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## AUDITING STANDARDS

The following table lists auditing standards (AUS) and auditing guidance statements (AGS) issued by the Auditing and Assurance Standards Board of the Australian Accounting Research Foundation (AuASB). The table also lists the equivalent international audit standard for each Australian standard and describes the extent to which the Australian document has been harmonised with the international standard. Although Australian AUS and AGS do not have the force of law for the purposes of the Corporations Law, the ethical rules of The Institute of Chartered Accountants in Australia and the Australian Society of Certified Practising Accountants require their respective members to use AUS and AGS when undertaking audit engagements.

**Disclosure standard: Compliance with international audit standards issued by the International Auditing Practices Committee of the International Federation of Accountants.**

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<b>Australian Document</b>	<b>Title</b>	<b>International Document</b>	<b>Title</b>	<b>Notes</b>
AUS 102	Foreword to Australian Auditing Standards and Guidance Statements			No equivalent ISA.
AUS 104	Glossary of Terms			No equivalent ISA.
AUS 106	Explanatory Framework for Standards on Audit and Audit Related Services	No number	Framework of International Standards on Auditing	Except as mentioned in note (a), the AUS and the Framework of International Standards on Auditing are consistent in all material respects.
AUS 202	Objective and General Principles Governing an Audit of a Financial Report	ISA 200	Objective and General Principles Governing an Audit of Financial Statements	Except as mentioned in note (b), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 204	Terms of Audit Engagements	ISA 210	Terms of Audit Engagements	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 206	Quality Control for Audit Work	ISA 220	Quality Control for Audit Work	Except as mentioned in note (c), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.

Australian Document	Title	International Document	Title	Notes
AUS 208	Documentation	ISA 230	Documentation	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 210	Irregularities, Including Fraud, Other Illegal Acts and Errors	ISA 240 ISA 250	Fraud and Error Consideration of Laws and Regulations in an Audit of Financial Statements	Except as mentioned in note (d), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 212	Other Information in Documents Containing Audited Financial Reports	ISA 720	Other Information in Documents Containing Audited Financial Statements	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 214	Auditing in a CIS Environment	ISA 401	Auditing in a Computer Information Systems Environment	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 302	Planning	ISA 300	Planning	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 304	Knowledge of the Business	ISA 310	Knowledge of the Business	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.

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AUS 306	Materiality	ISA 320	Audit Materiality	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 402	Risk Assessments and Internal Controls	ISA 400	Risk Assessments and Internal Control	Except as mentioned in note (e), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 404	Audit Implications Relating to Entities Using a Service Entity	ISA 402	Audit Considerations Relating to Service Entities Using Service Organizations	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 502	Audit Evidence	ISA 500	Audit Evidence	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 504	Confirmation of Receivables	ISA 501	Audit Evidence — Additional Considerations for Specific Items Part B: Confirmation of Accounts Receivable	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 506	Existence and Valuation of Inventory	ISA 501	Audit Evidence — Additional Considerations for Specific Items Part A: Attendance of Physical Inventory Counting	Except as mentioned in note (f), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.

Australian Document	Title	International Document	Title	Notes
AUS 508	Inquiry Regarding Litigation and Claims	ISA 501	Audit Evidence — Additional Considerations for Specific Items Part C: Inquiry Regarding Litigation and Claims	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 510	Initial Engagements — Opening Balances	ISA 510	Initial Engagements — Opening Balances	Except as mentioned in note (g), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 512	Analytical Procedures	ISA 520	Analytical Procedures	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 514	Audit Sampling	ISA 530	Audit Sampling and Other Selective Testing Procedures	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 516	Audit of Accounting Estimates	ISA 540	Audit of Accounting Estimates	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 518	Related Parties	ISA 550	Related Parties	Except as mentioned in note (h), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.

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<b>Australian Document</b>	<b>Title</b>	<b>International Document</b>	<b>Title</b>	<b>Notes</b>
AUS 520	Management Representations	ISA 580	Management Representations	Basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 522	Audit Evidence Implications of Externally Managed Assets of Superannuation, Provident or Similar Funds			No corresponding ISA.
AUS 524	The Auditor's Use of the Work of the Actuary and the Actuary's Use of the Work of the Auditor in Connection with the Preparation and Audit of a Financial Report			No corresponding ISA.
AUS 602	Using the Work of Another Auditor	ISA 600	Using the Work of Another Auditor	Except as mentioned in note (i), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 604	Considering the Work of Internal Auditing	ISA 610	Considering the Work of Internal Auditing	Except as mentioned in note (j), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.

