation, the auditor's report shall indicate that the reference does not diminish the group engagement partner's or the group engagement partner's firm's responsibility for the group audit opinion. (Ref: Para. A157–A158)

Communication with Group Management and Those Charged with Governance of the Group

Communication with Group Management

54. The group auditor shall communicate with group management an overview of the planned scope and timing of the audit, including an overview of the work to be performed at components of the group. (Ref: Para. A159)
55. If fraud has been identified by the group auditor or brought to its attention by a component auditor (see paragraph 45(h)), or information indicates that a fraud may exist, the group auditor shall communicate this on a timely basis to the appropriate level of group management in order to inform those with primary responsibility for the prevention and detection of fraud of matters relevant to their responsibilities. (Ref: Para. A160)
56. A component auditor may be required by statute, regulation or other reasons to express an audit opinion on the financial report of an entity or business unit that forms part of the group. In that case, the group auditor shall request group management to inform management of the entity or business unit of any matter of which the group auditor becomes aware that may be significant to the financial report of the entity or business unit, but of which management of the entity or business unit may be unaware. If group management refuses to communicate the matter to management of the entity or business unit, the group auditor shall discuss the matter

²⁸ See ASA 560 *Subsequent Events*, paragraphs 6–7.

²⁹ See ASA 330, paragraph 26.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

with those charged with governance of the group. If the matter remains unresolved, the group auditor, subject to legal and professional confidentiality considerations, shall consider whether to advise the component auditor not to issue the auditor's report on the financial report of the entity or business unit until the matter is resolved. (Ref: Para. A161–A162)

Communication with Those Charged with Governance of the Group

57. The group auditor shall communicate the following matters with those charged with governance of the group, in addition to those required by ASA 260³⁰ and other ASAs: (Ref: Para. A163)
- (a) An overview of the work to be performed at the components of the group and the nature of the group auditor's planned involvement in the work to be performed by component auditors. (Ref: Para. A164)
 - (b) Instances when the group auditor's review of the work of a component auditor gave rise to a concern about the quality of that component auditor's work, and how the group auditor addressed the concern.
 - (c) Any limitations on the scope of the group audit, for example, significant matters related to restrictions on access to people or information.
 - (d) Fraud or suspected fraud involving group management, component management, employees who have significant roles in the group's system of internal control or others when the fraud resulted in a material misstatement of the group financial report.

Communication of Identified Deficiencies in Internal Control

58. In applying ASA 265,³¹ the group auditor shall determine whether any identified deficiencies in the group's system of internal control are required to be communicated to those charged with governance of the group or group management. In making this determination, the group auditor shall consider deficiencies in internal control that have been identified by component auditors and communicated to the group auditor in accordance with paragraph 45(g). (Ref: Para. A165)

Documentation

59. In accordance with ASA 230,³² the audit documentation for a group audit engagement needs to be sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the nature, timing and extent of audit procedures performed, the evidence obtained, and the conclusions reached with respect to significant matters arising during the group audit. In applying ASA 230,³³ the group auditor shall include in the audit documentation: (Ref: Para. A166–A169, A179–A182)
- (a) Significant matters related to restrictions on access to people or information within the group that were considered before deciding to accept or continue the engagement, or that arose subsequent to acceptance or continuance, and how such matters were addressed.
 - (b) The basis for the group auditor's determination of components for purposes of planning and performing the group audit. (Ref: Para. A170)

³⁰ See ASA 260 *Communication with Those Charged with Governance*.

³¹ See ASA 265 *Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*.

³² See ASA 230, paragraph 8.

³³ See ASA 230, paragraphs 1–3, 9–11, A6–A7 and Appendix.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- (c) The basis for the determination of component performance materiality, and the threshold for communicating misstatements in the component financial information to the group auditor.
- (d) The basis for the group auditor's determination that component auditors have the appropriate competence and capabilities, including sufficient time, to perform the assigned audit procedures at the components. (Ref: Para. A171)
- (e) Key elements of the understanding of the group's system of internal control in accordance with paragraph 30(c);
- (f) The nature, timing and extent of the group auditor's direction and supervision of component auditors and the review of their work, including, as applicable, the group auditor's review of additional component auditor audit documentation in accordance with paragraph 47. (Ref: Para. A172–A178)
- (g) Matters related to communications with component auditors, including:
 - (i) Matters, if any, related to fraud, related parties or going concern communicated in accordance with paragraph 32.
 - (ii) Matters relevant to the group auditor's conclusion with regard to the group audit, in accordance with paragraph 45, including how the group auditor has addressed significant matters discussed with component auditors, component management or group management.
- (h) The group auditor's evaluation of, and response to, findings or conclusions of the component auditors about matters that could have a material effect on the group financial report.

* * *

Application and Other Explanatory Material

Scope of this ASA (Ref: Para. 1–2)

- A1. This ASA also deals with the special considerations for the group engagement partner or group auditor, as applicable, in applying the requirements and guidance in ASA 220, including for the direction and supervision of component auditors and the review of their work.
- A2. ASQM 1³⁴ addresses the engagements for which an engagement quality review is required to be performed. ASQM 2³⁵ deals with the appointment and eligibility of the engagement quality reviewer and the engagement quality reviewer's responsibilities relating to performing and documenting an engagement quality review, including for a group audit.
- A3. An entity or business unit of a group may also prepare its own group financial report that incorporates the financial information of those entities or business units it encompasses (that is, a sub-group). This ASA applies to an audit of the group financial report of such sub-groups performed for statutory, regulatory or other reasons.
- A4. A single legal entity may be organised with more than one business unit, for example, a company with operations in multiple locations, such as a bank with multiple branches. When those business units have characteristics such as separate locations, separate management, or separate information systems (including a separate general ledger) and the financial information is aggregated in preparing the single legal entity's financial report, such a financial report meets the definition of a group financial report because they include the financial information of more than one entity or business unit through a consolidation process.
- A5. In some cases, a single legal entity may configure its information system to capture financial information for more than one product or service line for legal or regulatory reporting or other management purposes. In these circumstances, the entity's financial report is not a group financial report because there is no aggregation of the financial information of more than one entity or business unit through a consolidation process. Further, capturing separate information (e.g., in a sub-ledger) for legal or regulatory reporting or other management purposes does not create separate entities or business units (e.g., divisions) for purposes of this ASA.

Groups and Components (Ref: Para. 4–5)

- A6. The group's information system, including its financial reporting process, may or may not be aligned with the group's organisational structure. For example, a group may be organised according to its legal structure, but its information system may be organised by function, process, product or service (or by groups of products or services), or geographic locations for management or reporting purposes.
- A7. Based on the understanding of the group's organisational structure and information system, the group auditor may determine that the financial information of certain entities or business units may be considered together for purposes of planning and performing audit procedures. For example, a group may have three legal entities with similar business characteristics, operating in the same geographical location, under the same management, and using a common system of internal control, including the information system. In these circumstances, the group auditor may decide to treat these three legal entities as one component.
- A8. A group may also centralize activities or processes that are applicable to more than one entity or business unit within the group, for example through the use of a shared service centre.

³⁴ See ASQM 1 *Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements*.

³⁵ See ASQM 2 *Engagement Quality Reviews*.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

When such centralized activities are relevant to the group's financial reporting process, the group auditor may determine that the shared service centre is a component.

- A9. Another consideration that may be relevant to the group auditor's determination of components is how management has determined operating segments in accordance with the disclosure requirements of the applicable financial reporting framework.³⁶

Involvement of Component Auditors (Ref: Para. 7–8)

- A10. Component auditors may perform an audit of the financial report of a component, whether for statutory, regulatory or other reasons, particularly when a component is a legal entity. When a component auditor is also performing or has completed an audit of the component financial report, the group auditor may be able to use audit work performed on the component financial report, provided the group auditor is satisfied that such work is appropriate for purposes of the group audit. In addition, component auditors may adapt the work performed on the audit of the component financial report to also meet the needs of the group auditor. In any event, the requirements of this ASA apply, including those relating to the direction and supervision of component auditors and the review of their work.
- A11. In accordance with ASA 220,³⁷ the engagement partner is required to determine that the approach to direction, supervision and review is responsive to the nature and circumstances of the audit engagement. Paragraph A76 provides examples of different ways in which the group engagement partner may take responsibility for directing and supervising component auditors and reviewing their work, and may be helpful in circumstances when the group auditor plans to use the audit work from an audit of a component financial report that has already been completed.
- A12. As explained in ASA 200,³⁸ detection risk relates to the nature, timing and extent of the auditor's procedures that are determined by the auditor to reduce audit risk to an acceptably low level. Detection risk is a function not only of the effectiveness of an audit procedure but also the application of that procedure by the auditor. Therefore, detection risk is influenced by matters such as adequate planning, the assignment of appropriate resources to the engagement, the exercise of professional scepticism, and the supervision and review of the audit work performed.
- A13. Detection risk is a broader concept than aggregation risk as described in paragraphs 14(a) and A19. In a group audit, there may be a higher probability that the aggregate of uncorrected and undetected misstatements may exceed materiality for the group financial report as a whole because audit procedures may be performed separately on the financial information of components across the group. Accordingly, component performance materiality is set by the group auditor to reduce aggregation risk to an appropriately low level.

Professional Scepticism (Ref: Para. 9)

- A14. ASA 220³⁹ provides examples of the impediments to the exercise of professional scepticism at the engagement level, including unconscious auditor biases that may impede the exercise of professional scepticism when designing and performing audit procedures and evaluating audit evidence. ASA 220 also provides possible actions that the engagement team may take to mitigate impediments to the exercise of professional scepticism at the engagement level.

³⁶ See, for example, AASB 8, *Operating Segments*.

³⁷ See ASA 220, paragraph 30(b).

³⁸ See ASA 200, paragraph A45.

³⁹ See ASA 220, paragraphs A34–A36.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- A15. Requirements and relevant application material in ASA 315,⁴⁰ ASA 540⁴¹ and other ASAs address the exercise of professional scepticism, and include examples of how documentation may help provide evidence of the auditor's exercise of professional scepticism.
- A16. All members of the engagement team are required to exercise professional scepticism throughout the group audit. The group auditor's direction and supervision of engagement team members, including component auditors, and the review of their work, may inform the group auditor about whether the engagement team has appropriately exercised professional scepticism.
- A17. The exercise of professional scepticism in a group audit may be affected by matters such as the following:
- Component auditors in different locations may be subject to varying cultural influences, which may affect the nature of the biases to which they are subject.
 - The complex structure of some groups may introduce factors that give rise to increased susceptibility to risks of material misstatement. In addition, an overly complex organisational structure may be a fraud risk factor in accordance with ASA 240⁴² and therefore may require additional time or expertise to understand the business purpose and activities of certain entities or business units.
 - The nature and extent of intra-group transactions (e.g., transactions that involve multiple entities and business units within the group or multiple related parties), cash flows or transfer pricing agreements may give rise to additional complexities. In some cases, such matters may also give rise to fraud risk factors.
 - When the group audit is subject to tight reporting deadlines imposed by group management, this may put pressure on engagement team members when completing the work assigned. In these circumstances, the engagement team may need to take additional time to appropriately question management's assertions, make appropriate judgements, or appropriately review the audit work performed.
- A18. The exercise of professional scepticism by the group auditor includes remaining alert for inconsistent information from component auditors, component management and group management about matters that may be significant to the group financial report.

Definitions

Aggregation Risk (Ref: Para. 14(a))

- A19. Aggregation risk exists in all audits of the financial report, but is particularly important to understand and address in a group audit because there is a greater likelihood that audit procedures will be performed on classes of transactions, account balances or disclosures that are disaggregated across components. Generally, aggregation risk increases as the number of components increases at which audit procedures are performed separately, whether by component auditors or other members of the engagement team.

Component (Ref: Para. 14(b))

- A20. The group auditor uses professional judgement in determining components at which audit work will be performed. Paragraph A7 explains that the financial information of certain entities or business units may be considered together for purposes of planning and performing audit procedures. However, the group auditor's responsibility for the identification and

⁴⁰ See ASA 315, paragraph A238.

⁴¹ See ASA 540 *Auditing Accounting Estimates and Related Disclosures*, paragraph A11.

⁴² See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*, Appendix 1.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

assessment of the risks of material misstatement of the group financial report encompasses all of the entities and business units whose financial information is included in the group financial report.

Component Auditor (Ref: Para. 14(c))

- A21. References in this ASA to the engagement team include the group auditor and component auditors. Component auditors may be from a network firm, a firm that is not a network firm, or the group auditor's firm (e.g., another office within the group auditor's firm).
- A22. In some circumstances, the group auditor may perform centralized testing on classes of transactions, account balances or disclosures, or may perform audit procedures related to a component. In these circumstances, the group auditor is not considered a component auditor.
- A23. Paragraph 24 requires the group auditor to request the component auditor to confirm that the component auditor will cooperate with the group auditor, including whether the component auditor will perform the work requested by the group auditor. Paragraph A58 provides guidance for circumstances in which the component auditor is unable to provide such a confirmation.

Component Management (Ref: Para. 14(d))

- A24. Component management refers to management responsible for the financial information or other activity (e.g., processing of transactions at a shared service centre) at an entity or business unit that is part of the group. When the group auditor considers the financial information of certain entities or business units together as a component or determines that a shared service centre is a component (see paragraphs A7–A8), component management refers to the management that is responsible for the financial information or transaction processing that is subject to the audit procedures being performed in relation to that component. In some circumstances, there may not be separate component management and group management may be directly responsible for the financial information or other activities of the component.

Group Engagement Partner (Ref: Para. 14(j))

- A25. ~~[Deleted by the AUASB]When joint auditors conduct a group audit, the joint engagement partners and their engagement teams collectively constitute the “group engagement partner” and “engagement team” for the purposes of the ASAs. This ASA does not, however, deal with the relationship between joint auditors or the work that one joint auditor performs in relation to the work of the other joint auditor for purposes of the group audit.~~

Group Financial Report (Ref: Para. 2, 14(k))

- A26. The requirements for the preparation and presentation of the group financial report may be specified in the applicable financial reporting framework, which may therefore affect the determination of the financial information of entities or business units to be included in the group financial report. For example, some frameworks require the preparation of a consolidated financial report when an entity (a parent entity) controls one or more other entities (e.g., subsidiaries) through majority ownership interest or other means. In some cases, the applicable financial reporting framework includes separate requirements for, or may otherwise permit, the presentation of a combined financial report. Examples of circumstances in which the presentation of a combined financial report may be permitted include entities that have no parent but are under common control or entities under common management.
- A27. The term “consolidation process” as used in this ASA is not intended to have the same meaning as “consolidation” or “consolidated financial report” as defined or described in financial reporting frameworks. Rather, the term “consolidation process” refers more broadly to the process used to prepare a group financial report.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

A28. The detailed aspects of the consolidation process vary from one group to another, depending on the group's structure and information system, including the financial reporting process. However, a consolidation process involves considerations such as the elimination of intra-group transactions and balances and, when applicable, implications of different reporting periods for entities or business units included in the group financial report.

Leadership Responsibilities for Managing and Achieving Quality on a Group Audit (Ref: Para. 11, 16)

A29. It may not be possible or practical for the group engagement partner to solely deal with all requirements in ASA 220, particularly when the engagement team includes a large number of component auditors located in multiple locations. In managing quality at the engagement level, ASA 220⁴³ permits the engagement partner to assign the design or performance of procedures, tasks or actions to other members of the engagement team to assist the engagement partner. Accordingly, the group engagement partner may assign procedures, tasks or actions to other members of the engagement team and these members may assign procedures, tasks or actions further. In such circumstances, ASA 220 requires that the engagement partner shall continue to take overall responsibility for managing and achieving quality on the audit engagement.

A30. Policies or procedures established by the firm, or that are common network requirements or network services,⁴⁴ may support the group engagement partner by facilitating communication between the group auditor and component auditors and supporting the group auditor's direction and supervision of those component auditors and the review of their work.

A31. ASA 220⁴⁵ explains that a culture that demonstrates a commitment to quality is shaped and reinforced by the engagement team members as they demonstrate expected behaviours when performing the engagement. In addressing the requirement in paragraph 16(a), the group engagement partner may communicate directly to other members of the engagement team (including component auditors) and reinforce this communication through personal conduct and actions (e.g., leading by example).

Acceptance and Continuance

Determining Whether Sufficient and Appropriate Audit Evidence Can Reasonably Be Expected to Be Obtained (Ref: Para. 17–18)

A32. In determining whether sufficient appropriate audit evidence can reasonably be expected to be obtained, the group engagement partner may obtain an understanding of matters such as:

- The group structure, including both the legal and organisational structure.
- Activities that are significant to the group, including the industry and regulatory, economic and political environments in which those activities take place.
- The use of service organisations.
- The use of shared service centres.
- The consolidation process.
- Whether the group auditor:

⁴³ See ASA 220, paragraph 15.

⁴⁴ See ASQM 1, paragraphs 48–52.

⁴⁵ See ASA 220, paragraph A28.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

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- Will have unrestricted access to those charged with governance of the group, group management, those charged with governance of the component, component management and component information, including of those components that are accounted for by the equity method; and
 - Will be able to perform necessary work on the financial information of the components when applicable.
 - Whether sufficient and appropriate resources are assigned or will be made available.
- A33. In the case of an initial group audit engagement, the group auditor’s understanding of the matters in paragraph A32 may be obtained from:
- Information provided by group management;
 - Communication with group management;
 - Communication with those charged with governance of the group; and
 - When applicable, communication with component management or the predecessor auditor.
- A34. For a recurring engagement, the ability to obtain sufficient appropriate audit evidence may be affected by significant changes in, for example:
- The group structure (e.g., acquisitions, disposals, joint ventures, reorganisations, or changes in how the group financial reporting system is organised).
 - Components’ activities that are significant to the group.
 - The composition of those charged with governance of the group, group management, or key management of components for which audit procedures are expected to be performed.
 - The group auditor’s understanding of the integrity and competence of group or component management.
 - The applicable financial reporting framework.
- Aus A34.1 [Section 323B of the Corporations Act 2001 \(the Act\) requires the officer or auditor of a controlled entity to give the principal auditor access to the controlled entity’s books; and give the auditor any information, explanation or assistance required under section 323A of the Act.](#)
- A35. There may be additional complexities with obtaining sufficient appropriate audit evidence in a group audit when components are located in jurisdictions other than the group auditor’s jurisdiction because of cultural and language differences, and different laws or regulations. For example, law or regulation may restrict the component auditor from providing documentation outside of its jurisdiction, or war, civil unrest or outbreaks of disease may restrict the group auditor’s access to relevant component auditor audit documentation. Paragraph A180 includes possible ways to address these situations.
- A36. Restrictions may be imposed after the group engagement partner’s acceptance of the group audit engagement that may affect the engagement team’s ability to obtain sufficient appropriate audit evidence. Such restrictions may include those affecting:

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

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- The group auditor's access to component information, management or those charged with governance of components, or the component auditors (including relevant audit documentation sought by the group auditor) (see paragraphs 20 and 21); or
 - The work to be performed on the financial information of components.

Paragraphs A45–A46 explain the possible effect of such restrictions on the auditor's report on the group financial report.

Agreeing the Terms of Audit Engagements (Ref: Para. 19)

A37. ASA 210⁴⁶ requires the auditor to agree the terms of the audit engagement with management or those charged with governance, as appropriate. The terms of engagement identify the applicable financial reporting framework. Additional matters that may be included in the terms of a group audit engagement include:

- Communications between the group auditor and component auditors should be unrestricted to the extent possible under laws or regulations;
- Important communications between component auditors and those charged with governance of the component or component management, including communications on significant deficiencies in internal control, should be communicated to the group auditor;
- Communications between regulatory authorities and entities or business units related to financial reporting matters that may be relevant to the group audit should be communicated to the group auditor; and
- The group auditor should be permitted to perform work, or request a component auditor to perform work, at the component.

Restrictions on Access to Information or People (Ref: Para. 20–21)

A38. Restrictions on access to information or people do not eliminate the requirement for the group auditor to obtain sufficient appropriate audit evidence.

A39. Access to information or people can be restricted for many reasons, such as restrictions imposed by component management, laws or regulations or other conditions, for example, war, civil unrest or outbreaks of disease. Paragraph A180 describes how the group auditor may be able to overcome restrictions on access to component auditor audit documentation.

A40. In some circumstances, the group auditor may be able to overcome restrictions on access to information or people, for example:

- If access to component management or those charged with governance of the component is restricted, the group auditor may request group management or those charged with governance of the group to assist with removing the restriction or otherwise request information directly from group management or those charged with governance of the group.
- If the group has a non-controlling interest in an entity that is accounted for by the equity method, the group auditor may determine whether provisions exist (e.g., in the terms of joint venture agreements, or the terms of other investment agreements)

⁴⁶ See ASA 210, paragraphs 9 and 10(d).

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

regarding access by the group to the financial information of the entity and request group management to exercise such rights.

- If the group has a non-controlling interest in an entity that is accounted for by the equity method and the group has representatives who are on the executive board or are members of those charged with governance of the non-controlled entity, the group auditor may enquire whether they can provide financial and other information available to them in these roles.

A41. If the group has a non-controlling interest in an entity that is accounted for by the equity method and the group auditor's access to information or people at the entity is restricted, the group auditor may be able to obtain information to be used as audit evidence regarding the entity's financial information, for example:

- Financial information that is available from group management, as group management also needs to obtain the non-controlled entity's financial information in order to prepare the group financial report.
- Publicly available information, such as an audited financial report, public disclosure documents, or quoted prices of equity instruments in the non-controlled entity.

It is a matter of professional judgement, particularly in view of the assessed risks of material misstatement of the group financial report and considering other sources of information that may corroborate or otherwise contribute to audit evidence obtained, whether the auditor can obtain sufficient appropriate audit evidence.⁴⁷

A42. If the group has a non-controlling interest in an entity that is accounted for by the equity method and access to information or people at the entity is restricted, the group auditor may consider whether such restrictions are inconsistent with group management's assertions regarding the appropriateness of the use of the equity method of accounting.

A43. When the group auditor is unable to obtain sufficient appropriate audit evidence due to restrictions on access to information or people, the group auditor may:

- Communicate the restrictions to the group auditor's firm to assist the group auditor in determining an appropriate course of action. For example, the group auditor's firm may communicate with group management about the restrictions and encourage group management to communicate with regulators. This may be useful when restrictions affect multiple audits in the jurisdiction or by the same firm, for example, because of war, civil unrest or outbreaks of disease in a major economy.
- Be required by law or regulation to communicate with regulators, listing authorities, or others, about the restrictions.

A44. Restrictions on access may have other implications for the group audit. For example, if restrictions are imposed by group management, the group auditor may need to reconsider the reliability of group management's responses to the group auditor's enquiries and whether the restrictions call into question group management's integrity.

