

ASA 101
(January 2025)

Explanatory Statement

ASA 101 Preamble to AUASB Standards

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



Australian Government

Auditing and Assurance Standards Board

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This Explanatory Statement is available on the Auditing and Assurance Standards Board website:
www.auasb.gov.au

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Reasons for Issuing ASA 101

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 101 *Preamble to AUASB Standards* (ASA 101) pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is a non-corporate Commonwealth entity of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001*. Under section 336 of the *Corporations Act 2001* (the Act), the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislation Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council, the AUASB is required, *inter alia*, to develop auditing standards that have a clear public interest focus and are of the highest quality.

Purpose of ASA 101

The purpose of ASA 101 is to set out how other AUASB Standards are to be understood, interpreted and applied. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.

Main Features

This Auditing Standard replaces ASA 101 *Preamble to Australian Auditing Standards* issued by the AUASB in September 2021 (as amended to November 2021).

The revised ASA 101:

- (a) expands the scope of ASA 101 to include Australian Standards on Sustainability Assurance ASSA 5000 *General Requirements for Sustainability Assurance Engagements* and ASSA 5010 *Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act 2001*; and
- (b) clarifies that firm level Quality Management Standards are not legally enforceable under the Act.

Operative Date

ASA 101 is operative:

- (a) audits or reviews of financial reports, audits and reviews of information in sustainability reports and other assurance engagements that relate to reporting periods - for financial reporting periods commencing on or after 1 January 2025;
- (b) other assurance or related services engagements commencing on or after 1 January 2025; and
- (c) from 1 January 2025 for the purposes of ASQM 1.

Early adoption is permitted.

Process of making Australian Auditing and Assurance Standards

The AUASB's Strategic Direction, *inter alia*, provides that the AUASB develop Australian auditing and assurance standards that:

- have a clear public interest focus and are of the highest quality;
- use the international standards of the International Auditing and Assurance Standards Board (IAASB) as the underlying standards;

- conform with the Australian regulatory environment; and
- are capable of enforcement.

Consultation Process prior to issuing the revised ASA 101

This Standard is a revised version of an existing ASA 101 with minor changes as a result of the issuance of ASSA 5000 (Australian equivalent of the International Standard on Sustainability Assurance ISSA 5000 *General Requirements for Sustainability Assurance Engagements*). The AUASB has consulted publicly as part of its due process in developing ASSA 5000, by exposing the IAASB's proposed ISSA 5000, along with an associated Australian Explanatory Memorandum for a 90-day comment period. Submissions were received by the AUASB and these were considered as part of the development and finalisation of ASSA 5000.

ASSA 5000 is based on, and replaces, a pre-existing standard for sustainability information assurance. ASA 101 deals with well-known aspects of the understanding of AUASB standards.

It is the view of the AUASB that ASA 101 does not require public exposure as the amendments arising from ASSA 5000 are sufficiently minor and narrow in scope.

Impact Analysis

A Preliminary Assessment form has been prepared in connection with the preparation of ASA 101 and lodged with the Office of Impact Analysis (OIA). The OIA has advised that an Impact Analysis is not required in relation to this standard.

Exemption from Sunsetting

Standards promulgated by the AUASB that are legislative instruments are exempt from the sunseting provisions of the *Legislation Act 2003* through section 12 of the *Legislation (Exemption and Other Matters) Regulation 2015* (Item 18(a)).

The AUASB's Standards incorporate Standards set by the IAASB. The AUASB's Standards are exempt from sunseting because a more stringent review process than sunseting applies to the Standards. This review process ensures Australia's Auditing Standards regime remains consistent with international standards. Typically, the AUASB Standards are revised at least once within a ten-year period, with most of the Standards subject to revisions much more frequently than that. Each revision follows the stringent review process (which includes the opportunity for public comment) in order to remain consistent with international standards. It is very unlikely that any AUASB Standard would not have been amended (or else considered for amendment) within a ten-year period through these review processes. Therefore, if it applied, a ten-year sunseting regime would have very limited practical application to AUASB Standards. Parliamentary oversight is retained whenever a Standard is replaced or amended since the Standards are disallowable instruments and subject to the normal tabling and scrutiny process as required by the *Legislation Act 2003*.

Commencement of ASA 101

ASA 101 was made on 28 January 2025. It is operative for audits or reviews of financial reports, audits and reviews of sustainability reports and other assurance engagements for financial reporting periods commencing on or after 1 January 2025; and other assurance or related services engagements commencing on or after 1 January 2025. In practice, it is unlikely there are audits or reviews of financial reports or other assurance or related engagements that commenced on 1 January 2025 and ended before 28 January 2025 or the assurance work would be concluded during that period.

Further, the changes to ASA 101 are minor and have no impact on the work required in audit and assurance engagements. ASA 101 replaces a pre-existing ASA 101 that already clarifies well-known aspects of understanding other AUASB standards.

Therefore, the retrospective commencement is not expected to disadvantage any person.

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 101 *Preamble to AUASB Standards***

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

Overview of the Legislative Instrument

Background

The Auditing and Assurance Standards Board (AUASB) is an independent statutory committee of the Australian Government established under section 227A of the *Australian Securities and Investments Commission Act 2001* (ASIC Act). Under section 336 of the *Corporations Act 2001*, the AUASB may make Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Purpose of ASA 101

The purpose of ASA 101 is to set out how AUASB Standards are to be understood, interpreted and applied. AUASB Standards are to be read and applied in conjunction with this Auditing Standard.

Main Features

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- (b) clarifies that firm level Quality Management Standards are not legally enforceable under the *Corporations Act 2001*.

Human Rights Implications

ASA 101 is 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.