Australian Document	Title	International Document	Title	Notes
AUS 606	Using the Work of an Expert	ISA 620	Using the Work of An Expert	Except as mentioned in note (k), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 702	The Audit Report on a General Purpose Financial Report	ISA 700	The Auditor's Report on Financial Statements	Except as mentioned in note (l), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 704	Comparatives			No corresponding ISA.
AUS 706	Subsequent Events	ISA 560	Subsequent Events	Except as mentioned in note (m), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 708	Going Concern	ISA 570	Going Concern	Except as mentioned in note (n), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 710	Communication to Management on Matters Arising from an Audit			No corresponding ISA.

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<b>Australian Document</b>	<b>Title</b>	<b>International Document</b>	<b>Title</b>	<b>Notes</b>
AUS 802	The Audit Report on Financial Information Other than a General Purpose Financial Report	ISA 800	The Auditor's Report on Special Purpose Audit Engagements	Except as mentioned in note (o), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 804	The Audit of Prospective Financial Information	ISA 810	The Examination of Prospective Financial Information	Except as mentioned in note (p), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 806	Performance Auditing			No corresponding ISA.
AUS 808	Planning Performance Audits			No corresponding ISA.
AUS 902	Review of Financial Reports	ISA 910	Engagements to Review Financial Statements	Except as mentioned in note (q), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AUS 904	Engagements to Perform Agreed-upon Procedures	ISA 920	Engagements to Perform Agreed-upon Procedures Regarding Financial Information	Except as mentioned in note (r), basic principles and essential procedures in the AUS and ISA are consistent in all material respects.
AGS 1002	Bank Confirmation Requests			No corresponding ISA.



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AGS 1004	Transitional Arrangements on Changes in Audit Appointments under the Corporations Law			No corresponding ISA.
AGS 1006	Expressions of an Opinion on Internal Control			No corresponding ISA.
AGS 1008	Audit Implications of Reserve Bank Prudential Reporting Requirements			No corresponding ISA.
AGS 1010	Audit Obligations of the Financial Institutions Scheme			No corresponding ISA.
AGS 1012	Share Buy-Backs — Auditor's Report			No corresponding ISA.
AGS 1014	Privity Letter Requests			No corresponding ISA.
AGS 1016	Audit and Review Reports — Half-year Accounts and Consolidated Accounts			No corresponding ISA.
AGS 1018	CIS Environments — Stand-Alone Microcomputers	ISA 1001	EDP Environments — Stand-Alone Microcomputers	AGS is in accordance with ISA in all material respects.
AGS 1020	CIS Environments — On-Line Computer Systems	ISA 1002	EDP Environments — On-Line Computer Systems	AGS is in accordance with ISA in all material respects.
AGS 1022	CIS Environments — Database Systems	ISA 1003	EDP Environments — Database Systems	AGS is in accordance with ISA in all material respects.

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AGS 1024	Life Insurance Act 1995 — Audit Obligations			No corresponding ISA.
AGS 1026	Superannuation Funds — Auditor Reports on Externally Managed Assets			No corresponding ISA.
AGS 1028	Uncertainty			No corresponding ISA.
AGS 1030	Derivatives in a Corporate Environment: A Guide for Auditors			No corresponding ISA.
AGS 1032	The Audit Implications of Accounting for Investments in Associates			No corresponding ISA.
AGS 1034	Implications for Management and Auditors of the Year 2000 Systems Issue			No corresponding ISA.
AGS 1036	The Consideration of Environmental Matters in the Audit of a Financial Report	No number	Consideration of Environmental Matters in the Audit of Financial Statements.	AGS is in accordance with the International Auditing Practice Statement in all material respects.

