

ASA 102
(October 2009)

Auditing Standard ASA 102
*Compliance with Ethical
Requirements when
Performing Audits, Reviews
and Other Assurance
Engagements*

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



Australian Government

Auditing and Assurance Standards Board

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Contact Details

Auditing and Assurance Standards Board Phone: (03) 8080 7400
Level 7 Fax: (03) 8080 7450
600 Bourke Street E-mail: enquiries@auasb.gov.au
Melbourne Victoria 3000
AUSTRALIA

Postal Address:
PO Box 204
Collins Street West
Melbourne Victoria 8007
AUSTRALIA

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PREFACE

Reasons for Issuing Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements*

The Auditing and Assurance Standards Board (AUASB) issues Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* pursuant to the requirements of the legislative provisions and the Strategic Direction explained below.

The AUASB is an independent statutory board 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 Australian Auditing Standards for the purposes of the corporations legislation. These Auditing Standards are legislative instruments under the *Legislative Instruments Act 2003*.

Under the Strategic Direction given to the AUASB by the Financial Reporting Council (FRC), the AUASB is required to have regard to any programme initiated by the International Auditing and Assurance Standards Board (IAASB) for the revision and enhancement of the International Standards on Auditing (ISAs) and to make appropriate consequential amendments to the Australian Auditing Standards. Accordingly, the AUASB has decided to revise and redraft the Australian Auditing Standards using the equivalent redrafted ISAs.

ASA 102 is an Auditing Standard made under the *Corporations Act 2001* for Australian legislative purposes. ASA 102 enables references to relevant ethical requirements in other AUASB Standards to remain current as they are explicitly linked to ASA 102. Under ASA 102 the auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008), which are to be taken into account in determining whether relevant ethical requirements have been met. The AUASB proposes to amend or re-make ASA 102 whenever APES 110 is amended or revised, to ensure that such cross references remain current and to eliminate the need to amend other AUASB Standards.

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The requirement and application and other explanatory material in ASA 102 have been drawn from several standards of the IAASB.

The AUASB has made ASA 102 in a format that is consistent with the other Australian Auditing Standards operative for financial reporting periods commencing on or after 1 January 2010 and for firms required to establish systems of quality control in compliance with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements* by 1 January 2010.

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Main Features

This Auditing Standard establishes a requirement and provides application and other explanatory material regarding the responsibilities of the auditor, the assurance practitioner, and the firm for compliance with relevant ethical requirements when performing audits, reviews and other assurance engagements.

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AUTHORITY STATEMENT

The Auditing and Assurance Standards Board (AUASB) makes this Auditing Standard ASA 102 *Compliance with Ethical Requirements when Performing Audits, Reviews and Other Assurance Engagements* 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 Australian Auditing Standards*, which sets out the intentions of the AUASB on how the Australian Auditing Standards, operative for financial reporting periods commencing on or after 1 January 2010, are to be understood, interpreted and applied.

Dated: 27 October 2009

M H Kelsall
Chairman - AUASB

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Application

1. This Auditing Standard applies to:
 - (a) an audit of a financial report for a financial year, or an audit or a review of a financial report for a half-year, in accordance with the *Corporations Act 2001*;
 - (b) an audit or review of a financial report, or a complete set of financial statements, for any other purpose;
 - (c) an audit or review of other financial information;
 - (d) other assurance engagements; and
 - (e) a firm required to comply with ASQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Reports and Other Financial Information, and Other Assurance Engagements*.

Operative Date

2. This Auditing Standard is operative for engagements with reporting periods commencing on or after 1 January 2010 and for firms required to establish systems of quality control in compliance with ASQC 1 by 1 January 2010.

Objective

3. The objective of the auditor, assurance practitioner, engagement quality control reviewer and firm is to comply with relevant ethical requirements, including those pertaining to independence, relating to audits, reviews and other assurance engagements.

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Definitions

4. The following terms have the meanings attributed below:
- (a) Assurance practitioner means a person or an organisation, whether in public practice, industry, commerce or the public sector, providing assurance services.¹
 - (b) Auditor means the person or persons conducting the audit, usually the engagement partner or other members of the engagement team, or, as applicable, the firm. Where an Auditing Standard expressly intends that a requirement or responsibility be fulfilled by the engagement partner, the term “engagement partner” rather than “auditor” is used. “Engagement partner” and “firm” are to be read as referring to their public sector equivalents where relevant.²
 - (c) Engagement quality control reviewer means a partner, other person in the firm, suitably qualified external person, or a team made up of such individuals, none of whom is part of the engagement team, with sufficient and appropriate experience and authority to objectively evaluate the significant judgements the engagement team made and the conclusions it reached in formulating the auditor’s report.
 - (d) Firm means a sole practitioner, partnership or corporation or other entity of assurance practitioners. “Firm” should be read as referring to a public sector equivalent where relevant.³
 - (e) Relevant ethical requirements means ethical requirements that apply to the auditor, assurance practitioner, engagement quality control reviewer and firm. In Australia, these include the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008), the applicable provisions of the *Corporations Act 2001* and other applicable law or regulation.