Effect of Restrictions on Access to Information or People on the Auditor's Report on a Group Financial Report (Ref: Para. 20–21)

A45. ASA 705⁴⁸ contains requirements and guidance about how to address situations when the group auditor is unable to obtain sufficient appropriate audit evidence. Appendix 1 contains

⁴⁷ See ASA 330, paragraph 7(b).

⁴⁸ See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

an example of an auditor's report containing a qualified group audit opinion based on the group auditor's inability to obtain sufficient appropriate audit evidence in relation to a component that is accounted for by the equity method.

Law or Regulation Prohibit the Group Engagement Partner from Declining or Withdrawing from an Engagement (Ref: Para. 20–21)

- A46. Law or regulation may prohibit the group engagement partner from declining or withdrawing from an engagement. For example, in some jurisdictions the auditor is appointed for a specified period of time and is prohibited from withdrawing before the end of that period. Also, in the public sector, the option of declining or withdrawing from an engagement may not be available to the auditor due to the nature of the mandate or public interest considerations. In these circumstances, the requirements in this ASA still apply to the group audit, and the effect of the group auditor's inability to obtain sufficient appropriate audit evidence is addressed in ASA 705.

Overall Group Audit Strategy and Group Audit Plan

The Continual and Iterative Nature of Planning and Performing a Group Audit (Ref: Para. 22)

- A47. As explained in ASA 300,⁴⁹ planning is not a discrete phase of an audit, but rather a continual and iterative process that often begins shortly after (or in connection with) the completion of the previous audit and continues until the completion of the current audit engagement. For example, due to unexpected events, changes in conditions, or audit evidence obtained from risk assessment or further audit procedures, the group auditor may need to modify the overall group audit strategy and group audit plan, and the resulting planned nature, timing and extent of further audit procedures, based on the revised consideration of assessed risks. The group auditor may also modify the determination of the components at which to perform audit work as well as the nature, timing and extent of the component auditors' involvement. ASA 300⁵⁰ requires the auditor to update and change the overall audit strategy and audit plan as necessary during the course of the audit.

Establishing the Overall Group Audit Strategy and Group Audit Plan (Ref: Para. 22)

- A48. In an initial group audit engagement, the group auditor may have a preliminary understanding of the group and its environment, the applicable financial reporting framework and the entity's system of internal control based on information obtained from group management, those charged with governance of the group and, when applicable, communication with component management or the predecessor auditor. In a recurring group audit engagement, the group auditor's preliminary understanding may be obtained through prior period audits. This preliminary understanding may assist the group auditor in developing initial expectations about the classes of transactions, account balances and disclosures that may be significant.
- A49. The group auditor may also use information obtained during the engagement acceptance and continuance process in establishing the overall group audit strategy and group audit plan, for example, in relation to the resources needed to perform the group audit.
- A50. The process of establishing the overall group audit strategy and group audit plan and initial expectations about the classes of transactions, account balances and disclosures that may be significant at the group financial statement level may assist the group auditor in developing a preliminary determination of matters such as:
- Whether to perform audit work centrally, at components or a combination thereof; and

⁴⁹ See ASA 300, paragraph A2.

⁵⁰ See ASA 300, paragraph 10.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- The nature, timing and extent of audit work to be performed with respect to the financial information of components (e.g., design and perform risk assessment procedures, further audit procedures, or a combination thereof).

Components at Which to Perform Audit Work (Ref: Para. 22(a))

A51. The determination of components at which to perform audit work is a matter of professional judgement. Matters that may influence the group auditor's determination include, for example:

- The nature of events or conditions that may give rise to risks of material misstatement at the assertion level of the group financial report that are associated with a component, for example:
 - Newly formed or acquired entities or business units.
 - Entities or business units in which significant changes have taken place.
 - Significant transactions with related parties.
 - Significant transactions outside the normal course of business.
 - Abnormal fluctuations identified by analytical procedures performed at the group level, in accordance with ASA 315.⁵¹
- The disaggregation of significant classes of transactions, account balances and disclosures in the group financial report across components, considering the size and nature of assets, liabilities and transactions at the location or business unit relative to the group financial report.
- Whether sufficient appropriate audit evidence is expected to be obtained for all significant classes of transactions, account balances and disclosures in the group financial report from audit work planned on the financial information of identified components.
- The nature and extent of misstatements or control deficiencies identified at a component in prior period audits.
- The nature and extent of the commonality of controls across the group and whether, and if so, how, the group centralizes activities relevant to financial reporting.

Resources (Ref: Para. 22(b))

A52. Matters that influence the group auditor's determination of the resources needed to perform the group audit and the nature, timing and extent to which component auditors are to be involved are a matter of professional judgement and may include, for example:

- The understanding of the group, the components within the group at which audit work is to be performed and whether to perform work centrally, at components or a combination thereof.
- The knowledge and experience of the engagement team. For example, component auditors may have greater experience and a more in-depth knowledge than the group auditor of the local industries in which components operate, laws or regulations,

⁵¹ See ASA 315, paragraph 14(b).

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

business practices, language and culture. In addition, the involvement of auditor's experts may be needed on complex matters.

- The initial expectations about the potential risks of material misstatement.
 - The amount or location of resources to allocate to specific audit areas. For example, the extent to which components are dispersed across multiple locations may impact the need to involve component auditors in specific locations.
 - Access arrangements. For example, when the group auditor's access to a component in a particular jurisdiction is restricted, component auditors may need to be involved.
 - The nature of the components' activities, including their complexity or specialisation of operations.
 - The group's system of internal control, including the information system in place, and its degree of centralization. For example, the involvement of component auditors may be more likely when the system of internal control is decentralized.
 - Previous experience with the component auditor.
- A53. Component auditors may be involved in different phases of an audit, for example, component auditors may design or perform:
- Risk assessment procedures; and
 - Procedures to respond to the assessed risks of material misstatement.
- A54. The nature, timing and extent to which component auditors are to be involved depends on the facts and circumstances of the group audit engagement. Often component auditors will be involved in all phases of the audit, but the group auditor may decide to involve component auditors only in a certain phase. When the group auditor does not intend to involve component auditors in risk assessment procedures, the group auditor may still discuss with component auditors whether there are any significant changes in the business or the system of internal control of the component that could have an effect on the risks of material misstatement of the group financial report.
- A55. ASA 300⁵² requires the engagement partner and other key members of the engagement team to be involved in planning the audit. When component auditors are involved, one or more individuals from a component auditor may be key members of the engagement team and therefore involved in planning the group audit. The involvement of component auditors in planning the audit draws on their experience and insight, thereby enhancing the effectiveness and efficiency of the planning process. The group engagement partner uses professional judgement in determining which component auditors to involve in planning the audit. This may be affected by the nature, timing and extent to which the component auditors are expected to be involved in designing and performing risk assessment or further audit procedures.
- A56. As described in ASQM 1,⁵³ there may be circumstances when the fee quoted for an engagement is not sufficient given the nature and circumstances of the engagement, and it may diminish the firm's ability to perform the engagement in accordance with professional standards and applicable legal or regulatory requirements. The level of fees, including their allocation to component auditors, and the extent to which they relate to the resources required, may be a special consideration for group audit engagements. For example, in a group audit, the firm's financial and operational priorities may place constraints on the determination of the

⁵² See ASA 300, paragraph 5.

⁵³ See ASQM 1, paragraph A74.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

components at which audit work will be performed, as well as the resources needed, including the involvement of component auditors. In such circumstances, these constraints do not override the group engagement partner's responsibility for achieving quality at the engagement level or the requirements for the group auditor to obtain sufficient appropriate audit evidence on which to base the group audit opinion.

Considerations When Component Auditors Are Involved

Sufficient and Appropriate Involvement in the Work of the Component Auditor (Ref: Para. 23–24)

- A57. In evaluating whether the group auditor will be able to be sufficiently and appropriately involved in the work of the component auditor, the group auditor may obtain an understanding of whether the component auditor is subject to any restrictions that limit communication with the group auditor, including with regard to sharing audit documentation with the group auditor. The group auditor may also obtain an understanding about whether audit evidence related to components located in a different jurisdiction may be in a different language and may need to be translated for use by the group auditor.
- A58. If the component auditor is unable to cooperate with the group auditor, the group auditor may:
- Request the component auditor to provide its rationale.
 - Be able to take appropriate action to address the matter, including adjusting the nature of the work requested to be performed. Alternatively, in accordance with paragraph 27, the group auditor may need to obtain sufficient appropriate audit evidence relating to the work to be performed at the component without involving the component auditor.

Relevant Ethical Requirements, Including Those Related to Independence (Ref: Para. 25)

- A59. When performing work at a component for a group audit engagement, the component auditor is subject to ethical requirements, including those related to independence, that are relevant to the group audit engagement. Such requirements may be different from or in addition to those applying to the component auditor when performing an audit on the financial report of an entity or business unit that is part of the group for statutory, regulatory or other reasons in the component auditor's jurisdiction.
- A60. In making the component auditors aware of relevant ethical requirements, the group auditor may consider whether additional information or training for component auditors is necessary regarding the provisions of the ethical requirements that are relevant to the group audit engagement.

Engagement Resources (Ref: Para. 26)

- A61. ASA 220⁵⁴ requires the engagement partner to determine that sufficient and appropriate resources to perform the engagement are assigned or made available to the engagement team in a timely manner. When sufficient or appropriate resources are not made available in relation to work to be performed by a component auditor, the group engagement partner may discuss the matter with the component auditor, group management or the group auditor's firm and may subsequently request the component auditor or the group auditor's firm to make sufficient and appropriate resources available.

⁵⁴ See ASA 220, paragraph 25.

Competence and capabilities of the component auditors

- A62. ASA 220⁵⁵ provides guidance regarding matters the engagement partner may take into consideration when determining the competence and capabilities of the engagement team. This determination is particularly important in a group audit when the engagement team includes component auditors. ASA 220⁵⁶ indicates that the firm's policies or procedures may require the firm or the engagement partner to take different actions from those applicable to personnel when obtaining an understanding of whether a component auditor from another firm has the appropriate competence and capabilities to perform the audit engagement.
- A63. Determining whether component auditors have the appropriate competence and capabilities is a matter of professional judgement and is influenced by the nature and circumstances of the group audit engagement. This determination influences the nature, timing and extent of the group engagement partner's direction and supervision of the component auditor and the review of their work.
- A64. In determining whether component auditors have the appropriate competence and capabilities to perform the assigned audit procedures at the component, the group engagement partner may consider matters such as:
- Previous experience with or knowledge of the component auditor.
 - The component auditor's specialised skills (e.g., industry-specific knowledge).
 - The degree to which the group auditor and component auditor are subject to a common system of quality management, for example, whether the group auditor and a component auditor:
 - Use common resources to perform the work (e.g., audit methodologies or IT applications);
 - Share common policies or procedures affecting engagement performance (e.g., direction, supervision and review of work or consultation);
 - Are subject to common monitoring activities; or
 - Have other commonalities, including common leadership or a common cultural environment.
 - The consistency or similarity of:
 - Laws or regulations or legal system;
 - Language and culture;
 - Education and training;
 - Professional oversight, discipline, and external quality assurance; or
 - Professional organisations and standards.
 - Information obtained about the component auditor through interactions with component management, those charged with governance, and other key personnel, such as internal auditors.

⁵⁵ See ASA 220, paragraph A71.

⁵⁶ See ASA 220, paragraph A24.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

A65. The procedures to determine the component auditor's competency and capability may include, for example:

- An evaluation of the information communicated by the group auditor's firm to the group auditor, including:
 - The firm's ongoing communication related to monitoring and remediation, in circumstances when the group auditor and component auditor are from the same firm.⁵⁷
 - Information from the network about the results of the monitoring activities undertaken by the network across the network firms.⁵⁸
 - Information obtained from professional body(ies) to which the component auditor belongs, the authorities by which the component auditor is licensed, or other third parties.
- Discussing the assessed risks of material misstatement with the component auditor.
- Requesting the component auditor to confirm their understanding of the matters referred to in paragraph 25 in writing.
- Discussing the component auditor's competence and capabilities with colleagues in the group engagement partner's firm that have worked directly with the component auditor.
- Obtaining published external inspection reports.

A66. The group engagement partner's firm and the component auditor may be members of the same network and may be subject to common network requirements or use common network services.⁵⁹ When determining whether component auditors have the appropriate competence and capabilities to perform work in support of the group audit engagement, the group engagement partner may be able to depend on such network requirements, for example, those addressing professional training or recruitment, or that require the use of audit methodologies and related implementation tools. In accordance with ASQM 1,⁶⁰ the firm is responsible for designing, implementing and operating its system of quality management, and the firm may need to adapt or supplement network requirements or network services to be appropriate for use in its system of quality management.

Using the work of an auditor's expert

A67. ASA 220⁶¹ requires the engagement partner to determine that members of the engagement team, and any auditor's external experts who are not part of the engagement team, collectively have the appropriate competence and capabilities, including sufficient time, to perform the audit engagement. If an auditor's expert is used by a component auditor, the group engagement partner may need to obtain information from the component auditor. For example, the group auditor may discuss with the component auditor the component auditor's evaluation of the competence and capabilities of the auditor's expert.

⁵⁷ See ASQM 1, paragraph 47.

⁵⁸ See ASQM 1, paragraph 51(b).

⁵⁹ See ASQM 1, paragraphs A19, A175.

⁶⁰ See ASQM 1, paragraphs 48–49.

⁶¹ See ASA 220, paragraph 26.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Automated tools and techniques

- A68. When determining whether the engagement team has the appropriate competence and capabilities, the group engagement partner may take into consideration such matters as the expertise of the component auditor in the use of automated tools and techniques. For example, as described in ASA 220,⁶² when the group auditor requires component auditors to use specific automated tools and techniques when performing audit procedures, the group auditor may communicate with component auditors that the use of such automated tools and techniques need to comply with the group auditor's instructions.

Application of the Group Auditor's Understanding of a Component Auditor (Ref: Para. 27)

- A69. ASA 220⁶³ requires the engagement partner to take responsibility for other members of the engagement team having been made aware of relevant ethical requirements that are applicable given the nature and circumstances of the audit engagement, and the firm's related policies or procedures. This includes the firm's policies or procedures that address circumstances that may cause a breach of relevant ethical requirements, including those related to independence, and the responsibilities of members of the engagement team when they become aware of breaches. The firm's policies or procedures also may address breaches of independence requirements by component auditors, and actions the group auditor may take in those circumstances in accordance with the relevant ethical requirements. In addition, relevant ethical requirements or law or regulation may also specify particular communications to those charged with governance in circumstances when breaches of independence requirements have been identified.⁶⁴
- A70. If there has been a breach by a component auditor of the relevant ethical requirements that apply to the group audit engagement, including those related to independence, and the breach has not been satisfactorily addressed in accordance with provisions of the relevant ethical requirements, the group auditor cannot use the work of that component auditor.
- A71. Serious concerns are those concerns that in the group auditor's professional judgement cannot be overcome. The group engagement partner may be able to overcome less than serious concerns about the component auditor's professional competency (e.g., lack of industry-specific knowledge), or the fact that the component auditor does not operate in an environment that actively oversees auditors, by the group auditor being more involved in the work of the component auditor or by directly performing further audit procedures on the financial information of the component.

Engagement Performance (Ref: Para. 28)

- A72. ASA 220⁶⁵ requires the engagement partner to determine that the nature, timing and extent of direction, supervision and review is planned and performed in accordance with the firm's policies or procedures, professional standards and applicable legal and regulatory requirements, and is responsive to the nature and circumstances of the audit engagement and the resources assigned or made available to the engagement team. For a group audit, the approach to direction, supervision and review will generally include a combination of addressing the group auditor's firm policies or procedures and group audit engagement-specific responses.
- A73. For a group audit, particularly when the engagement team includes a large number of component auditors that may be located in multiple locations, the group engagement partner may assign the design or performance of procedures, tasks or actions to other members of the engagement team to assist the group engagement partner in fulfilling the responsibility for the

⁶² See ASA 220, paragraph A65.

⁶³ See ASA 220, paragraph 17.

⁶⁴ See ASA 260, paragraph A31.

⁶⁵ See ASA 220, paragraph 30.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

nature, timing and extent of the direction and supervision of component auditors and the review of their work (see also paragraph 11).

- A74. If component auditors are from a firm other than the group auditor's firm, the firm's policies or procedures may be different, or different actions may need to be taken, respectively, in relation to the nature, timing and extent of direction and supervision of those members of the engagement team, and the review of their work. In particular, firm policies or procedures may require the firm or the group engagement partner to take different actions from those applicable to members of the engagement team within the firm or the network (e.g., in relation to the form, content and timing of communications with component auditors, including the use of group auditor instructions to component auditors). ASA 220 provides examples of actions that may need to be taken in such circumstances.⁶⁶
- A75. The nature, timing and extent of direction and supervision of component auditors and review of their work may be tailored based on the nature and circumstances of the engagement and, for example:
- The assessed risks of material misstatement. For example, if the group auditor has identified a component that includes a significant risk, an increase in the extent of direction and supervision of the component auditor and a more detailed review of the component auditor's audit documentation may be appropriate.
 - The competence and capabilities of the component auditors performing the audit work. For example, if the group auditor has no previous experience working with a component auditor, the group auditor may communicate more detailed instructions, increase the frequency of discussions or other interactions with the component auditor, or assign more experienced individuals to oversee the component auditor as the work is performed.
 - The location of engagement team members, including the extent to which engagement team members are dispersed across multiple locations, including when service delivery centres are used.
 - Access to component auditor audit documentation. For example, when law or regulation precludes component auditor audit documentation from being transferred out of the component auditor's jurisdiction, the group auditor may be able to review the audit documentation at the component auditor's location or remotely through the use of technology, when not prohibited by law or regulation (see also paragraphs A179–A180).
- A76. There are different ways in which the group engagement partner may take responsibility for directing and supervising component auditors and reviewing their work, for example:
- Communications with component auditors throughout the course of the group audit, including communications required by this ASA.
 - Meetings or calls with component auditors to discuss identified and assessed risks, issues, findings and conclusions.
 - Reviews of the component auditor's audit documentation in person or remotely when permitted by law and regulation.
 - Participating in the closing or other key meetings between the component auditors and component management.

⁶⁶ See ASA 220, paragraphs A24–A25.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

A77. In applying ASA 220,⁶⁷ the group engagement partner is required to review audit documentation at appropriate points in time during the audit engagement, including audit documentation relevant to the group audit relating to:

- Significant matters;
- Significant judgements, including those relating to difficult or contentious matters identified during the audit engagement, and the conclusions reached; and
- Other matters that, in the engagement partner's professional judgement, are relevant to the engagement partner's responsibilities.

The review of such audit documentation by the group engagement partner often takes place during the course of the group audit, including the review of relevant component auditor audit documentation (also see paragraph A148).

Communications with Component Auditors (Ref: Para. 29)

A78. Clear and timely communication between the group auditor and the component auditors about their respective responsibilities, along with clear direction to the component auditors about the nature, timing and extent of the work to be performed and the matters expected to be communicated to the group auditor, helps establish the basis for effective two-way communication. Effective two-way communication between the group auditor and the component auditors also helps to set expectations for component auditors and facilitates the group auditor's direction and supervision of them and the review of their work. Such communication also provides an opportunity for the group engagement partner to reinforce the need for component auditors to exercise professional scepticism in the work performed for purposes of the group audit.

A79. Other factors that may also contribute to effective two-way communication include:

- Clarity of the instructions to the component auditor, particularly when the component auditor is from another firm and may not be familiar with the policies or procedures of the group auditor's firm.
- A mutual understanding that the component auditor may discuss the audit work requested to be performed, based on the component auditor's knowledge and understanding of the component.
- A mutual understanding of relevant issues and the expected actions arising from the communication process.
- The form of communications. For example, matters that need timely attention may be more appropriately discussed in a meeting rather than by exchanging emails.
- A mutual understanding of the person(s) from the group auditor and component auditors who have responsibility for managing communications regarding particular matters.
- The process for the component auditor to take action and report back on matters communicated by the group auditor.

A80. The communications between the group auditor and component auditors depend on the facts and circumstances of the group audit engagement, including the nature and extent of involvement of the component auditors and the degree to which the group auditor and

⁶⁷ See ASA 220, paragraphs 31, A92–A93.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

component auditors are subject to common systems of quality management or common network requirements or network services.

Form of communications

- A81. The form of the communications between the group auditor and component auditors may vary based on factors such as the nature of the audit work the component auditors have been requested to perform, and the extent to which communication capabilities are integrated into the audit tools used for the group audit.
- A82. The form of communications also may be affected by such factors as:
- The significance, complexity or urgency of the matter.
 - Whether the matter has been or is expected to be communicated to group management and those charged with governance of the group.
- A83. Communication between the group auditor and the component auditor may not necessarily be in writing. However, the group auditor's verbal communications with the component auditors may be supplemented by written communication, such as a set of instructions regarding the work to be performed, when the group auditor wants to give particular attention to, or promote a mutual understanding about, certain matters. In addition, the group auditor may meet with the component auditor to discuss significant matters or to review relevant parts of the component auditor's audit documentation.
- A84. Paragraph 45 requires the group auditor to request the component auditor to communicate matters relevant to the group auditor's conclusion with regard to the group audit. As explained in paragraph A146, the form and content of the component auditor's deliverables are influenced by the nature and extent of the audit work the component auditor has been requested to perform.
- A85. Regardless of the form of communication, the documentation requirements of this and other ASAs apply.

Timing of communications

- A86. The appropriate timing of communications will vary with the circumstances of the engagement. Relevant circumstances may include the nature, timing and extent of work to be performed by the component auditor and the action expected to be taken by the component auditor. For example, communications regarding planning matters may often be made early in the audit engagement and, for an initial group audit, may be made as part of agreeing the terms of the engagement.

Non-compliance with laws or regulations (Ref: Para. 25, 29)

- A87. In applying ASA 250,⁶⁸ the group engagement partner may become aware of information about non-compliance or suspected non-compliance with laws or regulations. In such circumstances, the group engagement partner may have an obligation under relevant ethical requirements, laws or regulations, to communicate the matter to the component auditor.⁶⁹ The obligation of the group engagement partner to communicate non-compliance or suspected non-compliance may extend to auditors of the financial report of entities or business units for which an audit is required by statute, regulation or for another reason, but for which no audit work is performed for purposes of the group audit.

⁶⁸ See ASA 250 *Consideration of Laws and Regulations in an Audit of a Financial Report*.

⁶⁹ See, for example, Paragraphs R360.17 and R360.18 of APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code).