**Notes:**

- (a) There are two areas of difference:
- (i) The IPAC document does not deal explicitly with the applicability of international auditing pronouncements to audit and audit related services on non-financial information; services provided by external auditors in the public sector; services provided by internal auditors and audits; and reviews involving direct reporting.
  - (ii) Compilation engagements are dealt with in the Framework of International Standards on Auditing but are excluded from the AUS. The Auditing and Assurance Standards Board is of the view that the performance of such engagements does not require the application of audit based skills.
- (b) There are two areas of difference:
- (i) Some ISAs identify specified procedures which will, because of the nature of the particular assertions, provide sufficient appropriate audit evidence in the absence of unusual circumstances which increase the risk of material misstatement beyond that which would ordinarily be expected; or any indication that a material misstatement has occurred. This approach is not followed in any AUSs.
  - (ii) The AUS contains a basic principle/essential procedure which requires the auditor to take responsibility only for forming and expressing an opinion on the financial report, and not for the preparation and presentation of that report. The ISA provides guidance on this matter, but not as a basic principle/essential procedure. The Auditing Standards and Assurance Board is of the view that this matter is a fundamental principle of auditing.
- (c) The AUS contains a basic principle/essential procedure which identifies the objectives that should be incorporated in the quality control policies of an audit firm. The ISA provides guidance on this matter, but not as a basic principle/essential procedure. The Auditing and Assurance Standards Board is of the view that these matters are fundamental to effective quality control for audit work.
- (d) There are two areas of difference:
- (i) ISA 250 adopts a procedural approach and requires the auditor to:
    - (1) perform prescribed procedures to identify instances of non-compliance with laws and regulations and to be alert for instances of non-compliance when applying procedures for the purpose of forming an opinion on the financial statements;
    - (2) inquire of management as to any fraud or significant error which has been discovered;
    - (3) obtain sufficient appropriate audit evidence about the entity's compliance with laws and regulations that are generally recognised by the auditor to have an effect on the determination of material amounts and disclosures in financial statements, and to have a sufficient understanding of those laws and regulations in order to consider them when auditing the assertions related to the determination of the amounts to be recorded and the disclosures to be made; and
    - (4) obtain written representation that management has disclosed all known actual or possible non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

Although the AUS prescribes essential procedures and deals with the above issues, it does not follow a procedural approach. Instead, it requires the auditor to assess the risk that irregularities may cause the financial report to contain material misstatements, and design audit procedures to provide reasonable assurance of detecting misstatements arising from irregularities.
  - (ii) ISA 240 and 250 require the existing auditor to advise the successor auditor whether there are any reasons why the successor auditor should not accept the appointment. The AUS does not contain an equivalent requirement as this matter is dealt with in the ethical rules of the accounting bodies.
- (e) The ISA contains a basic principle/essential procedure regarding communication of weaknesses in internal control. Although the AUS does not have a corresponding basic principle/essential procedure, the matter is addressed in AUS 710.
- (f) The ISA only establishes standards and provides guidance in relation to the attendance at a physical inventory counting. The AUS contains 'black letter' requirements in relation to the valuation of inventory. The Auditing and Assurance Standards Board is of the view that for completeness, it is necessary to provide guidance on valuation of inventory in addition to that provided in the equivalent ISA.