¹ See ASQC 1.

² See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*.

³ See ASQC 1.

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Requirement

Compliance with Relevant Ethical Requirements (Ref: Para. A1-A7)

5. The auditor, assurance practitioner, engagement quality control reviewer, and firm shall comply with relevant ethical requirements, including those pertaining to independence, when performing audits, reviews and other assurance engagements.

* * *

Application and Other Explanatory Material

Compliance with Relevant Ethical Requirements (Ref: Para. 5)

- A1. The auditor, assurance practitioner, engagement quality control reviewer, and firm are to have regard to the applicable requirements of APES 110 *Code of Ethics for Professional Accountants* issued by the Accounting Professional and Ethical Standards Board (February 2008), which are to be taken into account in determining whether relevant ethical requirements referred to in paragraph 5 of this Auditing Standard have been met. In relation to audits and reviews undertaken in accordance with the *Corporations Act 2001*, the provisions of Division 3 Part 2M.4 of the Act may also apply.
- A2. APES 110 establishes the fundamental principles of professional ethics and provides a conceptual framework for applying those principles.
- A3. The fundamental principles of professional ethics, as described in APES 110, include:
- (a) Integrity;
 - (b) Objectivity;
 - (c) Professional competence and due care;
 - (d) Confidentiality; and
 - (e) Professional behaviour.
- A4. APES 110 illustrates how the conceptual framework is to be applied in specific situations. It provides examples of safeguards that may be appropriate to address threats to compliance with the fundamental principles and also provides examples of situations where safeguards are not available to address the threats.
- A5. In the case of an audit engagement, it is in the public interest and required by APES 110, that the auditor be independent of the entity subject to the audit. APES 110 describes independence as comprising both independence of mind and independence in appearance. The auditor's independence from the entity safeguards the auditor's ability to form an audit opinion without being affected by influences that might compromise that opinion. Independence

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enhances the auditor's ability to act with integrity, to be objective and to maintain an attitude of professional scepticism.

A6. The fundamental principles in APES 110 are reinforced in particular by:

- The leadership of the firm;
- Education and training;
- Monitoring; and
- A process for dealing with non-compliance.

A7. The definitions of terms in APES 110 may differ from the definitions of those terms in Australian Auditing Standards, including terms defined in ASQC 1 and ASA 220 *Quality Control for an Audit of a Financial Report and Other Historical Financial Information*.

For example, APES 110 defines the "firm" as:

- (a) A sole practitioner, partnership, corporation or other entity of professional accountants;
- (b) An entity that controls such parties through ownership, management or other means;
- (c) An entity controlled by such parties through ownership, management or other means; and
- (d) An auditor-general's office or department.

whereas ASQC 1 defines the "firm" as:

"Firm means a sole practitioner, partnership or corporation or other entity of assurance practitioners. "Firm" should be read as referring to a public sector equivalent where relevant".

APES 110 also provides guidance in relation to the terms "network" and "network firm."

In complying with the requirement of this Auditing Standard, the definitions used in APES 110 apply in so far as is necessary to interpret the ethical requirements of ASQC 1 and ASA 220.

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Conformity with International Standards on Auditing

This Auditing Standard has been made for Australian legislative purposes and accordingly, there is no single equivalent International Standard on Auditing issued by the International Auditing and Assurance Standards Board (IAASB).

However, the requirement and application and other explanatory material in this Auditing Standard have been drawn from ISQC 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements and Other Assurance and Related Services Engagements*, ISA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with International Standards on Auditing* and ISA 220 *Quality Control for an Audit of Financial Statements*, as issued by the IAASB (April 2009), as listed in the following table:

ASA 102	International Standards
Paragraph 5 (requirement)	ISA 200 paragraph 14 ISA 220 paragraphs 9-11 ISQC 1 paragraph 20
Paragraph A1	ISA 200 paragraph A14
Paragraph A2	ISA 200 paragraph A15
Paragraph A3	ISQC 1 paragraph A7 ISA 200 paragraph A15 ISA 220 paragraph A4
Paragraph A4	ISQC 1 paragraph A8
Paragraph A5	ISA 200 paragraph A16
Paragraph A6	ISQC 1 paragraph A9
Paragraph A7	ISQC 1 paragraph A10 ISA 220 paragraph A5

Compliance with this Auditing Standard, together with other Australian Auditing Standards, enables compliance with the ISAs and ISQC 1.