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Understanding the Group and Its Environment, the Applicable Financial Reporting Framework and the Group's System of Internal Control (Ref: Para. 30)

- A88. ASA 315⁷⁰ contains requirements and guidance regarding the auditor's responsibility to obtain an understanding of the entity and its environment, the applicable financial reporting framework, and the entity's system of internal control. Appendix 2 of this ASA provides examples of matters related to internal control that may be helpful in obtaining an understanding of the system of internal control in the context of a group environment, and expands on how ASA 315 is to be applied to an audit of a group financial report.
- A89. The understanding of the group and its environment, the applicable financial reporting framework, and the group's system of internal control may be obtained through communications with:
- Group management, component management or other appropriate individuals within the entity, including individuals within the internal audit function (if the function exists) and individuals who have knowledge of the group's system of internal control, accounting policies and practices, and the consolidation process;
 - Component auditors; or
 - Auditors that perform an audit for statutory, regulatory or other reasons of the financial report of an entity or business unit that is part of the group.
- A90. Obtaining an understanding of the group, identifying risks of material misstatement and assessing inherent risk and control risk may be performed in different ways depending on preferred audit techniques or methodologies and may be expressed in different ways. Accordingly, when component auditors are involved in the design and performance of risk assessment procedures, the group auditor may need to communicate its preferred approach with component auditors or provide instructions.

Engagement Team Discussion (Ref: Para. 30)

- A91. In applying ASA 315,⁷¹ the group engagement partner and other key engagement team members are required to discuss the application of the applicable financial reporting framework and the susceptibility of the group's financial report to material misstatement. The group engagement partner's determination of which members of the engagement team to include in the discussion, and the topics to be discussed, is affected by matters such as initial expectations about the risks of material misstatement and the preliminary expectation of whether to involve component auditors.
- A92. The discussion provides an opportunity to:
- Share knowledge of the components and their environments, including which components' activities are centralized.
 - Exchange information about the business risks of the components or the group, and how inherent risk factors may affect susceptibility to misstatement of classes of transactions, account balances and disclosures.
 - Exchange ideas about how and where the group financial report may be susceptible to material misstatement due to fraud or error. ASA 240⁷² requires the engagement team discussion to place particular emphasis on how and where the entity's financial report

⁷⁰ See ASA 315, paragraphs 19–27, A50–A183.

⁷¹ See ASA 315, paragraph 17.

⁷² See ASA 240, paragraph 16.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

may be susceptible to material misstatement due to fraud, including how fraud may occur.

- Identify policies followed by group or component management that may be biased or designed to manage earnings that could lead to fraudulent financial reporting.
- Consider known external and internal factors affecting the group that may create an incentive or pressure for group management, component management, or others to commit fraud, provide the opportunity for fraud to be perpetrated, or indicate a culture or environment that enables group management, component management, or others to rationalise committing fraud.
- Consider the risk that group or component management may override controls.
- Discuss fraud that has been identified, or information that indicates existence of a fraud.
- Identify risks of material misstatement relevant to components where there may be impediments to the exercise of professional scepticism.
- Consider whether uniform accounting policies are used to prepare the financial information of the components for the group financial report and, if not, how differences in accounting policies are identified and adjusted (when required by the applicable financial reporting framework).
- Share information about risks of material misstatement of the financial information of a component that may apply more broadly to some, or all, of the other components.
- Share information that may indicate non-compliance with national laws or regulations, for example, payments of bribes and improper transfer pricing practices.
- Discuss events or conditions identified by group management, component management or the engagement team, that may cast significant doubt on the group's ability to continue as a going concern.
- Discuss related party relationships or transactions identified by group management or component management, and any other related parties of which the engagement team is aware.

The Group and Its Environment (Ref: Para. 30 (a))

A93. An understanding of the group's organisational structure and its business model may enable the group auditor to understand such matters as:

- The complexity of the group's structure. A group may be more complex than a single entity because a group may have several subsidiaries, divisions or other business units, including in multiple locations. Also, a group's legal structure may be different from the operating structure, for example, for tax purposes. Complex structures often introduce factors that may give rise to increased susceptibility to material misstatements, such as whether goodwill, joint ventures or special-purpose entities are accounted for appropriately and whether adequate disclosures have been made.
- The geographic locations of the group's operations. Having a group that is located in multiple geographical locations may give rise to increased susceptibility to material misstatements. For example, different geographical locations may involve different languages, cultures and business practices.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- The structure and complexity of the group’s IT environment. A complex IT environment often introduces factors that may give rise to increased susceptibility to material misstatements. For example, a group may have a complex IT environment because of multiple IT systems that are not integrated due to recent acquisitions or mergers. Therefore, it may be particularly important to obtain an understanding of the complexity of the security over the IT environment, including vulnerability of the IT applications, databases, and other aspects of the IT environment. A group may also use one or more external service providers for aspects of its IT environment.
 - Relevant regulatory factors, including the regulatory environment. Different laws or regulations may introduce factors that may give rise to increased susceptibility to material misstatements. A group may have operations that are subject to a high degree of complex laws or regulations in multiple jurisdictions, or entities or business units in the group that operate in multiple industries that are subject to different types of laws or regulations.
 - The ownership, and relationships between owners and other people or entities, including related parties. Understanding the ownership and relationships can be more complex in a group that operates across multiple jurisdictions and when there are changes in ownership through formation, acquisition, disposal or joint venture. These factors may give rise to increased susceptibility to material misstatements.
- A94. Obtaining an understanding of the degree to which the group’s operations or activities are similar may help to identify similar risks of material misstatement across components and design an appropriate response.
- A95. The financial results of entities or business units are ordinarily measured and reviewed by group management. Enquiries of group management may reveal that group management relies on certain key indicators to evaluate the financial performance of the group’s entities and business units and take action. The understanding of such performance measures may help to identify:
- Areas where there is increased susceptibility to material misstatements (e.g., due to pressures on component management to meet certain performance measures).
 - Controls over the group’s financial reporting process.

The Group’s System of Internal Control

The Nature and Extent of Commonality of Controls (Ref: Para. 30(c)(i))

- A96. Group management may design controls that are intended to operate in a common manner across multiple entities or business units (i.e., common controls). For example, group management may design common controls for inventory management, which operate using the same IT system and that are implemented across all entities or business units in the group. Common controls may exist in each component of the group’s system of internal control, and they may be implemented at different levels within the group (e.g., at the level of the consolidated group as a whole, or for other levels of aggregation within the group). Common controls may be direct controls or indirect controls. Direct controls are controls that are precise enough to address risks of material misstatement at the assertion level. Indirect controls are controls that support direct controls.⁷³
- A97. Understanding the components of the group’s system of internal control includes understanding the commonality of the controls within those components across the group. In

⁷³ See ASA 315, paragraph A5.

understanding the commonality of a control across the group, considerations that may be relevant include whether:

- The control is designed centrally and is required to be implemented as designed (i.e., without modification) at some or all components;
- The control is implemented and, if applicable, monitored by individuals with similar responsibilities and capabilities at all the components where the control is implemented;
- If a control uses information from IT applications, the IT applications and other aspects of the IT environment that generate the information are the same across the components or locations; or
- If the control is automated, it is configured in the same way in each IT application across the components.

A98. Judgement may often be needed to determine whether a control is a common control. For example, group management may require that all entities and business units perform a monthly evaluation of the aging of customers' accounts that is generated from a specific IT application. When the aging reports are generated from different IT applications or the implementation of the IT application differs across entities or business units, there may be a need to consider whether the control can be determined to be common. This is because of differences in the design of the control that may exist due to the existence of different IT applications (e.g., whether the IT application is configured in the same manner across components, and whether there are effective general IT controls across different IT applications).

A99. Consideration of the level at which controls are performed within the group (e.g., at the level of the consolidated group as a whole or for other levels of aggregation within the group) and the degree of centralization and commonality may be important to the understanding of how information is processed and controlled. In some circumstances, controls may be performed centrally (e.g., performed only at a single entity or business unit), but may have a pervasive effect on other entities or business units (e.g., a shared service centre that processes transactions on behalf of other entities or business units within the group). The processing of transactions and related controls at a shared service centre may operate in the same way for those transactions being processed by the shared service centre regardless of the entity or business unit (e.g., the processes, risks and controls may be the same regardless of the source of the transaction). In such cases, it may be appropriate to identify the controls and evaluate the design and determine the implementation of the controls, and, if applicable, test operating effectiveness, as a single population.

Centralized Activities (Ref: Para. 30(c)(i)–(ii))

A100. Group management may centralize some of its activities, for example financial reporting or accounting functions may be performed for a particular group of common transactions or other financial information in a consistent and centralized manner for multiple entities or business units (e.g., when the initiation, authorisation, recording, processing, or reporting of revenue transactions is performed at a shared service centre).

A101. Obtaining an understanding of how centralized activities fit into the overall group structure, and the nature of the activities undertaken, may help to identify and assess risks of material misstatement and appropriately respond to such risks. For example, controls at a shared service centre may operate independently from other controls, or they may be dependent upon controls at an entity or business unit from which financial information is derived (e.g., sales transactions may be initiated and authorised at an entity or business unit, but the processing may occur at the shared service centre).

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

A102. The group auditor may involve component auditors in testing the operating effectiveness of common controls or controls related to centralized activities. In such circumstances, effective collaboration between the group auditor and component auditors is important as the audit evidence obtained through testing the operating effectiveness of common controls or controls related to centralized activities supports the determination of the nature, timing and extent of substantive procedures to be performed across the group.

Communications About Significant Matters that Support the Preparation of the Group Financial Report (Ref: Para. 30(c)(iv))

A103. Group entities or business units may use a financial reporting framework for statutory, regulatory or other reasons that is different from the financial reporting framework used for the group's financial report. In such circumstances, an understanding of group management's financial reporting processes to align accounting policies and, when relevant, financial reporting period-ends that differ from that of the group, enables the group auditor to understand how adjustments, reconciliations and reclassifications are made, and whether they are made centrally by group management or by the entity or business unit.

Instructions by group management to entities or business units

A104. In applying ASA 315,⁷⁴ the group auditor is required to understand how group management communicates significant matters that support the preparation of the group financial report. To achieve uniformity and comparability of financial information, group management may issue instructions (e.g., communicate financial reporting policies) to the entities or business units that include details about financial reporting processes or may have policies that are common across the group. Obtaining an understanding of group management's instructions may affect the identification and assessment of the risks of material misstatement of the group financial report. For example, inadequate instructions may increase the likelihood of misstatements due to the risk that transactions are incorrectly recorded or processed, or that accounting policies are incorrectly applied.

A105. The group auditor's understanding of the instructions or policies may include the following:

- The clarity and practicality of the instructions for completing the reporting package.
- Whether the instructions:
 - Adequately describe the characteristics of the applicable financial reporting framework and the accounting policies to be applied;
 - Address information necessary to prepare disclosures that are sufficient to comply with the requirements of the applicable financial reporting framework, for example, disclosure of related party relationships and transactions, and segment information;
 - Address information necessary for making consolidation adjustments, for example, intra-group transactions and unrealised profits, and intra-group account balances; and
 - Include a reporting timetable.

Considerations When Component Auditors Are Involved (Ref: Para. 31–32)

A106. During the course of the group audit, the group auditor may communicate the matters in paragraph 31 to other component auditors, if these matters are relevant to the work of those

⁷⁴ See ASA 315, paragraph 25(b).

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

component auditors. Paragraph A144 includes examples of other matters that may need to be communicated timely in the course of the component auditor's work.

A107. The nature of related party relationships and transactions may, in some circumstances, give rise to higher risks of material misstatement of the financial report than transactions with unrelated parties.⁷⁵ In a group audit there may be a higher risk of material misstatement of the group financial report, including due to fraud, associated with related party relationships when:

- The group structure is complex;
- The group's information systems are not integrated and therefore less effective in identifying and recording related party relationships and transactions; and
- There are numerous or frequent related party transactions between entities and business units.

Planning and performing the audit with professional scepticism, as required by ASA 200,⁷⁶ is therefore particularly important when these circumstances exist.

Identifying and Assessing the Risks of Material Misstatement (Ref: Para. 33)

A108. The process to identify and assess the risks of material misstatement of the group financial report is iterative and dynamic, and may be challenging, particularly when the component's activities are complex or specialised, or when there are many components across multiple locations. In applying ASA 315,⁷⁷ the auditor develops initial expectations about the potential risks of material misstatement and an initial identification of the significant classes of transactions, account balances and disclosures of the group financial report based on their understanding of the group and its environment, the applicable financial reporting framework and the group's system of internal control.

A109. The initial expectations about the potential risks of material misstatement take into account the auditor's understanding of the group, including its entities or business units, and the environments and industries in which they operate. Based on the initial expectations, the group auditor may, and often will, involve component auditors in risk assessment procedures as they may have direct knowledge and experience with the entities or business units that may be helpful in understanding the activities and related risks, and where risks of material misstatement of the group financial report may arise in relation to those entities or business units.

A110. For identified risks of material misstatement at the assertion level, the group auditor is required to take responsibility for assessing inherent risk. Such assessment involves assessing the likelihood and magnitude of misstatement, which takes into account how, and the degree to which:⁷⁸

- Inherent risk factors affect the susceptibility of relevant assertions to misstatement.
- The risks of material misstatement at the group financial statement level affect the assessment of inherent risk for risks of material misstatement at the assertion level.

A111. Based on the risk assessment procedures performed, the group auditor may determine that an assessed risk of material misstatement of the group financial report only arises in relation to financial information of certain components. For example, the risk of material misstatement

⁷⁵ See ASA 550, paragraph 2.

⁷⁶ See ASA 200, paragraph 15.

⁷⁷ See ASA 315, paragraph A126.

⁷⁸ See ASA 315, paragraph 31.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

relating to a legal claim may only exist in entities or business units that operate in a certain jurisdiction or in entities or business units that have similar operations or activities.

- A112. Appendix 3 sets out examples of events and conditions that, individually or together, may indicate risks of material misstatement of the group financial report, whether due to fraud or error, including with respect to the consolidation process.

Fraud

- A113. In applying ASA 240,⁷⁹ the auditor is required to identify and assess the risks of material misstatement of the financial report due to fraud, and to design and perform further audit procedures whose nature, timing and extent are responsive to the assessed risks of material misstatement due to fraud at the assertion level. Information used to identify the risks of material misstatement of the group financial report due to fraud may include the following:

- Group management's assessment of the risk that the group financial report may be materially misstated due to fraud.
- Group management's process for identifying and responding to the risks of fraud in the group financial report, including any specific fraud risks identified by group management, or classes of transactions, account balances, or disclosures for which a risk of fraud is higher.
- Whether there are particular components that are more susceptible to risks of material misstatement due to fraud.
- Whether any fraud risk factors or indicators of management bias exist in the consolidation process.
- How those charged with governance of the group monitor group management's processes for identifying and responding to the risks of fraud in the group, and the controls group management has established to mitigate these risks.
- Responses of those charged with governance of the group, group management, appropriate individuals within the internal audit function (and when appropriate, component management, the component auditors, and others) to the group auditor's enquiry about whether they have knowledge of any actual, suspected, or alleged fraud affecting a component or the group.

Considerations When Component Auditors Are Involved (Ref: Para. 34)

- A114. When the group auditor involves component auditors in the design and performance of risk assessment procedures, the group auditor remains responsible for having an understanding of the group and its environment, the applicable financial reporting framework and the group's system of internal control to have a sufficient basis for the identification and assessment of the risks of material misstatement of the group financial report in accordance with paragraph 33.
- A115. When the audit evidence obtained from the risk assessment procedures does not provide an appropriate basis for the identification and assessment of the risks of material misstatement, ASA 315⁸⁰ requires the auditor to perform additional risk assessment procedures until audit evidence has been obtained to provide such a basis.

⁷⁹ See ASA 240, paragraphs 26, 31.

⁸⁰ See ASA 315, paragraph 35.

Materiality

Component Performance Materiality (Ref: Para. 35(a))

- A116. Paragraph 35(a) requires the group auditor to determine component performance materiality for each of the components where audit procedures are performed on financial information that is disaggregated. The component performance materiality amount may be different for each component. Also, the component performance materiality amount for an individual component need not be an arithmetical portion of the group performance materiality and, consequently, the aggregate of component performance materiality amounts may exceed group performance materiality.
- A117. This ASA does not require component performance materiality to be determined for each class of transactions, account balance or disclosure for components at which audit procedures are performed. However, if, in the specific circumstances of the group, there is one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the group financial report as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the group financial report, ASA 320⁸¹ requires a determination of the materiality level or levels to be applied to those particular classes of transactions, account balances or disclosures. In these circumstances, the group auditor may need to consider whether a component performance materiality lower than the amount communicated to the component auditor may be appropriate for those particular classes of transactions, account balances or disclosures.⁸²
- A118. The determination of component performance materiality is not a simple mechanical calculation and involves the exercise of professional judgement. Factors the group auditor may take into account in setting component performance materiality include the following:
- The extent of disaggregation of the financial information across components (e.g., as the extent of disaggregation across components increases, a lower component performance materiality ordinarily would be appropriate to address aggregation risk). The relative significance of the component to the group may affect the extent of disaggregation (e.g., if a single component represents a large portion of the group, there likely may be less disaggregation across components).
 - Expectations about the nature, frequency, and magnitude of misstatements in the component financial information, for example:
 - Whether there are risks that are unique to the financial information of the component (e.g., industry-specific accounting matters, unusual or complex transactions).
 - The nature and extent of misstatements identified at the component in prior audits.
- A119. To address aggregation risk, paragraph 35(a) requires component performance materiality to be lower than group performance materiality. As explained in paragraph A118, as the extent of disaggregation across components increases, a lower component performance materiality amount ordinarily would be appropriate to address aggregation risk. In some circumstances, however, component performance materiality may be set at an amount closer to group performance materiality because there is less aggregation risk, such as when the financial information for one component represents a substantial portion of the group financial report. When determining component performance materiality for a non-controlling interest in an

⁸¹ See ASA 320, paragraphs 10 and A11–A12.

⁸² See ASA 320, paragraph A13.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

entity that is accounted for by the equity method, the group auditor may take into account the group's ownership percentage and the share of the investee's profits and losses.

A120. In some cases, further audit procedures may be performed by the group auditor or a component auditor on a significant class of transactions or significant account balance as a single population (i.e., not disaggregated across components). In such cases, group performance materiality often will be used for purposes of performing these procedures.

“Clearly Trivial” Threshold (Ref: Para: 35(b))

A121. The threshold for communicating misstatements to the group auditor is set at an amount equal to, or lower than, the amount regarded as clearly trivial for the group financial report. In accordance with ASA 450,⁸³ this threshold is the amount below which misstatements would not need to be accumulated because the group auditor expects that the accumulation of such amounts clearly would not have a material effect on the group financial report.

Considerations When Component Auditors Are Involved

Communicating Component Performance Materiality (Ref: Para. 36)

A122. In some cases, it may be appropriate for the group auditor to involve the component auditor in determining an appropriate component performance materiality amount, in view of the component auditor's knowledge of the component and potential sources of misstatement of the component financial information. In this regard, the group auditor also may consider communicating group performance materiality to the component auditor to support collaboration in determining whether component performance materiality, in relation to group performance materiality, is appropriate in the circumstances.

A123. Component performance materiality is based, at least in part, on expectations about the nature, frequency, and magnitude of misstatements in the component financial information. Therefore, ongoing communication between the component auditor and the group auditor is important, particularly if the number and magnitude of misstatements identified by the component auditor are higher than expected.

Responding to the Assessed Risks of Material Misstatement (Ref: Para. 37)

Performing Further Audit Procedures

Performing Further Audit Procedures Centrally

A124. Further audit procedures may be designed and performed centrally if the audit evidence to be obtained from performing further audit procedures on one or more significant classes of transactions, account balances or disclosures in the aggregate will respond to the assessed risks of material misstatement, for example, if the accounting records for the revenue transactions of the entire group are maintained centrally (e.g., at a shared service centre). Factors that may be relevant to the auditor's determination of whether to perform further audit procedures centrally include, for example:

- The level of centralization of activities relevant to financial reporting.
- The nature and extent of commonality of controls.
- The similarity of the group's activities and business lines.

⁸³ See ASA 450, paragraph A3.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- A125. The group auditor may determine that the financial information of several components can be considered as one population for the purpose of performing further audit procedures, for example, when transactions are considered to be homogeneous because they share the same characteristics, the related risks of material misstatement are the same, and controls are designed and operating in a consistent way.
- A126. When further audit procedures are performed centrally, component auditors may still be involved. For example, when the group has multiple shared service centres, the group auditor may involve component auditors in the performance of further audit procedures for these shared service centres.

Performing Further Audit Procedures at the Component Level

- A127. In other circumstances, procedures to respond to the risks of material misstatement of the group financial report that are related to the financial information of a component may be more effectively performed at the component level. This may be the case when the group has:
- Different revenue streams;
 - Multiple lines of business;
 - Operations across multiple locations; or
 - Decentralized systems of internal control.

Large Number of Components Whose Financial Information Is Individually Immaterial but Material in the Aggregate to the Group Financial Report

- A128. A group may be comprised of a large number of components whose financial information is individually immaterial but material in the aggregate to the group financial report. Circumstances such as these in which the significant classes of transactions, account balances or disclosures in the group financial report are disaggregated over a large number of components may present additional challenges for the group auditor in planning and performing further audit procedures.
- A129. In some cases, it may be possible to obtain sufficient appropriate audit evidence by performing further audit procedures centrally on these significant classes of transactions, account balances or disclosures (e.g., if they are homogeneous, subject to common controls and access to appropriate information can be obtained). The further audit procedures may also include substantive analytical procedures in accordance with ASA 520.⁸⁴ Depending on the circumstances of the engagement, the financial information of the components may be aggregated at appropriate levels for purposes of developing expectations and determining the amount of any difference of recorded amounts from expected values in performing the substantive analytical procedures. The use of automated tools and techniques may be helpful in these circumstances.
- A130. In other cases, it may be necessary to perform further audit procedures at selected components to address the risks of material misstatement of the group financial report. The determination of the components at which audit procedures are to be performed, and the nature, timing and extent of further audit procedures to be performed at the selected components, are matters of professional judgement. In these circumstances, introducing an element of unpredictability in the components selected for testing also may be helpful in relation to the risks of material misstatement of the group financial report due to fraud (also see paragraph A136).

⁸⁴ See ASA 520 *Analytical Procedures*.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

The Nature and Extent of Further Audit Procedures

A131. In response to the assessed risks of material misstatement, the group auditor may determine the following scope of work to be appropriate at a component (with the involvement of component auditors, as applicable):

- Design and perform further audit procedures on the entire financial information of the component;
- Design and perform further audit procedures on one or more classes of transactions, account balances or disclosures; or
- Perform specific further audit procedures.

A132. Although the group auditor takes responsibility for the nature, timing and extent of further audit procedures to be performed, component auditors can be, and often are, involved in all phases of the group audit, including in the design and performance of further audit procedures.