- (g) The ISA provides guidance on the impact that a qualified audit report for the prior period may have on the current period's financial statements. In the AUSs, the equivalent guidance is contained in AUS 704.
- (h) There are a number of technical and procedural differences between the ISA and AUS. The most significant differences are:
  - (i) in the absence of unusual circumstances and any indication of a material misstatement, the ISA permits the auditor to limit audit procedures regarding the identification of related parties to certain procedures identified in the ISA. The AUS does not follow that approach. Although the AUS prescribes essential procedures, those procedures should not be presumed to provide, of themselves, sufficient appropriate audit evidence.
  - (ii) The AUS provides that the auditor should consider the substance of the relationship and/or transaction being tested and not merely the legal form. There is no equivalent requirement in the ISA.
- (i) The AUS provides that when expressing an unqualified opinion, the auditor should not refer to the work of another auditor, as this may be misunderstood to indicate a division of responsibility. This is inconsistent with the ISA, which allows such a reference in the audit report.
- (j) AUS 402 specifically identifies internal auditing as an element of the internal control structure, whereas ISA 400 is not explicit in identifying whether internal auditing is an element of the internal control structure. As a result, AUS 604 applies the principles in AUS 402 to the use of internal auditing by the external auditor. Accordingly, any reliance that the external auditor intends to place on internal auditing affects the assessment of the control risk component of audit risk. ISA 610, however, infers that any reliance that the external auditor intends to place on internal auditing may be used to reduce the external auditor's assessment of either or both control risk and detection risk.
- (k) The ISA includes as an expert a person employed by the auditor. The Auditing and Assurance Standards Board considers that a person employed by the auditor is an assistant within the meaning of AUS 206 and is covered by that AUS.
- (l) The differences between the AUS and the ISA include:
  - (i) The ISA requires quantification of the possible effects of a qualification 'unless impracticable'. The Auditing and Assurance Standards Board considers that matters subject to qualification should be quantified unless they are incapable of being measured reliably, in which case a statement to that effect and the reasons should be disclosed in the audit report.
  - (ii) The ISA permits an 'except for' opinion if a matter that is material and pervasive does not render the financial report as a whole misleading when it is read in conjunction with the audit report. The Auditing and Assurance Standards Board considers that the audit report ought not be used as part of the financial report and, therefore, ought not be used as a means of providing information to overcome deficiencies in the financial report. The AUS requires the auditor's decision on whether to issue an 'except for' or adverse opinion to be made by considering the effect of the matter on the financial report alone, rather than by considering its effect on the financial report when read in conjunction with the audit report.
- (m) The ISA provides that 'in cases involving the offering of securities to the public, the auditor should consider any legal and related requirements applicable to the auditor in all jurisdictions in which the securities are being offered'. The AUS does not contain an equivalent requirement because it does not deal with the offering of securities to the public.
- (n) There are a number of differences between the AUS and the ISA, including:
  - (i) The AUS requires the auditor to consider all reasonably foreseeable circumstances facing the entity during the period from the date of the auditor's current report to the expected date of the auditor's report for the succeeding financial reporting period. The ISA is less specific in terms of what the auditor should consider while the period of time that should be covered is shorter than that in the AUS.
  - (ii) The ISA has less detailed requirements regarding the auditor's consideration of the disclosure of mitigating circumstances.
  - (iii) The AUS provides that in those situations where the going concern basis is considered inappropriate due to an event which occurs after reporting date, an emphasis of matter section should be included in the audit report in accordance with AUS 702. There is no similar provision in the ISA.

- (o) There are a number of technical and procedural differences between the ISA and AUS. One of the more significant differences is that the ISA provides guidance on reports on compliance with contractual agreements. The AUS does not deal with compliance engagements except to the extent the AUS and AUS 702 can be adapted when undertaking such engagements.
- (p) There are a number of differences between the AUS and the ISA, including:
  - (i) The ISA remains silent as to whether the auditor should report that the prospective financial information has, or has not been prepared on a basis consistent with the accounting policies adopted and disclosed by the entity in its audited financial report.
  - (ii) The AUS requires the auditor to include a scope section in the audit report to explain the nature and extent of the auditor's work and the degree of assurance provided. The ISA does not contain an equivalent requirement.
  - (iii) The AUS contains a basic principle/essential procedure which requires the auditor to assess the appropriateness of the presentation and disclosure of the prospective financial information and the underlying assumptions. The ISA only provides guidance on the matters to consider when assessing the presentation and disclosure.
- (q) The ISA requires the auditor to comply with the ethical requirements of the International Federation of Accountants (IFAC) while the AUS requires compliance with the ethical requirements of the Australian accounting bodies. As the Australian bodies do not have an ethical requirement covering supervision of staff that is equivalent to the requirement in the IFAC ethics, a requirement equivalent to that in the IFAC ethics has been included in the AUS.
- (r) There are a number of differences between the AUS and the ISA, including:
  - (i) The AUS requires the auditor and the entity to agree on the terms of the engagement.
  - (ii) The ISA requires the auditor to comply with the ethical requirements of the International Federation of Accountants (IFAC) while the AUS requires compliance with the ethical requirements of the Australian accounting bodies. As the Australian bodies do not have an ethical requirement covering supervision of staff that is equivalent to the requirement in the IFAC ethics, a requirement equivalent to that in the IFAC ethics has been included in the AUS.
  - (iii) The AUS contains additional requirements dealing with the use of the work of another auditor or an expert.
  - (iv) The AUS requires the auditor to be independent whereas the independence of the auditor is not a requirement of the ISA.

**Acknowledgement**

This table has been compiled by Treasury staff using information contained in Auditing Standards and Auditing Guidance Statements issued by the Auditing and Assurance Standards Board.