



30 June 2010

Changed legislation allows *reviews* instead of *audits* for companies limited by guarantee

AUASB issues review standard to assist practitioners
to conduct a review of a company limited by guarantee

The AUASB has issued an Auditing Standard on Review Engagements, *ASRE 2415 Review of a Financial Report – Company Limited by Guarantee*, which directs practitioners as to which standard to use when conducting a review of a company limited by guarantee.

Some companies limited by guarantee, with annual revenues of between \$250K and \$1m, may now elect to have their annual financial report “reviewed” instead of “audited”, as the result of recent changes to the *Corporations Act 2001*. The legislative changes introduce a tailored financial reporting framework to reduce the regulatory burden on relatively small companies limited by guarantee that are often in the not-for-profit sector.

A review of a financial report of a company limited by guarantee may be undertaken by a registered company auditor (individual, firm or company) or an individual who is a member of a professional accounting body and who holds a practising certificate.

Merran Kelsall, AUASB Chairman, said the new standard directs practitioners to use existing review standard ASRE 2410 if they have conducted an audit of the company’s previous financial report.

“However, the existing review standard, ASRE 2400, should be used if they have *not* conducted an audit of the company’s previous financial report—as would be the case for newly established companies,” Ms Kelsall said.

The standard is operative for reviews of financial reports for reporting periods ending on or after 30 June 2010. More information about the standard is available in the AUASB [Explanatory Guide](#) to ASRE 2415 on the AUASB website.

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