Design and Perform Further Audit Procedures on the Entire Financial Information of the Component

A133. The group auditor may determine that designing and performing further audit procedures on the entire financial information of a component is an appropriate approach, including when:

- Audit evidence needs to be obtained on all or a significant proportion of a component's financial information to respond to the assessed risks of material misstatement of the group financial report.
- There is a pervasive risk of material misstatement of the group financial report due to the existence of events or conditions at the component that may be relevant to the group auditor's evaluation of group management's assessment of the group's ability to continue as a going concern.

Design and Perform Further Audit Procedures on One or More Classes of Transactions, Account Balances or Disclosures

A134. The group auditor may determine that designing and performing further audit procedures on one or more particular classes of transactions, account balances, or disclosures of the financial information of a component is an appropriate approach to address assessed risks of material misstatement of the group financial report. For example, a component may have limited operations but holds a significant portion of the land and buildings of the group or has significant tax balances.

Perform Specific Further Audit Procedures

A135. The group auditor may determine that designing and performing specific further audit procedures on the financial information of a component is an appropriate approach, such as when audit evidence needs to be obtained for one or more relevant assertions only. For example, the group auditor may centrally test the class of transaction, account balance or disclosure and may require the component auditor to perform specific further audit procedures at the component (e.g., specific further audit procedures related to the valuation of claims or litigation in the component's jurisdiction or the existence of an asset).

Element of Unpredictability

A136. Incorporating an element of unpredictability in the type of work to be performed, the entities or business units at which procedures are performed and the extent to which the group auditor is involved in the work, may increase the likelihood of identifying a material misstatement of

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

the components' financial information that may give rise to a material misstatement of the group financial report due to fraud.⁸⁵

Operating Effectiveness of Controls

A137. The group auditor may rely on the operating effectiveness of controls that operate throughout the group in determining the nature, timing and extent of substantive procedures to be performed at either the group level or at the components. ASA 330⁸⁶ requires the auditor to design and perform tests of controls to obtain sufficient appropriate audit evidence as to the operating effectiveness of those controls. Component auditors may be involved in designing and performing such tests of controls.

A138. If deviations from controls upon which the auditor intends to rely are detected, ASA 330⁸⁷ requires the auditor to make specific enquiries to understand these matters and their potential consequences. If more deviations than expected are detected as a result of testing the operating effectiveness of the controls, the group auditor may need to revise the group audit plan. Possible revisions to the group audit plan may include:

- Requesting additional substantive procedures to be performed at certain components.
- Identifying and testing the operating effectiveness of other relevant controls that are designed and implemented effectively.
- Increasing the number of components selected for further audit procedures.

A139. When the operating effectiveness of controls is tested centrally (e.g., controls at a shared service centre or testing of common controls), the group auditor may need to communicate information about the audit work performed to the component auditors. For example, when a component auditor is requested to design and perform substantive procedures on the entire financial information of the component, or design and perform substantive procedures on one or more classes of transactions, account balances or disclosures, the component auditor may discuss with the group auditor about the control testing performed centrally to determine the nature, timing and extent of the substantive procedures.

Consolidation Process

Consolidation Procedures (Ref: Para. 38)

A140. The further audit procedures on the consolidation process, including sub-consolidations, may include:

- Determining that the necessary journal entries are reflected in the consolidation; and
- Evaluating the operating effectiveness of the controls over the consolidation process and responding appropriately if any controls are determined to be ineffective.

Consolidation Adjustments and Reclassifications (Ref: Para. 38(b))

A141. The consolidation process may require adjustments and reclassifications to amounts reported in the group financial report that do not pass through the usual IT applications, and may not be subject to the same controls to which other financial information is subject. The group auditor's evaluation of the appropriateness, completeness and accuracy of the adjustments and reclassifications may include:

⁸⁵ See ASA 240, paragraph 30(c).

⁸⁶ See ASA 330, paragraph 8.

⁸⁷ See ASA 330, paragraph 17.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- Evaluating whether significant adjustments appropriately reflect the events and transactions underlying them;
- Determining whether those entities or business units whose financial information has been included in the group financial report were appropriately included;
- Determining whether significant adjustments have been correctly calculated, processed and authorised by group management and, when applicable, by component management;
- Determining whether significant adjustments are properly supported and sufficiently documented; and
- Evaluating the reconciliation and elimination of intra-group transactions, unrealised profits, and intra-group account balances.

Considerations When Component Auditors Are Involved (Ref: Para. 42–43)

A142. When the group auditor involves component auditors in the design or performance of further audit procedures, the component auditor may determine that the use of the work of an auditor's expert is appropriate and communicate this to the group auditor. In such circumstances, when determining whether the component auditor's design and performance of further audit procedures is appropriate, the group auditor may, for example, discuss with the component auditor:

- The nature, scope and objectives of the auditor's expert's work.
- The component auditor's evaluation of the adequacy of the work of the auditor's expert for the group auditor's purposes.

A143. The appropriate level of the group auditor's involvement may depend on the circumstances and the structure of the group and other factors, such as the group auditor's previous experience with the component auditors that perform procedures on the consolidation process, including sub-consolidations, and the circumstances of the group audit engagement (e.g., if the financial information of an entity or business unit has not been prepared in accordance with the same accounting policies applied to the group financial report).

Evaluating the Component Auditor's Communication and the Adequacy of Their Work

Communication about Matters Relevant to the Group Auditor's Conclusion with Regard to the Group Audit (Ref: Para. 45)

A144. Although the matters required to be communicated in accordance with paragraph 45 are relevant to the group auditor's conclusion with regard to the group audit, certain matters may be communicated during the course of the component auditor's procedures. In addition to the matters in paragraphs 32 and 50, such matters may include, for example:

- Information about breaches of relevant ethical requirements, including identified breaches of independence provisions;
- Information about instances of non-compliance with laws or regulations;
- Newly arising significant risks of material misstatement, including risks of fraud;
- Identified or suspected fraud or illegal acts involving component management or employees that could have a material effect on the group financial report; or
- Significant and unusual transactions.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Communication of Misstatements of Component Financial Information (Ref: Para. 45(e))

A145. Knowledge about corrected and uncorrected misstatements across components may alert the group auditor to potential pervasive internal control deficiencies, when considered along with the communication of deficiencies in accordance with paragraph 45(g). In addition, a higher than expected number of identified misstatements (uncorrected or corrected) may indicate a higher risk of undetected misstatements, which may lead the group auditor to conclude that additional audit procedures need to be performed at certain components.

Component Auditor's Overall Findings or Conclusions (Ref: Para. 45(k))

A146. The form and content of the deliverables from the component auditor are influenced by the nature and extent of the audit work the component auditor has been requested to perform. The group auditor's firm policies or procedures may address the form or specific wording of an overall conclusion from the component auditor on the audit work performed for purposes of the group audit. In some cases, law or regulation may specify the form of conclusion (e.g., an opinion) to be provided by the component auditor.

Evaluating Whether Communications with the Component Auditor Are Adequate for the Group Auditor's Purposes (Ref: Para. 46(b))

A147. If the group auditor determines that the component auditor's communications are not adequate for the group auditor's purposes, the group auditor may consider whether, for example:

- Further information can be obtained from the component auditor (e.g., through further discussions or meetings);
- It is necessary to review additional component auditor audit documentation in accordance with paragraph 47;
- Additional audit procedures may need to be performed in accordance with paragraph 48; or
- There are any concerns about the component auditor's competence or capabilities.

Reviewing Additional Component Auditor Audit Documentation (Ref: Para. 47)

A148. Paragraph A75 provides guidance for the group auditor in tailoring the nature, timing and extent of the direction and supervision of the component auditor, and the review of their work, based on the facts and circumstances of the group audit and other matters (e.g., the assessed risks of material misstatement of the group financial report). The group auditor's consideration in accordance with paragraph 47(c) also may be affected by the following matters relevant to the group auditor's ongoing involvement in the work of the component auditor:

- Communications from the component auditor, including those in accordance with paragraph 45 of this ASA; and
- The review of component auditor audit documentation by the group auditor during the course of the group audit (e.g., to fulfill the requirements of paragraphs 34, 42 and 43) or by the group engagement partner in accordance with paragraph 31 of ASA 220.

A149. Other factors that may affect the group auditor's determination about whether, and the extent to which, it is necessary to review additional component auditor audit documentation in the circumstances include:

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- The degree to which the component auditor was involved in risk assessment procedures and in the identification and assessment of the risks of material misstatement of the group financial report;
- The significant judgements made by, and the findings or conclusions of, the component auditor about matters that are material to the group financial report;
- The competence and capabilities of more experienced engagement team members from the component auditor responsible for reviewing the work of less experienced individuals; and
- Whether the component auditor and group auditor are subject to common policies or procedures for review of audit documentation.

Subsequent Events (Ref: Para. 49–50)

A150. The group auditor may:

- Request a component auditor to perform subsequent events procedures to assist the group auditor to identify events that occur between the dates of the financial information of the components and the date of the auditor's report on the group financial report.
- Perform procedures to cover the period between the date of communication of subsequent events by the component auditor and the date of the auditor's report on the group financial report.

Evaluating the Sufficiency and Appropriateness of Audit Evidence Obtained

Sufficiency and Appropriateness of Audit Evidence (Ref: Para. 51)

A151. The audit of a group financial report is a cumulative and iterative process. As the group auditor performs planned audit procedures, the audit evidence obtained may cause the group auditor to modify the nature, timing or extent of other planned audit procedures as information may come to the group auditor's attention that differs significantly from the information on which the risk assessment was based. For example:

- The misstatements identified at a component may need to be considered in relation to other components; or
- The group auditor may become aware of access restrictions to information or people at a component because of changes in the environment (e.g., war, civil unrest or outbreaks of disease).

In such circumstances, the group auditor may need to re-evaluate the planned audit procedures, based on the revised consideration of assessed risks for all or some of the significant classes of transactions, account balances, or disclosures and related assertions.

A152. The evaluation required by paragraph 51 assists the group auditor in determining whether the overall group audit strategy and group audit plan developed to respond to the assessed risks of material misstatement of the group financial report continues to be appropriate. The requirement in ASA 330⁸⁸ for the auditor, irrespective of the assessed risks of material misstatement, to design and perform substantive procedures for each material class of

⁸⁸ See ASA 330, paragraph 18.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

transactions, account balance, and disclosure also may be helpful for purposes of this evaluation in the context of the group financial report.

A153. The group auditor may consider the engagement team’s exercise of professional scepticism when evaluating the sufficiency and appropriateness of audit evidence obtained. For example, the group auditor may consider whether matters such as those described in paragraph A17 have inappropriately led the engagement team to:

- Obtain audit evidence that is easier to access without giving appropriate consideration to its relevance and reliability;
- Obtain less persuasive evidence than is necessary in the circumstances; or
- Design and perform audit procedures in a manner that is biased towards obtaining evidence that is corroborative or excluding evidence that is contradictory.

A154. ASA 220⁸⁹ requires the engagement partner to determine, on or before the date of the auditor’s report, through review of audit documentation and discussion with the engagement team, that sufficient appropriate audit evidence has been obtained to support the conclusions reached and for the auditor’s report to be issued. Information that may be relevant to the group auditor’s evaluation of the audit evidence obtained from the work performed by component auditors depends on the facts and circumstances of the group audit, and may include:

- The communications from the component auditors required by paragraph 45, including the overall findings or conclusions of the component auditors on the work performed for purposes of the group audit;
- Other communications from the component auditors throughout the group audit, including those required by paragraph 32; and
- The group auditor’s direction and supervision of the component auditors, and review of their work, including, as applicable, the group auditor’s review of additional component auditor audit documentation in accordance with paragraph 47.

A155. In some circumstances, an overall summary memorandum describing the work performed and the results thereof may provide a basis on its own for the group auditor to conclude that the work performed and audit evidence obtained by the component auditor is sufficient for purposes of the group audit. This may be the case, for example, when the component auditor has been requested to perform specific further audit procedures as identified and communicated by the group auditor.

Evaluating the Effect on the Group Audit Opinion (Ref: Para. 52)

A156. The group engagement partner’s evaluation may include a consideration of whether corrected and uncorrected misstatements communicated by component auditors indicate a systemic issue (e.g., regarding transactions subject to common accounting policies or common controls) that may affect other components.

Auditor’s Report (Ref: Para. 53)

A157. Although component auditors may perform work on the financial information of the components for the group audit and as such are responsible for their overall findings or conclusions, the group engagement partner or the group engagement partner’s firm is responsible for the group audit opinion.

⁸⁹ See ASA 220, paragraph 32.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

A158. When the group audit opinion is modified because the group auditor was unable to obtain sufficient appropriate audit evidence in relation to the financial information of one or more components, the Basis for Qualified Opinion or Basis for Disclaimer of Opinion section in the auditor's report on the group financial report describes the reasons for that inability.⁹⁰ In some circumstances, a reference to a component auditor may be necessary to adequately describe the reasons for the modified opinion, for example, when the component auditor is unable to perform or complete the work requested on the component financial information due to circumstances beyond the control of component management.

Communication with Group Management and Those Charged with Governance of the Group

Communication with Group Management (Ref: Para. 54–56)

A159. The group audit may be complex due to the number and nature of the entities and business units comprising the group. In addition, as explained in paragraph A7, the group auditor may determine that certain entities or business units may be considered together as a component for purposes of planning and performing the group audit. Therefore, discussing with group management an overview of the planned scope and timing may help in co-ordinating the work performed at components, including when component auditors are involved, and in identifying component management (see paragraph A24).

A160. ASA 240⁹¹ contains requirements and guidance on the communication of fraud to management and, when management may be involved in the fraud, to those charged with governance.

A161. Group management may need to keep certain material sensitive information confidential. Examples of matters that may be significant to the financial report of the component of which component management may be unaware include the following:

- Potential litigation.
- Plans for abandonment of material operating assets.
- Subsequent events.
- Significant legal agreements.

A162. Group management may inform the group auditor about non-compliance or suspected non-compliance with laws or regulations in entities or business units within the group. Paragraph A87 provides guidance for the group engagement partner in these circumstances.

Communication with Those Charged with Governance of the Group (Ref: Para. 57)

A163. The matters the group auditor communicates to those charged with governance of the group may include those brought to the attention of the group auditor by component auditors that the group auditor judges to be significant to the responsibilities of those charged with governance of the group. Communication with those charged with governance of the group may take place at various times during the group audit. For example, the matter referred to in paragraph 57(a) may be communicated after the group auditor has determined the work to be performed on the financial information of the components. On the other hand, the matter referred to in paragraph 57(b) may be communicated at the end of the audit, and the matters referred to in paragraph 57(c)–(d) may be communicated when they occur.

⁹⁰ See ASA 705, paragraphs 20 and 24.

⁹¹ See ASA 240, paragraphs 41–43.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

A164. ASA 260⁹² requires the auditor to communicate with those charged with governance an overview of the planned scope and timing of the audit. For a group audit, this communication helps those charged with governance understand the group auditor's determination of the components at which audit work will be performed, including whether certain of the group's entities or business units will be considered together as a component, and the planned involvement of component auditors. This communication also helps to enable a mutual understanding of and discussion about the group and its environment (see paragraph 30) and areas, if any, in which those charged with governance may request the group auditor to undertake additional procedures.

Communication of Identified Deficiencies in Internal Control (Ref: Para. 58)

A165. The group auditor is responsible for determining, on the basis of the audit work performed, whether one or more identified deficiencies, individually or in combination, constitute significant deficiencies.⁹³ The group auditor may request input from the component auditor about whether an identified deficiency or combination of deficiencies at the component is a significant deficiency in internal control.

Documentation (Ref: Para. 59)

A166. Other ASAs contain specific documentation requirements that are intended to clarify the application of ASA 230 in the particular circumstances of those other ASAs. The Appendix to ASA 230 lists other ASAs that contain specific documentation requirements and guidance.

A167. The audit documentation for the group audit supports the group auditor's evaluation in accordance with paragraph 51 as to whether sufficient appropriate audit evidence has been obtained on which to base the group audit opinion. Also see paragraph A154.

A168. The audit documentation for the group audit comprises:

- The documentation in the group auditor's file; and
- The separate documentation in the respective component auditor files relating to the work performed by the component auditors for purposes of the group audit (i.e., component auditor audit documentation).

A169. The final assembly and retention of the audit documentation for a group audit is subject to the policies or procedures of the group auditor's firm in accordance with ASQM 1.⁹⁴ The group auditor may provide specific instructions to component auditors regarding the assembly and retention of the documentation of work performed by them for purposes of the group audit.

Basis for the Group Auditor's Determination of Components (Ref: Para: 59(b))

A170. The basis for the group auditor's determination of components may be documented in various ways, including, for example, documentation related to the fulfillment of the requirements in paragraphs 22, 33 and 57(a) of this ASA.

Basis for the Group Auditor's Determination of the Competence and Capabilities of Component Auditors (Ref: Para: 59(d))

A171. ASQM 1⁹⁵ provides guidance on matters that the firm's policies or procedures may address regarding the competence and capabilities of the engagement team members. Such policies or procedures may describe or provide guidance about how to document the determination of the

⁹² See ASA 260, paragraph 15.

⁹³ See ASA 265, paragraph 8.

⁹⁴ See ASQM 1, paragraphs 31(f) and A83–A85.

⁹⁵ See ASQM 1, paragraph A96.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

competence and capabilities of the engagement team, including component auditors. For example, the confirmation obtained from the component auditor in accordance with paragraph 24 may include information about the component auditor's relevant industry experience. The group auditor also may ask for confirmation that the component auditor has sufficient time to perform the assigned audit procedures.

Documentation of the Direction and Supervision of Component Auditors and the Review of Their Work (Ref: Para. 59(f))

- A172. As described in paragraph A75, the approach to direction, supervision and review in a group audit will be tailored by the group auditor based on the facts and circumstances of the engagement, and will generally include a combination of addressing the group auditor's firm policies or procedures and responses specific to the group audit. Such policies or procedures may also describe or provide guidance about the documentation of the group auditor's direction and supervision of the engagement team and the review of their work.
- A173. ASA 300⁹⁶ requires the auditor to develop an audit plan that includes a description of the nature, timing and extent of the planned direction and supervision of engagement team members and the review of their work. When component auditors are involved, the extent of such descriptions will often vary by component, recognising that the planned nature, timing and extent of direction and supervision of component auditors, and review of their work, may be influenced by the matters described in paragraph A51.
- A174. The group auditor's documentation of the direction and supervision of component auditors and the review of their work may include, for example:
- Required communications with component auditors, including instructions issued and other confirmations required by this ASA.
 - The rationale for the selection of visits to component auditor sites, attendees at meetings and the nature of the matters discussed.
 - Matters discussed in meetings with component auditors or component management.
 - The rationale for the group auditor's determination of component auditor audit documentation selected for review.
 - Changes in the planned nature and extent of involvement in the work of component auditors, and the reasons why (e.g., assigning more experienced engagement team members in areas of the audit that are more complex or subjective than initially anticipated).
- A175. Paragraph 47 requires the group auditor to determine whether, and the extent to which it is necessary to review additional component auditor audit documentation. Paragraphs A148–A149 provide guidance for the group auditor in making this determination.
- A176. Component auditor audit documentation ordinarily need not be replicated in the group auditor's audit file. However, the group auditor may decide to summarise, replicate or retain copies of certain component auditor documentation in the group auditor's audit file to supplement the description of a particular matter in communications from the component auditor, including the matters required to be communicated by this ASA. Examples of such component auditor documentation may include:

⁹⁶ See ASA 300, paragraph 9.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- A listing or summary of the significant judgements made by the component auditor, and the conclusions reached thereon, that are relevant to the group audit;
- Matters that may need to be communicated to those charged with governance of the group; or
- Matters that may be determined to be key audit matters to be communicated in the auditor's report on the group financial report.

A177. When required by law or regulation, certain component auditor documentation may need to be included in the group auditor's audit file, for example, to respond to the request of a regulatory authority to review documentation related to work performed by a component auditor.

A178. Policies or procedures established by the firm in accordance with the firm's system of quality management, or resources provided by the firm or a network, may assist the group auditor in documenting the direction and supervision of component auditors and the review of their work. For example, an electronic audit tool may be used to facilitate communications between the group auditor and component auditors. The electronic audit tool also may be used for audit documentation, including providing information about the reviewer(s) and the date(s) and extent of their review.

Additional Considerations When Access to Component Auditor Audit Documentation is Restricted (Ref: Para. 59)

A179. Audit documentation for a group audit may present some additional complexities or challenges in certain circumstances. This may be the case, for example, when law or regulation restrict the component auditor from providing documentation outside of its jurisdiction, or when war, civil unrest or outbreaks of disease restrict access to relevant component auditor audit documentation.

A180. The group auditor may be able to overcome such restrictions by, for example:

- Visiting the location of the component auditor, or meeting with the component auditor in a location different from where the component auditor is located, to review the component auditor's audit documentation;
- Reviewing the relevant audit documentation remotely through the use of technology, when not prohibited by law or regulation;
- Requesting the component auditor to prepare and provide a memorandum that addresses the relevant information and holding discussions with the component auditor, if necessary, to discuss the contents of the memorandum; or
- Discussing with the component auditor the procedures performed, the evidence obtained and the conclusions reached by the component auditor.

It is a matter of professional judgement whether one or more of the actions described above may be sufficient to overcome the restrictions depending on the facts and circumstances of the group audit.

A181. When access to component auditor audit documentation is restricted, the group auditor's documentation nonetheless needs to comply with the requirements of the ASAs, including those relating to the documentation of the nature, timing and extent of the group auditor's direction and supervision of component auditors and the review of their work. The guidance in paragraphs A148–A149 may be helpful in determining the extent of the group auditor's review of the component auditor audit documentation in these circumstances. Paragraphs A176 and A177 provide examples of circumstances in which certain component auditor audit documentation may be included in the group auditor's audit file.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

A182. If the group auditor is unable to overcome restrictions on access to the component auditor audit documentation, the group auditor may need to consider whether a scope limitation exists that may require a modification to the opinion on the group financial report. See paragraph A45.

Draft

Appendix 1

(Ref: Para. A42)

Illustration of Independent Auditor's Report When the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- ~~Audit of a complete set of consolidated financial statements of an entity other than a listed entity using a fair presentation framework. The audit is a group audit of an entity with subsidiaries (i.e., ISA 600 (Revised) applies).~~
- ~~The consolidated financial statements are prepared by management of the entity in accordance with IFRSs (a general purpose framework).~~
- ~~The terms of the audit engagement reflect the description of management's responsibility for the consolidated financial statements in ISA 210.~~
- ~~The group auditor is unable to obtain sufficient appropriate audit evidence relating to a component accounted for by the equity method (recognized at \$15 million in the statement of financial position, which reflects total assets of \$60 million) because the group auditor did not have access to the accounting records, management, or auditor of the component.~~
- ~~The group auditor has read the audited financial statements of the component as at December 31, 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.~~
- ~~In the group engagement partner's judgment, the effect on the group financial statements of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.⁹⁷~~
- ~~The IESBA Code comprises all of the relevant ethical requirements that apply to the audit.~~
- ~~Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ISA 570 (Revised).~~
- ~~The auditor is not required, and has otherwise not decided, to communicate key audit matters in accordance with ISA 701.⁹⁸~~
- ~~The auditor has obtained all of the other information prior to the date of the auditor's report and the qualified opinion on the consolidated financial statements also affects the other information.~~
- ~~Those responsible for oversight of the consolidated financial statements differ from those responsible for the preparation of the consolidated financial statements.~~
- ~~In addition to the audit of the consolidated financial statements, the auditor has other reporting responsibilities required under local law.~~

⁹⁷ — If, in the group engagement partner's judgment, the effect on the group financial statements report of the inability to obtain sufficient appropriate audit evidence is material and pervasive, the group engagement partner would disclaim an opinion in accordance with ISA 705 (Revised).

⁹⁸ — ISA See ASA 701, *Communicating Key Audit Matters in the Independent Auditor's Report*.

INDEPENDENT AUDITOR’S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Statements⁹⁹

Qualified Opinion

We have audited the consolidated financial statements of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial statements present fairly, in all material respects (or give a true and fair view of), the consolidated financial position of the Group as at December 31, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Qualified Opinion

ABC Company’s investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at \$15 million on the consolidated statement of financial position as at December 31, 20X1, and ABC’s share of XYZ’s net income of \$1 million is included in the consolidated statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC’s investment in XYZ as at December 31, 20X1 and ABC’s share of XYZ’s net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants’ *International Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Other Information [or another title if appropriate such as “Information Other than the Financial Statements and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ISA 720 (Revised)¹⁰⁰—see Illustration 6 in Appendix 2 of ISA 720 (Revised). The last paragraph of the Other Information section in

⁹⁹—The sub-title, “Report on the Audit of the Consolidated Financial Statements” is unnecessary in circumstances when the second sub-title, “Report on Other Legal and Regulatory Requirements” is not applicable.

¹⁰⁰—ISA See ASA 720 (Revised), *The Auditor’s Responsibilities Relating to Other Information*.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Illustration 6 would be customized to describe the specific matter giving rise to the qualified opinion that also affects the other information.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements¹⁰¹

[Reporting in accordance with ISA 700 (Revised)¹⁰²—see Illustration 2 in ISA 700 (Revised).]

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

[Reporting in accordance with ISA 700 (Revised)—see Illustration 2 in ISA 700 (Revised). The last two paragraphs which are applicable for audits of listed entities only would not be included.]

Report on Other Legal and Regulatory Requirements

[Reporting in accordance with ISA 700 (Revised)—see Illustration 2 in ISA 700 (Revised).]

[Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate for the particular jurisdiction]

[Auditor Address]

[Date]

Appendix 1

(Ref: Para. A42)

Illustration 1: [Deleted by the AUASB] Refer [Aus] Illustration 1A

[Aus] Illustration 1A: Illustration of Independent Auditor's Report When the Group Auditor Is Not Able to Obtain Sufficient Appropriate Audit Evidence on Which to Base the Group Audit Opinion – General Purpose Financial Report, Qualified Opinion under the Corporations Act 2001

For purposes of this illustrative auditor's report, the following circumstances are assumed:

- ~~Audit of a consolidated financial report of an entity other than a listed entity using a fair presentation framework.~~ The audit is a group audit of ~~an entity~~ a listed company with subsidiaries (i.e., ASA 600 applies).
- The consolidated financial report is prepared by ~~management of the entity~~ the directors of the company in accordance with Australian Accounting Standards (a general purpose framework). The financial report is ~~not~~ prepared under the *Corporations Act 2001*.
- The terms of the audit engagement reflect the description of ~~management's~~ the directors' responsibility for the consolidated financial report in ASA 210.
- The group auditor is unable to obtain sufficient appropriate audit evidence relating to a component accounted for by the equity method (recognised at \$15 million in the statement of financial position, which reflects total assets of \$60 million) because the group auditor did not have access to the accounting records, management, or auditor of the component.

¹⁰¹—Throughout these illustrative auditor's reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁰²—ISA See ASA 700 (Revised), *Forming an Opinion and Reporting on a Financial Statements Report*.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- The group auditor has read the audited financial report of the component as at 31 December, 20X1, including the auditor's report thereon, and considered related financial information kept by group management in relation to the component.
- In the group engagement partner's judgement, the effect on the group financial report of this inability to obtain sufficient appropriate audit evidence is material but not pervasive.¹⁰³
- The APESB Code comprises all of the relevant ethical requirements that apply to the audit.
- Based on the audit evidence obtained, the auditor has concluded that a material uncertainty does not exist related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in accordance with ASA 570.
- ~~The auditor is not required, and has otherwise not decided, to communicate Key audit matters have been communicated~~ in accordance with ASA 701.¹⁰⁴
- The auditor has obtained ~~all of the~~no other information prior to the date of the auditor's report ~~but expects to obtain the other information after the date of the auditor's report and the qualified opinion on the consolidated financial report also affects the other information.~~
- ~~Those responsible for oversight of the consolidated financial report differ from those responsible for the preparation of the consolidated financial report.~~
- In addition to the audit of the consolidated financial report, the auditor has ~~no~~ other reporting responsibilities required under ~~section 308(3C) of the Corporations Act 2001~~local law.

¹⁰³ If, in the group engagement partner's judgement, the effect on the group financial report of the inability to obtain sufficient appropriate audit evidence is material and pervasive, the group engagement partner would disclaim an opinion in accordance with ASA 705.

¹⁰⁴ See ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of ABC Company [or Other Appropriate Addressee]

Report on the Audit of the Consolidated Financial Report¹⁰⁵

Qualified Opinion

We have audited the consolidated financial report of ABC Company and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at 31 December, 20X1, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying consolidated financial report of the Group is in accordance with the Corporations Act 2001, including:

- i. Giving present fairly, in all material respects (or give a true and fair view of), the consolidated financial position of the Group as at 31 December, 20X1, and (of) its consolidated financial performance and its consolidated cash flows for the year then ended; and
- ii. Complying ~~in accordance~~ with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Qualified Opinion

ABC Company's investment in XYZ Company, a foreign associate acquired during the year and accounted for by the equity method, is carried at \$15 million on the consolidated statement of financial position as at 31 December, 20X1, and ABC's share of XYZ's net income of \$1 million is included in the consolidated statement of comprehensive income for the year then ended. We were unable to obtain sufficient appropriate audit evidence about the carrying amount of ABC's investment in XYZ as at 31 December, 20X1 and ABC's share of XYZ's net income for the year because we were denied access to the financial information, management, and the auditors of XYZ. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

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 Consolidated 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) (the Code), and we have fulfilled our other ethical responsibilities in accordance with ~~the~~ the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company would be in the same terms if given to the directors as at the time of this auditor's report.[#]

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

¹⁰⁵ The sub-title, "Report on the Audit of the Consolidated Financial Statements" is unnecessary in circumstances when the second sub-title, "Report on Other Legal and Regulatory Requirements" is not applicable.

[#] Or, alternatively, include statements (a) to the effect that circumstances have changed since the declaration was given to the relevant directors; and (b) setting out how the declaration would differ if it had been given to the relevant directors at the time the auditor's report was made.

Auditing Standard ASA 600
Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Key Audit Matters

[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]

Other Information [or another title if appropriate such as “Information Other than the Financial Report and Auditor’s Report Thereon”]

[Reporting in accordance with the reporting requirements in ASA 720¹⁰⁶ – see [Aus] Illustration 4A in Appendix 3 of ASA 720 see Illustration 6 in Appendix 2 of ASA 720. The last paragraph of the Other Information section in Illustration 6 would be customised to describe the specific matter giving rise to the qualified opinion that also affects the other information.]

Responsibilities of ~~Management and Those Charged with Governance~~ the Directors for the Consolidated Financial Report¹⁰⁷¹⁰⁸

[Reporting in accordance with ASA 700¹⁰⁹ – see [Aus] Illustration 2A in the Appendix of ASA 700.]

Auditor’s Responsibilities for the Audit of the Consolidated Financial Report

[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700. ~~The last two paragraphs which are applicable for audits of listed entities only would not be included.~~]

Report on ~~Other Legal and Regulatory Requirements~~ the Remuneration Report^{*}

[Reporting in accordance with ASA 700 – see [Aus] Illustration 2A in the Appendix of ASA 700.]

[~~Auditor’s name and signature~~ Signature in the name of the audit firm, the personal name of the auditor, or both, as appropriate][#]

[Name of Firm]

[Auditor Address]

[Date]

¹⁰⁶ See ASA 720 *The Auditor’s Responsibilities Relating to Other Information*.

¹⁰⁷ Throughout these illustrative auditor’s reports, the terms management and those charged with governance may need to be replaced by another term that is appropriate in the context of the legal framework in the particular jurisdiction.

¹⁰⁸ [Deleted by AUASB]

¹⁰⁹ See ASA 700 *Forming an Opinion and Reporting on a Financial Report*.

* The Report on the Remuneration Report is an example of “Other Reporting Responsibilities”—see ASA 700, paragraphs 43-45. Any additional “Other Reporting Responsibilities” that the auditor needs to address, will also be included in a separate section of the auditor’s report. Under paragraph 43 of ASA 700, the sub-title “Report on Other Legal and Regulatory Requirements” or other sub-title as appropriate to the section, is used.

The auditor is required, under the *Corporations Act 2001*, to sign the auditor’s report in both their own name and the name of their firm [section 324AB(3)] or the name of the audit company [section 324AD(1)], as applicable.

Appendix 2

(Ref: Para. A85)

Understanding the Group’s System of Internal Control

1. This appendix provides examples of matters related to internal control that may be helpful in obtaining an understanding of the system of internal control in the context of a group environment, and expands on how ASA 315¹¹⁰ is to be applied in relation to an audit of a group financial report. The examples may not be relevant to every group audit engagement and the list of examples is not necessarily complete.

Control Environment

2. The group auditor’s understanding of the control environment may include matters such as the following:
 - The structure of the governance and management functions across the group, and group management’s oversight responsibilities, including arrangements for assigning authority and responsibility to management of entities or business units in the group.
 - How oversight over the group’s system of internal control by those charged with governance is structured and organised.
 - How ethical and behavioural standards are communicated and reinforced in practice across the group, (e.g., group-wide programs, such as codes of conduct and fraud prevention programs).
 - The consistency of policies and procedures across the group, including a group financial reporting procedures manual.

The Group’s Risk Assessment Process

3. The group auditor’s understanding of the group’s risk assessment process may include matters such as group management’s risk assessment process, that is, the process for identifying, analysing and managing business risks, including the risk of fraud, that may result in material misstatement of the group financial report. It may also include an understanding of how sophisticated the group’s risk assessment process is and the involvement of entities and business units in this process.

The Group’s Process to Monitor the System of Internal Control

4. The group auditor’s understanding of the group’s process to monitor the system of internal control may include matters such as monitoring of controls, including how the controls are monitored across the group and, when relevant, activities of the internal audit function across the group, including its nature, responsibilities and activities in respect of monitoring of controls at entities or business units in the group. ASA 610¹¹¹ requires the auditor to evaluate the extent to which the internal audit function’s organisational status and relevant policies and procedures support the objectivity of internal auditors, the level of competence of the internal audit function, and whether the internal audit function applies a systematic and disciplined approach, including quality control.

¹¹⁰ [ISA-See ASA 315 \(Revised 2019\)](#), Appendix 3.

¹¹¹ [ISA-See ASA 610 \(Revised 2013\)](#), *Using the Work of Internal Auditors*, paragraph 15.

The Information System and Communication

5. The group auditor's understanding of the group's information system and communication may include matters such as the following:
- The extent of centralization in the group's IT environment and the commonality of IT applications, IT processes and IT infrastructure.
 - Group management's monitoring of operations and the financial results of entities or business units in the group, including regular reporting routines, which enables group management to monitor performance against budgets, and to take appropriate action.
 - Monitoring, controlling, reconciling, and eliminating intra-group transactions and unrealised profits, and intra-group account balances at group level.
 - A process for monitoring the timeliness and evaluating the accuracy and completeness of financial information received from entities or business units in the group.

Consolidation Process

6. The group auditor's understanding of the consolidation process may include matters such as the following:

Matters Relating to the Applicable Financial Reporting Framework

- The extent to which management of entities or business units in the group have an understanding of the applicable financial reporting framework.
- The process for identifying and accounting for entities or business units in the group in accordance with the applicable financial reporting framework.
- The process for identifying reportable segments for segment reporting in accordance with the applicable financial reporting framework.
- The process for identifying related party relationships and related party transactions for reporting in accordance with the applicable financial reporting framework.
- The accounting policies applied to the group financial report, changes from those of the previous financial year, and changes resulting from new or revised standards under the applicable financial reporting framework.
- The procedures for dealing with entities or business units in the group with financial year-ends different from the group's year-end.

Matters Relating to the Consolidation Process

- Group management's process for obtaining an understanding of the accounting policies used by entities or business units in the group, and, when applicable, ensuring that uniform accounting policies are used to prepare the financial information of the entities or business units in the group for the group financial report, and that differences in accounting policies are identified, and adjusted when required in terms of the applicable financial reporting framework. Uniform accounting policies are the specific principles, bases, conventions, rules, and practices adopted by the group, based on the applicable financial reporting framework, that the entities or business units in the group use to report similar transactions consistently. These policies are ordinarily described in the financial reporting procedures manual and reporting package issued by group management.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

- Group management's process for ensuring complete, accurate and timely financial reporting by the entities or business units in the group for the consolidation.
- The process for translating the financial information of foreign entities or business units in the group into the currency of the group financial report.
- How the group's IT environment is organised for the consolidation and the policies that define the flows of information in the consolidation process, including the IT applications involved.
- Group management's process for obtaining information on subsequent events.

Matters Relating to Consolidation Adjustments and Reclassifications:

- The process for recording consolidation adjustments, including the preparation, authorisation and processing of related journal entries, and the experience of personnel responsible for the consolidation.
- The consolidation adjustments required by the applicable financial reporting framework.
- The business rationale for the events and transactions that gave rise to the consolidation adjustments.
- Frequency, nature and size of transactions between entities or business units in the group.
- The procedures for monitoring, controlling, reconciling and eliminating intra-group transactions and unrealised profits, and intra-group account balances.
- Steps taken to arrive at the fair value of acquired assets and liabilities, procedures for amortising goodwill (when applicable), and impairment testing of goodwill, in accordance with the applicable financial reporting framework.
- Arrangements with a majority owner or minority interests regarding losses incurred by an entity or business unit in the group (e.g., an obligation of the minority interest to make good such losses).

Control Activities

7. The group auditor's understanding of the control activities component may include matters such as the following:
 - The commonality of information processing controls and general IT controls for all or part of the group.
 - The extent of the commonality of the design of controls for all or part of the group that address risks of material misstatement of the group financial report at the assertion level.
 - The extent to which commonly designed controls have been implemented consistently for all or part of the group.

Appendix 3

(Ref: Para. A110)

Examples of Events or Conditions that May Give Rise to Risks of Material Misstatement of the Group Financial Report

The following are examples of events (including transactions) and conditions that may indicate the existence of risks of material misstatement of the group financial report, whether due to fraud or error, including with respect to the consolidation process. The examples provided by inherent risk factor cover a broad range of events and conditions; however, not all events and conditions are relevant to every group audit engagement and the list of examples is not exhaustive. The events and conditions have been categorised by the inherent risk factor that may have the greatest effect in the circumstances. Importantly, due to the interrelationships among inherent risk factors, the example events and conditions also are likely to be subject to, or affected by, other inherent risk factors to varying degree. Also see ASA 315, Appendix 2.

Inherent Risk Factor	Examples of Events or Conditions that May Give Rise to the Existence of Risks of Material Misstatement of the Group Financial Report at the Assertion Level:
Complexity	<ul style="list-style-type: none"> • The existence of complex transactions that are accounted for in more than one entity or business units in the group. • The application of accounting policies by entities or business units in the group that differ from those applied to the group financial report. • Accounting measurements or disclosures that involve complex processes used by entities or business units in the group, such as accounting for complex financial instruments. • Operations that are subject to a high degree of complex regulation in multiple jurisdictions, or entities or business units in the group that operate in multiple industries that are subject to different types of regulation.
Subjectivity	<ul style="list-style-type: none"> • Judgements regarding which entities or business units in the group require incorporation of their financial information in the group financial report in accordance with the applicable financial reporting framework, for example, whether any special-purpose entities or non-trading entities exist and require incorporation. • Judgements regarding the correct application of the requirements of the applicable financial reporting framework by entities or business units in the group.
Change	<ul style="list-style-type: none"> • Frequent acquisitions, disposals or reorganisations.
Uncertainty	<ul style="list-style-type: none"> • Entities or business units in the group operating in foreign jurisdictions that may be exposed to factors such as unexpected government intervention in areas such as trade and fiscal policy, and restrictions on currency and dividend movements; and fluctuations in exchange rates.

Auditing Standard ASA 600

Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)

Inherent Risk Factor	Examples of Events or Conditions that May Give Rise to the Existence of Risks of Material Misstatement of the Group Financial Report at the Assertion Level:
Susceptibility to Misstatement Due to Management Bias or Other Fraud Risk Factors Insofar as They Affect Inherent Risk	<ul style="list-style-type: none">• Unusual related party relationships and transactions.• Entities or business units in the group with different financial year-ends, which may be utilized to manipulate the timing of transactions.• Prior occurrences of unauthorised or incomplete consolidation adjustments.• Aggressive tax planning within the group, or large cash transactions with entities in tax havens.• Prior occurrences of intra-group account balances that did not balance or reconcile on consolidation.• Large or unusual cash transfers within the group, particularly to newly incorporated entities or business units operating in locations with a significant or heightened fraud risk

Indicators that the control environment, the group’s risk assessment process or the group’s process to monitor the group’s system of internal control are not appropriate to the group’s circumstances, considering the nature and complexity of the group, and do not provide an appropriate foundation for the other components of the group’s system of internal control, include:

- Poor corporate governance structures, including decision making processes that are not transparent.
- Non-existent or ineffective controls over the group’s financial reporting process, including inadequate group management information on monitoring of operations and financial results of entities or business units in the group.

ASA 2022-1
(April 2022)

Auditing Standard ASA 2022-1 *Amendments to Australian Auditing Standards*

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

Draft



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Auditing Standard

This Auditing Standard is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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Draft

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CONTENTS

PREFACE

AUTHORITY STATEMENT

CONFORMITY WITH INTERNATIONAL STANDARDS ON AUDITING

	<i>Paragraphs</i>
Application	1-2
Operative Date	3
Introduction	
Scope of this Auditing Standard.....	4
Objective	5
Definition	6
Amendments to Auditing Standards	7-8
Amendments to ASQM 1	9-10
Amendments to ASQM 2	11
Amendments to ASA 220.....	12-19
Amendments to ASA 230.....	20
Amendments to ASA 240.....	21
Amendments to ASA 250.....	22
Amendments to ASA 260.....	23-24
Amendments to ASA 300.....	25-27
Amendments to ASA 315.....	28-29
Amendments to ASA 320.....	30-31
Amendments to ASA 402.....	32
Amendments to ASA 501.....	33
Amendments to ASA 550.....	34-35
Amendments to ASA 610.....	36
Amendments to ASA 700.....	37-40
Amendments to ASA 701.....	41
Amendments to ASA 705.....	42
Amendments to ASA 720.....	43-44

PREFACE

Reasons for Issuing ASA 2022-1

The AUASB issues Auditing Standard ASA 2022-1 *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.

Main Features

This Auditing Standard makes amendments to the requirements and application & other explanatory material and appendices of the following Auditing Standards:

- | | |
|---------|---|
| ASQM 1 | <i>Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements</i> (Issued March 2021) |
| ASQM 2 | <i>Engagement Quality Reviews</i> (Issued March 2021) |
| ASA 220 | <i>Quality Management for an Audit of a Financial Report and Other Historical Financial Information</i> (Issued March 2021) |
| ASA 230 | <i>Audit Documentation</i> (Issued October 2009 and amended to March 2021) |
| ASA 240 | <i>The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report</i> (Issued October 2009 and amended to November 2021) |
| ASA 250 | <i>Consideration of Laws and Regulations in an Audit of a Financial Report</i> (Issued May 2017 and amended to March 2021) |
| ASA 260 | <i>Communication With Those Charged With Governance</i> (Issued December 2015 and amended to March 2021) |
| ASA 300 | <i>Planning an Audit of a Financial Report</i> (Issued October 2009 and amended to March 2021) |
| ASA 315 | <i>Identifying and Assessing the Risks of Material Misstatement</i> (Issued February 2020 and amended to March 2021) |
| ASA 320 | <i>Materiality in Planning and Performing an Audit</i> (Issued October 2009 and amended to March 2020) |
| ASA 402 | <i>Auditing Considerations Relating to an Entity Using a Service Organisation</i> (Issued October 2009 and amended to March 2020) |
| ASA 501 | <i>Audit Evidence—Specific Considerations for Inventory and Segment Information</i> (Issued October 2009 and amended to March 2020) |
| ASA 550 | <i>Related Parties</i> (Issued October 2009 and amended to November 2021) |

Auditing Standard ASA 2022-1
Amendments to Australian Auditing Standards

- ASA 610 *Using the Work of Internal Auditors* (Issued November 2013 and amended to November 2021)
- ASA 700 *Forming an Opinion and Reporting on a Financial Report* (Issued December 2015 and amended to September 2021)
- ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report* (Issued December 2015 and amended to March 2021)
- ASA 705 *Modifications to the Opinion in the Independent Auditor's Report* (Issued December 2015 and amended to June 2020)
- ASA 720 *The Auditor's Responsibilities Relating to Other Information* (Issued December 2015 and amended to March 2021)

The amendments arise from changes made by the International Auditing and Assurance Standards Board (IAASB) to ISA 600 (Revised) *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*. Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the IAASB for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards.

Draft

AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 2022-1 *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: <TypeHere>

W R Edge
Chair - AUASB

Draft

Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly there is no equivalent International Standard on Auditing (ISA) issued by the International Auditing and Assurance Standards Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

Draft

AUDITING STANDARD ASA 2022-1

Amendments to Australian Auditing Standards

Application

1. This Auditing Standard applies to:
 - 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
 - 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 2023.

Introduction

Scope of this Auditing Standard

4. This Auditing Standard makes amendments to Australian Auditing Standards. The amendments arise from consequential and conforming changes arising from the issuance of *ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

Objective

5. The objective of this Auditing Standard is to make amendments to the following Auditing Standards:
 - (a) *ASQM 1 Quality Management for Firms that Perform Audits or Reviews of Financial Reports and Other Financial Information, or Other Assurance or Related Services Engagements* (Issued March 2021)
 - (b) *ASQM 2 Engagement Quality Reviews* (Issued March 2021)
 - (c) *ASA 220 Quality Management for an Audit of a Financial Report and Other Historical Financial Information* (Issued March 2021)
 - (d) *ASA 230 Audit Documentation* (Issued October 2009 and amended to March 2021)
 - (e) *ASA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report* (Issued October 2009 and amended to November 2021)
 - (f) *ASA 250 Consideration of Laws and Regulations in an Audit of a Financial Report* (Issued May 2017 and amended to March 2021)
 - (g) *ASA 260 Communication With Those Charged With Governance* (Issued December 2015 and amended to March 2021)
 - (h) *ASA 300 Planning an Audit of a Financial Report* (Issued October 2009 and amended to March 2021)

- (i) *ASA 315 Identifying and Assessing the Risks of Material Misstatement* (Issued February 2020 and amended to March 2021)
- (j) *ASA 320 Materiality in Planning and Performing an Audit* (Issued October 2009 and amended to March 2020)
- (k) *ASA 402 Auditing Considerations Relating to an Entity Using a Service Organisation* (Issued October 2009 and amended to March 2020)
- (l) *ASA 501 Audit Evidence—Specific Considerations for Inventory and Segment Information* (Issued October 2009 and amended to March 2020)
- (m) *ASA 550 Related Parties* (Issued October 2009 and amended to November 2021)
- (n) *ASA 610 Using the Work of Internal Auditors* (Issued November 2013 and amended to November 2021)
- (o) *ASA 700 Forming an Opinion and Reporting on a Financial Report* (Issued December 2015 and amended to September 2021)
- (p) *ASA 701 Communicating Key Audit Matters in the Independent Auditor's Report* (Issued December 2015 and amended to March 2021)
- (q) *ASA 705 Modifications to the Opinion in the Independent Auditor's Report* (Issued December 2015 and amended to June 2020)
- (r) *ASA 720 The Auditor's Responsibilities Relating to Other Information* (Issued December 2015 and amended to March 2021)

Definition

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 ASQM 1

9. Existing footnote 17 in paragraph Aus A96.1 is amended to read as follows:
- See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*, paragraph ~~26~~19.
10. Existing sixth bullet point of paragraph A112 is amended to read as follows:
- ~~The Group engagement team~~auditor communicates matters to component auditors in accordance with the firm's policies or procedures, including matters related to quality management at the engagement level.

Amendments to ASQM 2

11. Existing paragraph A32 is amended to read as follows:

The performance of an engagement quality review for an audit of a group financial report may involve additional considerations for the individual appointed as the engagement quality reviewer for the group audit, depending on the size and complexity of the group. Paragraph 21(a) requires the firm's policies or procedures to require the engagement quality reviewer to take overall responsibility for the performance of the engagement quality review. In doing so, for larger and more complex group audits, the group engagement quality reviewer may need to discuss significant matters and significant judgements with key members of the engagement team other than the group engagement team auditor (e.g., ~~those responsible for performing audit procedures on the financial information of a component auditor~~). In these circumstances, the engagement quality reviewer may be assisted by individuals in accordance with paragraph 20. The guidance in paragraph A22 may be helpful when the engagement quality reviewer for the group audit is using assistants.

Amendments to ASA 220

12. The following paragraph A22 is inserted following existing paragraph Aus A21.1 of this Auditing Standard:

[Deleted by the AUASB].

13. Existing paragraph A24 is amended to read as follows:

In particular, the firm's policies or procedures may require the firm or the engagement partner to take different actions from those applicable to personnel when obtaining an understanding of whether an individual from another firm:

- Has the appropriate competence and capabilities to perform the audit engagement. For example, the individual would not be subject to the firm's recruitment and training processes and therefore the firm's policies or procedures may state that this determination can be made through other actions such as obtaining information from the other firm or a licensing or registration body. Paragraphs ~~2619~~ and ~~A59–A64~~^{A38} of ASA 600 contain guidance on obtaining an understanding of the competence and capabilities of component auditors.
- ...

14. Existing paragraph A25 is amended to read as follows:

When firm policies or procedures require specific activities to be undertaken in certain circumstances (e.g., consultation on a particular matter), it may be necessary for the firm's related policies or procedures to be communicated to individuals who are not personnel. Such individuals are then able to alert the engagement partner if the circumstance arises, and this enables the engagement partner to comply with the firm's policies or procedures. For example, in a group audit engagement, if a component auditor is performing audit procedures on the financial information of a component and identifies a difficult or contentious matter that is relevant to the group financial report and subject to consultation²⁵ under the group auditor's policies or procedures, the component auditor is able to alert the group auditor engagement team about the matter.

15. Existing paragraph A53 is amended to read as follows:

Information obtained during the acceptance and continuance process may assist the engagement partner in complying with the requirements of this ASA and making informed decisions about appropriate courses of action. Such information may include:

- ...
 - In relation to group audits, the nature of the control relationships between the parent and its entities and business unit components; and
 - ...
16. Existing paragraph A54 is amended to read as follows:
- Information obtained during acceptance and continuance may also be relevant in complying with the requirements of other ASAs, as well as this ASA, for example with respect to:
- ...
 - Understanding the group, ~~its components~~ and ~~its~~ their environments, in the case of an audit of a group financial report in accordance with ASA 600, and directing, supervising and reviewing the work of component auditors;
 - ...
17. Existing paragraph A60 is amended to read as follows:
- Resources for an audit engagement are primarily assigned or made available by the firm, although there may be circumstances when the engagement team directly obtains resources for the audit engagement. For example, this may be the case when a component auditor is required by statute, regulation or for another reason to express an audit opinion on the financial report of a component, and the component auditor is also appointed by component management to perform audit procedures on behalf of the group ~~audit engagement team~~.³⁵ In such circumstances, the firm's policies or procedures may require the engagement partner to take different actions, such as requesting information from the component auditor, to determine whether sufficient and appropriate resources are assigned or made available.
18. Existing paragraph A76 is deleted.
19. Existing paragraph A92 is amended to read as follows:
- The engagement partner exercises professional judgement in identifying the areas of significant judgement made by the engagement team. The firm's policies or procedures may specify certain matters that are commonly expected to be significant judgements. Significant judgements in relation to the audit engagement may include matters related to the overall audit strategy and audit plan for undertaking the engagement, the execution of the engagement and the overall conclusions reached by the engagement team, for example:
- ...
 - In group audit situations:
 - ...
 - Decisions about the involvement of component auditors, including how to direct and supervise them and review their work, ~~including, for example, when there are areas of higher assessed risk of material misstatement of the financial information of a component~~; and
 - ...

Amendments to ASA 230

20. Existing Appendix 1 is amended to read as follows:

Specific Audit Documentation Requirements in Other Australian Auditing Standards

This appendix identifies paragraphs in other Australian Auditing Standards that contain specific documentation requirements. The list is not a substitute for considering the requirements and related application and other explanatory material in Australian Auditing Standards.

- ...
- *ASA 600 Special Considerations—Audits of Group Financial Reports (Including the Work of Component Auditors)* – paragraph ~~595~~590
- ...

Amendments to ASA 240

21. Existing paragraph A6 is amended to read as follows:

Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further actions. For example, the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting and Professional and Ethical Standards Board requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations ~~between to other~~ auditors within the engagement team a group, including a group engagement partner, component auditors, or other auditors performing work at entities or business unit components of a group for purposes other than the audit of the group financial report.¹⁵

Amendments to ASA 250

22. Existing paragraph A8 is amended to read as follows:

Law, regulation or relevant ethical requirements may require the auditor to perform additional procedures and take further action. For example, the APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional & Ethical Standards Board (the Code) requires the auditor to take steps to respond to identified or suspected non-compliance with laws and regulations and determine whether further action is needed. Such steps may include the communication of identified or suspected non-compliance with laws and regulations ~~between to other~~ auditors within the engagement team a group, including a group engagement partner, component auditors, or other auditors performing work at entities or business unit components of a group for purposes other than the audit of the group financial report.¹¹

Amendments to ASA 260

23. Existing paragraph A4 is amended to read as follows:

ASA 600 includes specific matters to be communicated by the group auditors with those charged with governance of the group.⁵ The matters communicated may include those brought to the attention of the group auditor by component auditors that the group auditor judges to be significant to the responsibilities of those charged with governance of the group. Component auditors also may communicate matters to those charged with governance of the component.⁶ In those circumstances ~~When the entity is a component of a group,~~ the appropriate person(s) with whom the component auditor communicates depends on the engagement circumstances

⁵ See ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors), paragraph 5749.

⁶ See ASA 600, paragraph 45(i).

and the matter to be communicated. In some cases, a number of entities or business unit~~components~~ may be conducting the same businesses within the same system of internal control and using the same accounting practices. Where those charged with governance of those entities or business unit~~components~~ are the same (e.g., common board of directors), duplication may be avoided by dealing with these entities or business unit~~components~~ concurrently for the purpose of communication.

24. Existing Appendix 1 is amended to read as follows:

Specific Requirements in ASQM 1 and Other Australian Auditing Standards that Refer to Communications with Those Charged With Governance

This appendix identifies paragraphs in ASQM 1²⁸ and other Australian Auditing Standards that require communication of specific matters with those charged with governance. The list is not a substitute for considering the requirements and related application and other explanatory material in Australian Auditing Standards.

- ...
- *ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors) – paragraph 5749*
- ...

Amendments to ASA 300

25. The following paragraph 11 is inserted following existing paragraph 10 of this Auditing Standard:

The engagement partner shall review the overall audit strategy and audit plan.

26. Existing paragraph A9 is amended to read as follows:

The process of establishing the overall audit strategy, subject to the completion of the auditor's risk assessment procedures, may include such matters as:

- ...
- The amount of resources to be allocated to specific audit areas. For example, the number of team members assigned to attend the physical inventory count at multiple locations, the nature and extent of direction and supervision of component auditors and the review of their other auditors² work in the case of group audits, or the audit budget in hours to allocate to high risk areas;
- ...

27. Existing Appendix 1 is amended to read as follows:

CONSIDERATIONS IN ESTABLISHING THE OVERALL AUDIT STRATEGY

...

Characteristics of the Engagement

- ...
- The expected audit scope coverage, including the number and locations of components at which audit work is expected to be performed for purposes of a group audit, and the extent to which component auditors will be involved~~to be included.~~

- The nature of the control relationships between a parent and its entities or business unit~~components~~ that determine how the group is to be consolidated.
- ~~The extent to which components are audited by other auditors.~~
- ...
- The ~~requirement~~need for an audit of a financial report for statutory, regulatory or other reasons, ~~audit of a stand-alone financial report~~ in addition to an audit work performed for ~~consolidation~~ purposes of a group audit.
- ...

Reporting Objectives, Timing of the Audit, and Nature of Communications

- ...
- Communication with component auditors ~~of components~~ regarding the expected types and timing of ~~reports to be issued and other~~ communications in connection with the audit work performed for purposes of the group audit~~of components~~.
- The expected nature and timing of communications among engagement team members, including the nature and timing of team meetings and timing of the review of audit work performed.
- ...

Significant Factors, Preliminary Engagement Activities, and Knowledge Gained on Other Engagements

- The determination of materiality in accordance with ASA 320¹⁶ and, where applicable:
 - The determination of component performance materiality ~~for components~~ and communication thereof to component auditors in accordance with ASA 600.¹⁷
 - The initial expectations about the preliminary identification of significant components and material classes of transactions, account balances and disclosures that may be significant.
- ...

Amendments to ASA 315

28. Existing paragraph A45 is amended to read as follows:

When an engagement is carried out by a large engagement team, such as for an audit of a group financial report, it is not always necessary or practical for the discussion to include all members in a single discussion (for example, in a multi-location audit), nor is it necessary for all the members of the engagement team to be informed of all the decisions reached in the discussion. The engagement partner may discuss matters with key members of the engagement team including, if considered appropriate, those with specific skills or knowledge, and those responsible for the work to be performed at~~audits of~~ components, while delegating discussion with others, taking into account the extent of communication considered necessary throughout the engagement team. A communications plan, agreed by the engagement partner, may be useful.

¹⁷ See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*, paragraphs 35–36, 21–23 and 40(e).

29. Existing paragraph A218 is amended to read as follows:

The determination of significant risks allows for the auditor to focus more attention on those risks that are on the upper end of the spectrum of inherent risk, through the performance of certain required responses, including:

- ...
- ASA 600 requires the group auditor to evaluate the appropriateness of the design and performance of further audit procedures for areas of higher assessed risks of material misstatement of the group financial report, or significant risks, on which a component auditor is determining the further audit procedures to be performed~~more involvement by the group engagement partner if the significant risk relates to a component in a group audit and for the group engagement team to direct the work required at the component by the component auditor.~~⁵⁷

Amendments to ASA 320

30. Existing paragraph 9 is amended to read as follows:

For the purposes of this Auditing Standard, the following terms ~~have~~ has the meanings attributed below:

- (a) ~~Performance~~ Performance materiality means the amount or amounts set by the auditor at less than materiality for the financial report as a whole to reduce aggregation risk to an appropriately low level ~~the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial report as a whole~~. If applicable, performance materiality also refers to the amount or amounts set by the auditor at less than the materiality level or levels for particular classes of transactions, account balances or disclosures.
- (b) Aggregation risk means the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial report as a whole.

31. Existing paragraph A13 is amended to read as follows:

Planning the audit solely to detect individually material misstatements overlooks the fact that the aggregate of individually immaterial misstatements may cause the financial report to be materially misstated, and leaves no margin for possible undetected misstatements. Performance materiality (which, as defined, is one or more amounts) is set at less than materiality for the financial report as a whole to reduce aggregation risk to an appropriately low level ~~the probability that the aggregate of uncorrected and undetected misstatements in the financial report exceeds materiality for the financial report as a whole~~. Similarly, performance materiality relating to a materiality level determined for a particular class of transactions, account balance or disclosure is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in that particular class of transactions, account balance or disclosure exceeds the materiality level for that particular class of transactions, account balance or disclosure. The determination of performance materiality is not a simple mechanical calculation and involves the exercise of professional judgement. It is affected by the auditor's understanding of the entity, updated during the performance of the risk assessment procedures; and the nature and extent of misstatements identified in previous audits and thereby the auditor's expectations in relation to misstatements in the current period.

⁵⁷ See ASA 600, paragraphs 30 and 31-42.

Amendments to ASA 402

32. Existing paragraph A19 is amended to read as follows:

Another auditor may be used to perform procedures that will provide the necessary information about the relevant controls at the service organisation related to services provided to the user entity. If a type 1 or type 2 report has been issued, the user auditor may use the service auditor to perform these procedures as the service auditor has an existing relationship with the service organisation. The user auditor, using the work of another auditor, may find the guidance in ASA 220~~600~~¹⁰ useful as it relates to determining the competence and capabilities of the other auditor (including that auditor's independence and professional competence), the direction and supervision involvement in the work of the other auditor, in planning the nature, timing and extent of the work assigned to the other auditor, and in evaluating the sufficiency and appropriateness of the audit evidence obtained.

Amendments to ASA 501

33. Existing paragraph A3 is amended to read as follows:

Matters relevant in planning attendance at physical inventory counting (or in designing and performing audit procedures pursuant to paragraphs 4-8 of this Auditing Standard) include, for example:

- ...
- The locations at which inventory is held, including the materiality of the inventory and the risks of material misstatement at different locations, in deciding at which locations attendance is appropriate. ~~ASA 600⁴ deals with the involvement of other auditors and accordingly may be relevant if such involvement is with regards to attendance of physical inventory counting at a remote location.~~
- ...

Amendments to ASA 550

34. Existing paragraph A13 is amended to read as follows:

In the context of a group audit, ASA 600 requires the group ~~auditor engagement team~~ to request component auditors to communicate on a timely basis related party relationships not ~~previously identified by group management or the group auditor provide each component auditor with a list of related parties prepared by group management and any other related parties of which the group engagement team is aware.~~¹⁹ ~~Where the entity is a component within a group, this~~ Such information provides a useful basis for the group auditor's enquiries of management regarding the identity of ~~the entity's~~ related parties.

35. Existing paragraph A38 is amended to read as follows:

In evaluating the business rationale of a significant related party transaction outside the entity's normal course of business, the auditor may consider the following:

- Whether the transaction:

¹⁰ See ASA 220 *Quality Management for an Audit of a Financial Report and Other Historical Financial Information* 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*, paragraphs 2 and 19.

⁴ See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

¹⁹ See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*, paragraph 32(b)40(e).

- Is overly complex (for example, it may involve multiple related parties within a ~~consolidated~~ group).
- ...

Amendments to ASA 610

36. Existing paragraph A16 is amended to read as follows:

Examples of work of the internal audit function that can be used by the external auditor include the following:

- ...
- ~~In some circumstances, audits or reviews of the financial information of subsidiaries that are not significant components to the group (where this does not conflict with the requirements of ASA 600).²⁰~~

Amendments to ASA 700

37. Existing paragraph 39 is amended to read as follows:

The Auditor's Responsibilities for the Audit of the Financial Report section of the auditor's report shall further: (Ref: Para. A50)

- (a) ...
- (c) When ASA 600¹⁷ applies, further describe the auditor's responsibilities in a group audit engagement by stating that:
 - (i) ~~The auditor's responsibilities are to plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units/activities within the group as a basis for forming to express an opinion on the group financial report;~~
 - (ii) ~~The auditor is responsible for the direction, supervision and review performance of the audit work performed for purposes of the group audit; and~~
 - (iii) The auditor remains solely responsible for the auditor's opinion.¹⁸

38. Existing paragraph A38 is amended to read as follows:

In group audits ~~for which when~~ there are multiple sources of relevant ethical requirements, including those pertaining to independence, the reference in the auditor's report to the jurisdiction ordinarily relates to the relevant ethical requirements that are applicable to the group ~~auditor engagement team~~. This is because, in a group audit, component auditors are also subject to ethical requirements that are relevant to the group audit.²⁸

39. Existing paragraph A39 is amended to read as follows:

The Australian Auditing Standards do not establish specific independence or ethical requirements for auditors, including component auditors, and thus do not extend, or otherwise override, the independence requirements of the relevant ethical requirements or other ethical requirements to which the group ~~auditor engagement team~~ is subject, nor do the Australian

²⁰ See ASA 600 (as amended).

¹⁸ See ASA 600, paragraph 53.

²⁸ See ASA 600, paragraphs A56–A57, A66–A68, A37.

Auditing Standards require that the component auditor in all cases to be subject to the same specific independence requirements that are applicable to the group ~~auditor engagement team~~. As a result, relevant ethical requirements, including those pertaining to independence, in a group audit situation may be complex. ASA 600²⁹ provides guidance for auditors in performing work on the financial information of a component for a group audit, including those situations where the component auditor does not meet the independence requirements that are relevant to the group audit.

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

INDEPENDENT AUDITOR'S REPORT

...

Auditor's Responsibilities for the Audit of the Financial Report

...

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- ...
- ~~Plan and perform the group audit to obtain~~ sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the ~~Group to regarding the financial information of the entities or business units within the group as a basis for forming~~ express an opinion on the group financial report. We are responsible for the direction, supervision and review performance of the audit work performed for purposes of the Group audit. We remain solely responsible for our audit opinion.

...

Amendments to ASA 701

41. Existing paragraph A15 is amended to read as follows:

Various Australian Auditing Standards require specific communications with those charged with governance and others that may relate to areas of significant auditor attention. For example:

- ...
 - ~~Limitations on the group audit, for example, where the group engagement team's access to information or people may have been restricted.~~²⁰
- ...

Amendments to ASA 705

42. Existing paragraph A10 is amended to read as follows:

Examples of circumstances beyond the control of the entity include when:

²⁹ See ASA 600, paragraphs 25, 27+9–20.

²⁰ See ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*, paragraph 57(c)49(d).

- ...
- The accounting records of a ~~significant~~ component for which further audit procedures are determined to be necessary for the purposes of the group audit have been seized indefinitely by governmental authorities.

Amendments to ASA 720

43. Existing paragraph A35 is amended to read as follows:

The auditor may determine that referring to relevant audit documentation or making enquiries of relevant members of the engagement team, ~~including~~ ~~or~~ relevant component auditors, is appropriate as a basis for the auditor's consideration of whether a material inconsistency exists. For example:

- ...

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

Whether, and if so the extent to which, the auditor refers to relevant audit documentation, or makes enquiries of relevant members of the engagement team, ~~including~~ ~~or~~ relevant component auditors, is a matter of professional judgement. However, it may not be necessary for the auditor to refer to relevant audit documentation, or to make enquiries of relevant members of the engagement team, ~~including~~ ~~or~~ relevant component auditors, about any matter included in the other information.

Commencement of the legislative instrument

For legal purposes, each provision of this instrument specified in column 1 of the table commences, or is taken to have commenced in accordance with column 2 of the table. Any other statement in column 2 has effect according to its terms.

Commencement information		
Column 1	Column 2	Column 3
Provisions	Commencement	Date/Details
The whole of this instrument	14 December 2023.	14 December 2023.

Note: This table relates only to the provisions of this instrument as originally made. It will not be amended to deal with any later amendments of this instrument.

Draft

ERROR! REFERENCE
SOURCE NOT FOUND.
(April 2022)

Explanatory Statement

ASA 600 Special Considerations —Audits of a Group Financial Report (Including the Work of Component Auditors) and ASA 2022-1 *Amendments to Australian Auditing Standards*

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



Australian Government

Auditing and Assurance Standards Board

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 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 Amendments to Australian Auditing Standards

The AUASB issues Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 *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.

The Auditing Standard conforms with ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and the IAASB's Conforming Amendments to ISAs and Related Material Arising from the Group Audit standard.

Purpose of Auditing Standard ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 Amendments to Australian Auditing Standards

The purpose of the Auditing Standard represents the Australian equivalent of ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and will replace the current ASA 600 *Special Considerations-Audits of a Group Financial Report* by the AUASB in June 2020 (as amended). ASA 2022-1 *Amendments to Australian Auditing Standards* includes the consequential and conforming amendments to other Auditing Standards as a result of changes to ASA 600.

Main Features

ASA 600 strengthen the auditor's approach to planning and performing a group audit and clarifies the interaction of ISA 600 to the other ISAs by

- Keeping the Group Audit standard fit for purpose;
- Encouraging proactive management of quality at the engagement level;
- Fostering an appropriately independent and challenging sceptical mindset of the auditor; and
- Reinforcing the need for robust communication and interactions during the audit

Operative Date

Operative date for audits of a group financial report for periods beginning on or after 15 December 2023, with early adoption being permitted and encouraged.

Process of making Australian Auditing Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian Auditing Standards that:

Explanatory Statement ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 Amendments to Australian Auditing Standards

- have a clear public interest focus and are of the highest quality;
- use, as appropriate, the text of the International Standards on Auditing (ISAs) of the International Auditing and Assurance Standards Board (IAASB) as a base from which to develop Australian Auditing Standards;
- make amendments to ISAs as necessary to conform with the Australian regulatory environment and statutory requirements; 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, by exposing the international ED-ISA 600, along with an associated Australian Explanatory Memorandum. ED-ISA 600 was exposed within Australia with a 80 day comment period.

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

Regulatory Impact Statement

A Regulatory Impact Statement (RIA) has been prepared in connection with the preparation of ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*. The RIA has 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 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)* and ASA 2022-1 *Amendments to Australian Auditing Standards***

These Legislative Instruments are 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*.

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The purpose of the Auditing Standard represents the Australian equivalent of ISA 600 *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* and will replace the current ASA 600 *Special Considerations-Audits of a Group Financial Report* by the AUASB in June 2020 (as amended). ASA 2022-1 *Amendments to Australian Auditing Standards* includes the consequential and conforming amendments to other Auditing Standards as a result of changes to ASA 600.

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ASA 600 strengthen the auditor’s approach to planning and performing a group audit and clarifies the interaction of ISA 600 to the other ISAs by

- Keeping the Group Audit standard fit for purpose;
- Encouraging proactive management of quality at the engagement level;
- Fostering an appropriately independent and challenging sceptical mindset of the auditor; and
- Reinforcing the need for robust communication and interactions during the audit.

Human Rights Implications

These 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.

April 2022

Basis for Conclusions ***ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)***

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



Australian Government

Auditing and Assurance Standards Board

Obtaining a Copy of this Basis for Conclusions

This Basis for Conclusions is available on the Auditing and Assurance Standards Board (AUASB) website: www.auasb.gov.au

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**Basis for Conclusions ASA 600 *Special Considerations—Audits of a Group Financial Report*
(Including the Work of Component Auditors)**

Basis for Conclusions ASA 600 *Special Considerations—Audits of a Group Financial Report* (Including the Work of Component Auditors) has been developed by the Auditing and Assurance Standards Board (AUASB) to provide a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis for Conclusions relates to, but does not form part of, ASA 600.

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CONTENTS

	<i>Page</i>
Background	5
Scope	6
Major Issues raised by Respondents on Exposure	6
Conclusion.....	8

BASIS FOR CONCLUSIONS

ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*

This Basis for Conclusions is issued by the Auditing and Assurance Standards Board (AUASB). It provides a background to, and rationale for the development and approval of the Standard by the AUASB. The Basis of Conclusions relates to, but does not form part of, *ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*, and is not a substitute for reading the Standard.

Background

1. In accordance with its mandates under section 227 of the *Australian Securities and Investments Commission Act 2001* and the Financial Reporting Council's Strategic Direction, the AUASB's policy is to adopt the International Standards on Auditing (ISAs) issued by the International Auditing and Assurance Standards Board (IAASB), unless there is a compelling reason not to do so. In addition, the AUASB is required to make such amendments to the ISAs to ensure the Australian Auditing Standards both exhibit and conform to the Australian regulatory environment and statutory requirements. Further amendments are made where there are compelling reasons to do so and are made with a public interest focus. Refer paragraph 10 of this Basis of Conclusions document for further detail on compelling reason amendments.
2. The IAASB issued *ISA 600 Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)* in April 2022.
3. In December 2016, the IAASB approved a combined project proposal to address the revision of ISQC 1¹, ISA 220² and ISA 600³. The project proposal combined the topics of quality control and group audits due to the interaction of the issues affecting these standards, while the timing of the projects considered the degree of interaction between the various projects of the IAASB.
4. The IAASB's objective in revising ISA 600 was to strengthen the auditor's approach to planning and performing a group audit and clarify the interaction of ISA 600 to the other ISAs.
5. The IAASB released an exposure draft of proposed ISA 600 in April 2020 and in June 2020 the AUASB exposed the IAASB exposure draft to gather feedback from Australian stakeholders to inform its submission to the IAASB.
6. The AUASB sought input from stakeholders in three principal ways. The first was from hosting a series of virtual roundtable meeting with stakeholders representing assurance providers from medium and large audit firms, the public sector and the professional accounting bodies across Australia; the second was through an open invitation to provide comments placed on the AUASB website; and the third was by way of formal discussions between AUASB members.
7. Based on the feedback received, the AUASB provided a submission to the IAASB in October 2020. Refer to the [AUASB's full submission](#).

¹ ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagement*.

² ISA 220 *Quality Control for an Audit of Financial Statements*.

³ ISA 600 *Special Considerations—Audits of Group Financial Statements*.

8. The AUASB monitored the development of ISA 600 to ensure that the issues included in the submission to the IAASB were appropriately addressed. Further details regarding the development of ISA 600 and how the IAASB addressed feedback on their exposure draft can be found in the [ISA 600 Basis for Conclusions](#) on the IAASB’s website.

Scope

9. This Basis for Conclusions applies to *ASA 600 Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*.

Major Issues raised by Respondents on Exposure

10. The AUASB received feedback from respondents on the Australian exposure of ISA 600 with the major issues included in the submission to the IAASB relating to:
- (a) The scope and application of the proposed standard;
 - (b) The role and importance of component auditors;
 - (c) Access considerations particularly considering equity accounted investments; and
 - (d) Strengthening documentation requirements.

The AUASB included these issues in its submission to the IAASB. Appendix 1 details all major feedback received from Australian stakeholders included in the AUASB’s submission to the IAASB and how those matters have been addressed in the final ISA 600.

Compelling reasons assessment

11. The adoption of international standards and any changes to adopted standards are governed by the AUASB’s [AUASB Policy and Process for International Conformance and Harmonisation of Standards](#) (Harmonisation Policy). The policies and procedures incorporate “compelling reasons” tests which must be used to support changes to the international standards. Changes are made only when the AUASB is satisfied that there are persuasive reasons to do so. Further to paragraph 1 of this Basis of Conclusions document, compelling reasons fall broadly into two categories: legal and regulatory; and principles and practices considered appropriate having regard to the public interest in Australia.
12. The AUASB has made the following compelling reason amendments upon adoption of ISA 600 in Australia as ASA 600:
- (a) Carried forward (slightly amended) from extant ASA 600 is an application material paragraph Aus A34.1, that reminds auditors of the *Corporations Act 2001* requirement for the officer or auditor of a controlled entity to give the principal auditor access to the controlled entity’s books; and give the auditor any information, explanation or assistance required under section 323A of the Act. The AUASB considers that the Compelling Reason test is triggered under Australian regulatory arrangements. The insertion will ensure effective and efficient compliance with the regulatory framework in Australia and will not result in a requirement that is lesser than or in conflict with the international standard.
 - (b) In relation to Appendix 1 to ASA 600, the illustrative Auditor’s Report, the AUASB has deleted the International example and has replaced with a *Corporations Act 2001* example. The reason for the change is to be consistent with example reports provided under *ASA 700 Forming an Opinion and Reporting on a Financial Report* and within extant ASA 600. The Australian example report is considered to be in the public interest as it aids in consistency in application of the standards.

Conclusion

13. The AUASB voted to approve and issue ASA 600 on 27 April 2022.
14. In reaching its conclusions the AUASB considered:
 - (a) all stakeholder feedback;
 - (b) the IAASB’s due process and consideration as to whether ISA 600 should be re-exposed;
 - (c) whether the amendments made to the standard by the IAASB since exposure were in response to submissions from stakeholders on the exposure draft, have not changed the fundamental approach and principles on which the standard is based, and did not require the re-expose of the standard.

* * *

Appendix 1

How more significant issues raised in the AUASB submission to the IAASB have been addressed in the final ISA 600

Scope and Applicability	<i>How addressed in the standard</i>
<p><i>Extracts from AUASB submission to IAASB</i></p> <p>The AUASB generally supported the scope and applicability of ED ISA 600, including the definition of group financial statements and the linkage to a consolidation process. However, the AUASB recommended that the scope and application of the standard be clarified and that the introductory paragraphs be strengthened in this regard. The AUASB recommended the following enhancements to the introductory paragraphs:</p> <ul style="list-style-type: none"> • The definition of “group financial statements” could be further enhanced by directly incorporating the “consolidation process” definition which is a key element to the entry point into the standard. • ED ISA 600 scopes in some very simple group structures for example a single entity with branches for which no component auditors are used. While the AUASB understands that the underlying ISAs are applicable and ED ISA 600 is special considerations only, there is expected to be an extensive amount of documentation to effectively demonstrate that the special considerations of ED ISA 600 are largely not applicable. The AUASB recommends that for single entity structures, the auditor exercises professional judgement in determining whether ED ISA 600 applies. The IAASB could determine the factors to be considered in exercising professional judgement including considerations such as inherent risk factors, commonality of controls and centralisation of activities. 	<ul style="list-style-type: none"> • Entry point into the standard clear and upfront in the introduction, including a point to emphasises that the term ‘consolidation process’ isn’t only the financial reporting concept of such a process; • Description of consolidation process included in the definition of group financial statements; • Clarification that branches or divisions are within the scope of ISA 600 (same as extant) including for simple structures. Recognising in application material that not all the requirements of the standard may be applicable in simple structures for example requirements related to component auditors may not be applicable. The AUASB suggestion that professional judgment may be appropriate for these simple structures was considered by the Taskforce but rejected on the basis that the exercise of professional judgement in this situation would be contrary to the desire of respondents for ‘brighter lines’ and exercise of professional judgement here could lead to inconsistent application in practice; • Upfront reference to ISA 220 to provide greater clarity that ISA 600 may be applied where appropriate when the auditor involves other auditors in the audit of financial reports that are not group financial reports (similar to extant ISA 600 and already facilitated in paragraph A1 of Revised ISA 220).

Basis for Conclusions ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*

<ul style="list-style-type: none"> • The title of ED ISA 600 refers to ‘group financial statements’, with there being a common understanding of the use of the term ‘group’ and ‘consolidation process’, there is a risk that practitioners do not realise that they are working with a group engagement under ISA 600. To aid in the clarity of the applicability of ED ISA 600, the AUASB recommends that the introductory section of the proposed standard should specifically call out that ED ISA 600 includes such single entities in certain circumstances. • Extant ISA 600 applies, as appropriate, when the auditor involves other auditors in the audit of financial reports that are not group financial reports. For example, an auditor may involve another auditor to observe the inventory count or inspect physical fixed assets at a remote location. Recently approved ISA 220 <i>Quality Management for an Audit of Financial Statements</i> (ISA 220 Revised), application material paragraph A1 indicates that this may still be the case under the recently approved new standards. The AUASB recommends that the introductory section to ED ISA 600 demonstrates this link to ISA 220 Revised as this linkage is not currently clear. 	
<p>Risk Based Approach</p> <p><i>Extracts from AUASB submission to IAASB</i></p> <p>While the AUASB strongly supported a risk-based approach to ISA 600, the AUASB raised the following substantive issues in relation to risk-based approach:</p> <ul style="list-style-type: none"> • While the AUASB largely supports that the decision of the nature and extent of the involvement of component auditors should be determined by the group engagement team based on an assessment of risk, the AUASB highlights that component auditors may not hold a sense of accountability and responsibility towards the group auditor and that this may 	<p><i>How addressed in the standard</i></p> <ul style="list-style-type: none"> • The introductory section links the use of component auditors to ISA 220 and recognises upfront the importance of component auditors in that they may have greater experience and a more in-depth knowledge of the components and their environments (including local laws and regulations, business practices, language, and culture) than the group auditor. Accordingly, component auditors can be, and often are, involved in all phases of the group audit. • Established a framework for planning and performing a group audit engagement. The framework emphasises special considerations for establishing the overall group audit strategy and group audit plan and

Basis for Conclusions ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*

<p>impact on the auditors exercise of professional scepticism in the audit work assigned to them.</p> <ul style="list-style-type: none"> • The standard may diminish the importance and role of component auditors, with too great a focus on the group auditor. The AUASB noted that ED ISA 600 does not sufficiently recognise that, for groups that are complex and large that may need localised knowledge and specialisation, high levels of involvement by component auditors is of critical importance to audit quality. • In responding to the assessed risk of material misstatement, the group engagement team may decide to use one or multiple approaches to gather audit evidence. When the group engagement team uses component auditors, the engagement team may request the component auditor to design and perform further audit procedures on the entire financial information of the component. The AUASB considers that the meaning of ‘Design and perform further audit procedures on the entire financial information of the component’ is not sufficiently clear. The AUASB recommends that the IAASB clarify whether this approach is meant to be a full-scope reasonable assurance engagement. 	<p>highlights the importance of involving component auditors throughout all phases of a group audit. The associated application material includes:</p> <ul style="list-style-type: none"> ○ matters that may influence the groups determination of components at which work needs to be performed, ○ factors that may influence the group auditor’s determination on whether to involve component auditors (consideration of resources needed). Having these factors and highlighting the importance of having component auditors involved, helps in addressing concerns raised by respondents about the strong focus on the group auditor’s responsibility and a top-down approach to the group audit that may undermine the important role of the component auditor. <ul style="list-style-type: none"> • Focuses the group auditor’s attention on identifying, assessing and responding to the risks of material misstatement of the group financial statements, and emphasises the importance of designing and performing procedures that are appropriate to respond to those assessed risks of material misstatement. For the three approaches for assigning further audit procedures to component auditors (e.g., design and perform further audit procedures on the entire financial information of the component, design and perform further audit procedures on one or more classes of transactions, account balances or disclosures or perform specific further audit procedures): <ul style="list-style-type: none"> ○ For each approach, a description as to when the approach could be used to assign procedures to component auditors. ○ Examples added for each approach to further clarify when the approach could be used to assign further procedures to component auditors.
<p>Access</p>	<p><i>How addressed in the standard</i></p>

Basis for Conclusions ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*

<p>The AUASB acknowledges and supports the inclusion of enhancements to the requirements and application within ED ISA 600 in relation to access to people and information. We note however that some of the requirements and application material appear to only identify and acknowledge existing practical challenges rather than provide group engagement teams with appropriate guidance on how to overcome such restrictions. For example, the requirements and application guidance do not outline how the group engagement team is expected to apply sufficient and appropriate risk assessment procedures if the group includes equity accounted investments, where there are restrictions on access to information and people.</p>	<ul style="list-style-type: none"> • Clarifies how to address restrictions on access to audit documentation, people and information in a group audit, including restrictions on access to component management, those charged with governance of the component, component auditors, or information at the components. • Access considerations for equity accounting investments are explicitly addressed in the application material.
<p>Materiality</p> <p>The AUASB supported the focus in ED ISA 600 on component materiality, however, raised the following matters for consideration:</p> <ul style="list-style-type: none"> • Paragraph 29 of ED-600 states that component materiality “shall be lower than group performance materiality”. The AUASB suggests that this is changed to “Shall not be greater than group performance materiality”. When a group has a component that represents almost 100% of the group, it may be reasonable to use the group performance materiality to audit this component. • While the AUASB supports the factors to consider in determining component performance materiality, Australian stakeholders have raised concern with the lack of guidance and examples regarding the actual calculation and allocation of performance materiality. The AUASB encourages the IAASB to provide implementation guidance and examples of performance materiality outside of the revised standard. 	<p><i>How addressed in the standard</i></p> <ul style="list-style-type: none"> • Clarification that proposed ISA 600 does not require component performance materiality to be established for each class of transactions, account balance or disclosure at the component level • Application material describing that there are circumstances in which component performance materiality may be set at an amount closer to group performance materiality because there is less aggregation risk such as when the financial information for one component represents a substantial portion of the group financial statements. • Definition of aggregation risk to be included in ISA 320 through a conforming amendment. • Additional application material on situations in which a collaborative approach between the group auditor and a component auditor may be appropriate in determining component performance materiality, and to emphasise the importance of two-way communication, particularly if the number and magnitude of misstatements identified by the component auditor are higher than expected.

Basis for Conclusions ASA 600 *Special Considerations—Audits of a Group Financial Report (Including the Work of Component Auditors)*

<ul style="list-style-type: none"> Paragraph A13 of ISA 320 refers to aggregation risk without a clear definition of aggregation risk within ISA 320. While the AUASB supports the definition of aggregation risk as included at paragraph 9(a) of ED ISA 600, the AUASB queries the placement of this definition. The AUASB recommends that aggregation risk is defined within ISA 320 with the special considerations of such risk being addressed in ISA 600. 	<ul style="list-style-type: none"> Worked examples of determining component performance materiality will be provided outside of proposed ISA 600, consistent with previous Board discussions. Examples, may have unintended consequences, including perceptions of the IAASB sanctioning a particular or ‘best’ approach
<p>Documentation</p> <p><i>Extracts from AUASB submission to IAASB</i></p> <p>The AUASB considered that the documentation requirements could be strengthened if it is explicitly tied into the requirements with respect to the overall assessment of sufficiency and appropriateness of audit evidence</p>	<p><i>How addressed in the standard</i></p> <p>Expanded and enhanced requirements and application material including:</p> <ul style="list-style-type: none"> Stronger link between the documentation requirements and the group auditor’s overall evaluation of the sufficiency and appropriateness of audit evidence obtained on which to base the group audit opinion Reinforce the general principle that the audit documentation for a group audit consists of the documentation in the group auditor’s file together with the component auditor documentation, and that the component auditor documentation generally resides in the component auditor’s audit file and need not be replicated in the group auditor’s audit file Specific requirements and application material when component auditors are involved including: <ul style="list-style-type: none"> Basis for group auditor’s determination of the competence and capabilities of component auditors Documentation of the direction and supervision of component auditors and the review of their work Strengthening the requirements relating review of component auditor’s workpapers Additional considerations when access to component auditor documentation is restricted

WORKING DRAFT – FOR AUASB REVIEW ONLY**Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*****Auditing Standard ASA 570 *Going Concern***¹**Application**

1. This section of the GS provides supplementary application and other explanatory material in relation to selected issues identified as presenting challenges in applying Auditing Standard ASA 570 *Going Concern* in the public sector. It does not contain any further requirements for the conduct of the audit. It is to be read and applied together with ASA 570.

Introduction

2. Financial reporting frameworks applicable in Australia generally require the adoption of the going concern basis of accounting in financial reports, except in circumstances where management of an entity intends to liquidate the entity or to cease trading, or has no realistic alternative in doing so. This concept applies even when there are uncertainties about events or conditions that may cast significant doubt on the entity's ability to continue as a going concern in the future. However, these reporting frameworks require such uncertainties to be disclosed in the financial report when they are material.²
3. Under the going concern basis of accounting, the financial report is prepared on the assumption that the entity is a going concern and will therefore continue its operations and meet its statutory obligations for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. The term 'ability to continue as a going concern' as used in ASA 570 is therefore to be interpreted as the 'ability to continue to adopt the going concern basis of accounting in preparing the financial report' based on the assumption that the entity is a going concern.
4. ASA 570 clarifies that management's use of the going concern basis of accounting is also relevant to public sector entities.³ However, as the concept of going concern as described in AASB 101/ASA 570 is generally more relevant to for-profit commercial entities (whether operating in the private sector or public sector), it may need to be interpreted and applied differently for public sector entities responsible for providing significant government functions on a non-commercial basis.
5. Cash flow projections and other financial metrics-based criteria traditionally used in making going concern assessments are often less relevant in the public sector where the focus is more on whether an entity is sufficiently supported by a government and to what extent the continuation of its functions is protected. Cessation of a public sector entity is most likely to result from a government policy (political) decision to discontinue or privatise the functions

¹ In developing this section of the GS, the AUASB considered and included relevant guidance (amended as appropriate) from the following international publications:

- INTOSAI Guidance: GUID 2900 *Guidance to the Financial Auditing Standards* (2021), Section 25 (INTOSAI GUID 2900)
- The Financial Reporting Council's (UK) Statement of Recommended Practice – Practice Note 10 *Audit of financial statements of public sector bodies in the United Kingdom* (2020).
- National Audit Office (UK) Supplementary Guidance Note (SGN) 01 *Going Concern – Auditors' responsibilities for local public bodies* (2021).
- Office of the Auditor-General New Zealand Auditing Statement AG ISA (NZ) 570 *The Auditor-General's Statement on Going Concern* (2020) (OAG NZ AG ISA (NZ) 570).

² For example, see Australian Accounting Standard [AASB 101 Presentation of Financial Statements](#), paragraphs 25-26.

³ ASA 570, paragraph A2, provides limited application guidance relevant to the public sector in the form of examples of situations where going concern risks may arise in the public sector and of events and conditions that may cast significant doubt on an entity's ability to continue as a going concern.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

delivered by the entity. Therefore, the events or conditions which may cast significant doubt on a public sector entity's ability to continue as a going concern may be different to the factors faced in the private sector.

6. To effectively plan and implement audit procedures that appropriately respond to going concern related risks, public sector auditors require a clear understanding of how the concept of going concern is applied to the public sector entity they are auditing. A lack of understanding of how the going concern concept applies in the context of the public sector reporting may lead to public sector auditors applying unnecessary or inappropriate audit procedures.
7. Auditors who don't commonly work on public sector audit engagements may need to obtain a more detailed understanding of what, if any, going concern risks apply to the public sector entity. For example, whilst some public sector entities may face funding shortfalls or liquidity concerns, managements' use of the going concern assumption may still be appropriate based on the continuity of services the public sector entity provides, meaning there is no need to obtain additional forms of evidence that may be required when auditing a private sector entity.
8. Whilst the public sector auditor must determine that the use of the going concern basis of accounting is appropriate for each entity in accordance with the requirements of ASA 570, there also may be other forms of public reporting (such as periodic reports to parliament covering the whole of government or specific public sector segments) where the public sector auditor may highlight significant financial sustainability issues relating to an individual or group of public sector agencies. Though reporting on these financial sustainability issues may be deemed in the public interest, it is not a substitute for any reporting requirements in ASA 570 and falls outside the scope of this GS.

Scope of ASA 570 Supplementary Guidance

9. This section of the GS provides supplementary guidance to reflect the public sector perspective on going concern related to:
 - (a) The concept of going concern in the public sector (ASA 570, paragraphs 2 and A2).
 - (b) Risk assessment procedures and related activities (ASA 570, paragraphs 10 and A3-A4).
 - (c) Evaluating management's assessment (ASA 570, paragraph 12 and A8-A10).
 - (d) Additional audit procedures when events or conditions are identified (ASA 570, paragraphs 16 and A16-A19).
 - (e) Auditor conclusions and reporting (ASA 570, paragraphs 17-24 and A21-A35)

Definitions

10. For the purpose of this Guidance Statement, the following terms have the meanings attributed below:
 - (a) General Government Sector (GGS) – non-corporate government-controlled entities that have a primary function to provide public services, which are mainly non-commercial in nature, for the collective consumption of the community. These entities are funded by government through the transfer or redistribution of revenue (budget funded through annual appropriations and grants) which is financed by government

WORKING DRAFT – FOR AUASB REVIEW ONLY

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

through taxes and other compulsory levies. Examples include government departments and other public sector entities providing significant government services on a non-commercial basis (for example, services such as the delivery of healthcare).

- (b) Government Owned Corporation – An entity which displays three characteristics: (i) a separate legal identity to government, (ii) a degree of autonomy from its ‘parent’ government, and (iii) remains under some degree of government control or influence. A Government Owned Corporation has its own enabling legislation that establishes the scope of its activities. It can enter into contracts and own property separate from the government. These entities are expected to provide a wide range of functions at arm’s length from the government, including service delivery, commercial activities and stewardship of public assets. The expectation is for these entities to operate in a competitive market on a commercial basis and to be self-funded (that is, not reliant on government appropriations or grants). While some of the services provided by these entities would be considered essential services (for example, water), this is not the case for all.
- (c) ‘Machinery of Government’ (MOG) change.⁴ The term “Machinery of Government” refers to the way government functions and responsibilities are allocated and structured across government departments and agencies. A MOG change refers to a restructure of administrative arrangements in the public sector and involves the reallocation or reorganisation of functions and responsibilities amongst government controlled entities. MOG changes can vary in scope and complexity and can involve, for example, a decision to:
- wind up and dissolve (abolish) an entity in its entirety, where a government determines that the entity’s functions are no longer required.
 - scale back an entity’s operations and/or transfer some or all of its functions to another entity in the public sector.
 - merge an entity, or some parts of the entity, with another public sector entity.
 - privatise an entity, or transfer some functions to a private sector entity, where a government decides certain functions would be better delivered by the private sector.

MOG changes may occur at any time, often with little or no notice; however, significant MOG changes usually occur immediately following an election when a new government announces its new ministry and any new administrative arrangements. MOG changes may also transpire as a result of a legislative change or a government decision to privatise or outsource a function.

Guidance

Concept of Going Concern in the Public Sector (*ASA 570, paragraphs 2, A2*)

11. In the public sector it may be necessary to consider more than the financial health of an entity based on cash flow projections or other financial metrics-based criteria traditionally used in making going concern assessments in the private sector. There are many examples where

⁴ Also referred to as an Administrative Arrangements Order (AAO) change. Mog changes are treated as a restructure of administrative arrangements under AASB 1004 *Contributions*.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

- public sector entities continually fail tests of liquidity, have accumulated deficits and negative equity, yet continue to operate and deliver services.
12. In assessing the appropriateness of the going concern basis of accounting in the public sector, the ‘continuation of public services’ concept is often more relevant in assessing going concern risk than whether the particular public body will continue to exist in its current legal structure or whether the particular entity is financially sustainable.
 13. Cessation of a public sector entity is most likely to result from a government policy (political) decision. As most public sector entities undertake their functions in accordance with statutory requirements imposed by legislation, an Act of Parliament would be required to amend or discontinue such functions.
 14. As the majority of public sector entities exist to deliver essential public services, it may be reasonable to assume that those services will continue to be delivered by the public sector, unless there is evidence to the contrary. Therefore, in the absence of any clearly expressed government or parliamentary intention to scale back or discontinue an entity’s functions, it may be reasonable to assume that a parliament will continue to provide funding annually through the parliamentary appropriation (budget) process. A government can also intervene to increase funding to an entity or adopt a different delivery model to ensure continuity in service delivery.
 15. The ‘continuation of public services’ concept will continue to apply notwithstanding any intention to liquidate an entity or cease its operations in their current structure. In these circumstances it may still be appropriate for the discontinued entity to adopt the going concern basis of accounting where it is anticipated that the underlying services it provides will continue to be delivered by another public sector entity.
 16. However, as government owned corporations and companies and their subsidiaries are separate legal entities from a government, going concern risks may arise from situations where, for example, government support is reduced or withdrawn, policy decisions are made that affect the services provided by an entity, a decision is made to privatise a public sector entity or parts of the entity, a subsidiary of a government owned or controlled entity is wound up as a result of a decision of the parent entity, or where a for-profit and/or self-funded public sector entity runs into financial difficulties.

Risk Assessment Procedures and Related Activities (ASA 570, paragraphs 10, A3-A4)

17. In performing the applicable ASA 315⁵ risk assessment procedures as required under ASA 570, paragraphs 10-11, the public sector auditor determines a proportionate approach to going concern based on the auditor’s understanding of the public sector entity and its environment, the requirements of the applicable financial reporting framework related to going concern, and the entity’s system of internal control (for example, in relation to oversight and governance over management’s assessment of going concern and the controls in place to identify events or conditions relevant to going concern).
18. In forming a view on a public sector entity’s ability to continue its operations, the public sector auditor’s consideration of going concern embraces two separate, but sometimes overlapping, factors:

⁵ See ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

- the greater risk associated with changes in policy direction (for example, where there is a change in government); and
 - the less common operational or business risk (for example, where an entity has insufficient working capital to continue its operations at its existing level and is unable to raise additional capital).⁶
19. ASA 570, paragraph 10, includes a requirement for the public sector auditor, as part of performing ASA 315 risk assessment procedures, to consider whether events or conditions exist that may cast significant doubt on the public sector entity's ability to continue as a going concern. The auditor exercises professional judgement to consider whether the examples of indicators identified in paragraph A3 of the Standard are relevant in the circumstances and, if relevant, whether management has included these factors in their going concern assessment. Also, the auditor determines whether there are public sector specific mitigating factors that may need to be taken into consideration.
20. In the public sector, the risk associated with changes in policy direction may be greater than any operational or business related risks. ASA 570 risk indicators may be more relevant to self-funded corporate and non-corporate entities in the public sector that operate on a commercial basis. These indicators may be less relevant to those government agencies receiving annual appropriations/grants (budget funded) and/or providing essential services on a non-commercial basis (that is, entities economically dependent on government funding).
21. To minimize the risk of changes in government policies not coming to the public sector auditor's attention which could impact on the going concern assumption, the auditor may ascertain whether:
- the government has announced its intention to review an area of policy affecting the audited entity;
 - a review has been announced and is in progress;
 - a review has indicated that the audited entity could be restructured or that an entity's future may be re-examined; or
 - there is a government policy to privatise the activities of the audited entity.⁷
22. Considerations specific to the public sector that may impact the public sector auditor's assessment of the going concern assumption may include, for example:
- How the entity is funded and the extent to which the entity is reliant on government funding (economically dependent on government versus self-funded and operating on a commercial basis).
 - Nature of goods and services provided by the entity (for example, the government is unlikely to not continue to provide health care, provide utilities or continue to register vehicles).
 - Uncertainties regarding on-going government funding, for example, an expiring funding agreement or omission from the budget.

⁶ INTOSAI GUID 2900, paragraph 25.5.

⁷ INTOSAI GUID 2900, paragraph 25.6.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

- Budget announcements of plans to restructure/abolish/privatise public sector entities.
- Policy decisions that affect the services provided by the entity.
- Legislative reform changing the legal structure of how services are to be provided.
- Whether the entity can be wound up without legislative change.
- Timing of Royal Assent of legislation impacting an entity's operations or existence.
- Estimates of revenue or the likelihood of continued revenue streams, including government funding and the donation base.
- Changes to markets/reduction of customers for self-funded agencies.
- Poor financial indicators for a fee for service entity.

23. The following are examples of mitigating factors to consider before making an assumption about the validity of the going concern assumption:

- Entities at local government level are often required to maintain delivery of functions essential to local communities and may themselves be revenue-raising bodies (that is, have the power to levy rates or taxes) and may have the possibility, on application, of recovering losses over a period.
- The existence of multi-year funding agreements or other arrangements that will ensure the continued operation of the entity.
- A letter of financial support (or other similar direct confirmation) from a government agency or other parent entity able to provide such support.⁸

The public sector auditor includes their consideration of these factors in the conclusions they draw on going concern for the purpose of the auditor's report.

24. In addition to the audit procedures set out in the ASA 570, the public sector auditor applies professional scepticism in reviewing the applicable legislative and reporting frameworks, Budget Papers, Budget announcements, media releases, statements of corporate intent, and government funding commitments. The auditor may also read official records of changes in policy and relevant proceedings of the legislature, parliamentary transcripts, gazettal notices, and inquire about matters addressed in proceedings for which official records are not yet available.

Non-corporate government controlled entities in the GGS⁹

25. Given the statutory nature of these entities and the presumption that the services provided by these entities will continue to be delivered by the public sector, going concern risk may be assessed as low on the basis that that it can be assumed, in the absence of any clearly stated parliamentary or government intention to amend or discontinue such services, that the government is likely to continue to provide the minimum amount of financial support necessary to continue these public services. For these types of entities, the risk associated with changes in policy direction is likely to be greater than any operational or business related risks.

⁸ See paragraphs 118-123 of this GS.

⁹ See paragraph 78 of this GS.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

26. In these circumstances an entity may reach a conclusion that the going concern basis of accounting is appropriate without undertaking a detailed analysis. Other than in exceptional cases (for example, where an entity's functions are to be discontinued or delivered outside the public sector or privatised), the use of the going concern basis of accounting is likely to be appropriate for these entities - unless there is evidence to the contrary. It is also unlikely that a material uncertainty related to going concern will exist in these circumstances.
27. As the risk in relation to going concern may be lower in these circumstances, the public sector auditor's risk assessment procedures and evaluation of management's going concern assessment are likely to be less onerous and focus primarily on whether there is a parliamentary or government legislative intention to amend or discontinue service delivery, rather than around the financial sustainability of the public sector entity.
28. The public sector auditor's risk assessment procedures as required by ASA 570 may include consideration of:
- (a) the statutory nature of the entity and whether there is an expectation that the underlying services delivered by the entity will continue to be delivered and funded by the public sector notwithstanding any decision to wind up the particular entity or cease its operations in their current form;
 - (b) the requirements of the applicable financial reporting framework related to going concern (including the requirements to account for and report on MOG¹⁰ changes);
 - (c) the entity's risk assessment process to identify events or conditions which may indicate that the services provided by the entity may no longer continue (which is expected to be proportionate to the low risk that a material uncertainty related to going concern exists);
 - (d) factors the auditor may be aware of that could indicate that either services delivered by the entity will no longer be provided or that funding for these services will be discontinued or significantly reduced.
29. Where the public sector auditor's risk assessment concludes that it may be inappropriate to assume that the services delivered by the entity will continue to be delivered by the public sector in the foreseeable future, for example, where there is an intention by the government to discontinue the entity's operations or transfer the delivery of such services to outside the public sector (privatise), the auditor may need to re-evaluate the planned audit procedures based on the revised consideration of assessed risks in relation to the going concern assumption, and perform alternative procedures to comply with the requirements of ASA 570.

Other Arm's Length Public Sector Entities

30. Public sector entities that sit outside the GGS are expected to provide a wide range of functions at arm's length from the government, including service delivery, commercial activities and stewardship of public assets. These entities operate in various legal forms such as statutory authorities formed by legislative instruments that define their role and purpose,

¹⁰ See paragraph 78 of this GS.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

- government owned corporations¹¹, and joint ventures. These entities may be granted varying degrees of autonomy but are ultimately responsible to a relevant government minister.
31. From time to time, these types of public sector entities may experience financial difficulties. In these circumstances, without additional government support, it may be difficult for these entities to continue their operations and to meet their statutory obligations in a timely manner.
 32. Certain public sector entities are expected to operate in a competitive market on a commercial basis and to be primarily self-funded (that is, not rely on government appropriations or grants to fund their operations). Many government business divisions may also be expected to recover their costs through commercial arrangements. For these types of entities, consideration of going concern can be similar to that applied to for-profit commercial entities in the private sector (for example, the public sector auditor may consider knowledge of the business, financial ratios, future forecasts)¹² and ASA 570 is generally fit-for-purpose.
 33. Some of these entities may not be financially sustainable on their own and be reliant or semi-reliant on government funding to continue operating in a competitive market. For example, certain government owned corporations that provide essential public services may receive 'Community Service Obligations' from a government (similar to a government subsidy) to compensate these entities for delivering uneconomical but essential services in remote areas or where these entities are impacted by government policy decisions that disadvantage the entity in competing with private sector entities providing similar services.
 34. A public sector auditor cannot assume that because an entity is operating in the public sector, a government will automatically support the entity should it experience financial difficulties. The determination of whether the going concern assumption is appropriate in the circumstances, will depend on the facts in each case. Whilst not all are applicable to public sector entities, the public sector auditor still considers the examples of events or conditions that, individually or collectively, may cast significant doubt on the public sector entity's ability to continue as a going concern included in ASA 570, paragraph A3 when determining the level of going concern risk. In particular, the public sector auditor considers whether, without government or other external assistance over and above that provided to fund normal operations, will the entity be able to continue operating for at least one year (or for the foreseeable future) from the date of the auditor's report.
 35. In considering going concern for entities that are economically dependent on government funding to continue operating, in addition to the ASA 570 factors related to operational and business risk, the public sector auditor takes into consideration the statutory nature of the entity and the services it delivers, and whether the underlying services delivered by the entity are essential or key public services that are expected to be delivered and funded by a government on a continuing basis. The auditor considers any factors that could signal that either the services delivered by the entity will no longer be provided or significantly curtailed, or that funding for these services may be discontinued or significantly reduced.

¹¹ See paragraph 78 of this GS.

¹² See ASA 570, paragraph A3 for example indicators to consider.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

Evaluating Management’s Assessment (ASA 570, paragraphs 12, A8-A10)

36. ASA 570, paragraph 12, includes a requirement for the public sector auditor to evaluate management’s assessment of the public sector entity’s ability to continue as a going concern. As explained in paragraphs A8-A9 of the Standard:
- (a) this assessment by management forms a key part of the auditor’s consideration of management’s use of the going concern basis of accounting; and
 - (b) it is not the auditor’s responsibility to rectify the lack of analysis by management.
37. In the public sector, management may not always prepare a detailed or explicit going concern assessment, based on the assumption that a government will continue to support the entity regardless of its financial circumstances. Management may also provide only limited assessments, for example, by referring to a passed budget or appropriation bill as evidence that service delivery will continue in the foreseeable future.
38. ASA 570, paragraphs 4 and 6, clarifies that whenever the going concern basis of accounting is a fundamental principle in the preparation of a financial report as discussed in paragraph 2 of the Standard, the preparation of the financial report requires management to assess the entity’s ability to continue as a going concern even if the financial reporting framework does not include an explicit requirement to do so.
39. The degree of consideration of management’s assessment depends on the facts and circumstances of each entity. Given the legislative status of, and financial reporting frameworks applicable to, most entities in the public sector, it is likely that, unless there are indications that a government intends to amend or discontinue the delivery of public services, management’s assessment and the auditor’s evaluation of management’s assessment may be relatively straightforward. Nevertheless, management is still required to make this assessment and to explain the rationale in support of their assessment.
40. ASA 570, Paragraph A9, provides for circumstances where management may reach a conclusion that the going concern basis of accounting is appropriate without performing a detailed analysis, for example, when there is a history of profitable operations and a ready access to financial resources. In these circumstances, the auditor’s evaluation of management’s assessment of going concern may be made without performing detailed evaluation procedures if the auditor’s other audit procedures (which will include the risk assessment procedures referred to in the previous section) are sufficient to enable the auditor to conclude on whether management’s use of the going concern basis is appropriate in the circumstances.

Additional Audit Procedures when Events or Conditions are Identified (ASA 570, paragraphs 16, A16-A19)

41. In circumstances where there has been an announcement or decision made regarding a mog change, or a change in legislation or funding arrangements, the public sector auditor performs additional audit procedures in accordance with ASA 570, paragraph 16, to determine whether or not a material uncertainty related to going concern exists.
42. In these circumstances, sufficient appropriate audit evidence in support of management’s judgements about going concern can usually be obtained by the public sector auditor and may include gazettal notices, parliamentary transcripts, correspondence with government bodies regarding funding, government budget announcements and Budget Papers.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

43. When the public sector auditor becomes aware of information that indicates that a government or parliament has made, or intends to make, a decision which will likely impact the continued operational existence of a public sector entity, the auditor determines whether the services being provided by the entity to be discontinued will continue to be delivered by another public sector entity.
44. Where there is evidence that the government intends to wind up and dissolve a public sector entity and transfer its functions elsewhere in the public sector, application of the going concern basis of accounting in preparing the financial report of entity to be discontinued is likely to continue to be appropriate. While legislative reform of this nature may change the legal structure of how services are being provided, there is considered to be no impact on the going concern assumption as functions are merely moved around within the government as a single legal entity and services will continue to be delivered using the net assets transferred to the new or continuing entity. Unless there is evidence to the contrary, it is assumed the assets and liabilities will be realised in the normal course of business in the new or continuing entity.
45. However, where there is evidence that a public sector entity's functions may be fully discontinued or delivered outside the public sector (for example, by privatising the entity) continued application of the going concern assumption in the discontinued entity will no longer be appropriate.
46. In circumstances where there has been an announcement or decision made to abolish a public sector entity, and legislation is required to be passed to cease the entity, the entity is usually treated as a going concern until the legislation has been enacted (i.e., received Royal Assent). Where passage of legislation through Parliament is not required, the responsible Minister may be able to make changes via publication in the Government Gazette.
47. In circumstances where government has only announced its intention to abolish a public sector entity, this will usually not be sufficient evidence that a government is demonstrably committed to the policy/decision. However, such announcements of a government's intentions or where a Bill has been introduced to Parliament is likely to give rise to a material uncertainty, for which the public sector auditor considers whether it is necessary to include an Emphasis of Matter paragraph¹³.

Arm's length Public Sector Entities

48. Where a public sector entity operates at arm's length from a government, particularly in a trading capacity, traditional indicators and financial metrics used to assess going concern may be relevant and may signify that a material uncertainty exists, for example, in circumstances where an entity reports accumulated deficits, negative equity or a net liability position. In these circumstances, the auditor performs additional audit procedures in accordance with ASA 570, paragraph 16, to obtain sufficient appropriate audit evidence to determine whether or not a material uncertainty exists.

*External Confirmations*¹⁴

49. Public sector auditors are aware that changes in government policy can have a significant impact on the status and functions of public sector entities. However, management and the auditor in most instances may not be aware of the strategic or legislative decisions which may

¹³ Refer to Auditor Conclusions and Reporting in Paragraphs 124 and 125 for further details

¹⁴ Whether in the form of a letter of financial support, comfort letter, letter of guarantee, letter of intent.

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

- impact an entity. Changes in government policy can occur at short notice and often without consultation.
50. When considering appropriate audit procedures relevant to the requirement in ASA 570, paragraph 16, the auditor may consider whether to request an entity to obtain direct confirmation from a central government agency or parent entity regarding any plans that may impact the entity's continued operational existence and/or to confirm the existence, authority and enforceability of arrangements to provide or maintain financial support.
51. When considering requesting such confirmation, auditors are advised to take account of any constraints imposed by legislation or the political process. In many circumstances, a representation provided by the responsible financial officer of the entity that financial backing will continue, or future funding will be received, may not be sufficient as meaningful assurance on the future of an entity. This is because the representation could be based on a presumption of knowledge of facts about the intentions of the financial backer that might not be known by the entity, or judgements about future conditions for support that the entity is not capable of making. Confirmations may also have been provided informally without proper consideration of the consequences and whether the confirmation is sufficiently binding.
52. When considering requesting direct confirmations, the public sector auditor considers that there may be circumstances where such confirmations may not be forthcoming. For example:
- MOG changes may occur at any time, often with little or no notice. As a result, the government of the day will not generally provide direct confirmation that nothing is likely to change in relation to financial backing or future funding.
 - A State or Australian Territory Government may also not be in a position to provide such confirmations as it may itself be highly dependent on, for example, GST funding with no control over changes to the distribution of the GST pool.
 - Legislation may contain specific provisions that a government will not guarantee the debts or operations of, for example, a Government Owned Corporation. In these circumstances, a central government department or other government agency will not be in a position to provide confirmation of continued financial support to these entities.
53. In circumstances where the public sector entity's continued use of the going concern basis of accounting is dependent on, for example, a letter of financial support, which the entity was able to secure, the auditor exercises professional scepticism in evaluating the sufficiency of such confirmations as audit evidence. The auditor may consider the following matters:
- (a) whether the entity providing the letter of support has the authority to provide the support;
 - (b) whether the letter of support has been signed by a person with appropriate delegated authority to provide such support;
 - (c) whether the entity or entities that will be providing the support have the ability to cover the obligations of the entity receiving the support;
 - (d) whether the amount of support will be sufficient; and

Guidance Statement GS 023 *Special Considerations – Public Sector Engagements*

- (e) whether one or both parties can terminate the arrangement.¹⁵
54. If an adequate confirmation can be obtained, it may be reasonable to conclude that the going concern basis is appropriate. If such confirmation is not forthcoming or where the auditor questions its sufficiency as audit evidence, the auditor considers whether there is a material uncertainty that requires to be reported in the auditor's report.

Auditor Conclusions and Reporting (*ASA 570, paragraphs 17-24, A21-A35*)

55. ASA 570¹⁶ requires the public sector auditor to evaluate, based on the audit procedures performed, whether sufficient appropriate evidence has been obtained to conclude on:
- (a) the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial report;
 - (b) whether a material uncertainty related to going concern exists;
 - (c) whether going concern matters are adequately disclosed in the financial report; and
- then to report in accordance with ASA 570 requirements.

ASA 570, [Aus] Appendix 1 includes a useful diagrammatic illustration of the links between going concern considerations and the types of audit opinions that may be appropriate in the circumstances.

56. In circumstances where the public sector auditor has concluded that no material uncertainty exists but the use of the going concern basis of accounting is dependent on a letter of support or other confirmation obtained from a related or other third party, or based on the assumption that a parliament may continue to provide funding to ensure continued delivery of essential public services, the auditor may:
- (a) consider whether it is necessary to include an Emphasis of Matter paragraph¹⁷ in the auditor's report to draw the user's attention to the financial support/economic dependency note disclosure included in the entity's financial report; or
 - (b) consider whether the matter is a Key Audit Matter¹⁸ to be communicated in the auditor's report, in circumstances when the auditor decides to communicate key audit matters in the auditor's report (especially where an entity is a significant public sector entity).

¹⁵ See OAG NZ AG ISA (NZ) 570, paragraph A1 (amended).

¹⁶ See ASA 570, paragraphs 17-25.

¹⁷ See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*, paragraphs 8-9.

¹⁸ See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.