

**GS 010**  
(September 2021)

# **Guidance Statement GS 010**

## ***Responding to Questions at an Annual General Meeting***

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



**Australian Government**

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**Auditing and Assurance Standards Board**

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ISSN 1833-7600

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Guidance Statements are developed and issued by the AUASB to provide guidance to auditors and assurance practitioners on the application of AUASB Standards and, where relevant, legislation, regulation or other authoritative publication, to assist auditors and assurance providers to comply with Standards. Guidance Statements are intended to assist auditors and assurance practitioners in applying an existing standard or standards of general application to particular circumstances or specialised industries/sectors.

Guidance Statements are designed to provide guidance to auditors and assurance practitioners to achieve the objective(s) of the audit or other assurance engagement. Accordingly, Guidance Statements refer to, and are written in the context of a specific AUASB Standard(s); and, where relevant, legislation, regulation or other authoritative publication. Guidance Statements are not aimed at providing guidance covering all aspects of the audit or other assurance engagement.

Guidance Statements, whilst formally approved and issued by the AUASB, do not establish new principles or amend existing standards. Guidance Statements therefore do not include any additional requirements or extend or vary the existing requirements of any AUASB Standards and are not legally enforceable.

Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting* provides guidance to auditors on the *Corporations Act 2001* requirement to attend the Annual General Meeting of a listed entity, and to respond to relevant questions. It is not, and is not intended to be, a substitute for compliance with relevant AUASB Standard(s) and auditors and assurance practitioners are required to comply with the relevant AUASB Standard(s) when conducting an audit or other assurance engagement.

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**AUTHORITY STATEMENT**

The Auditing and Assurance Standards Board (AUASB) formulates Guidance Statement GS 010 *Responding to Questions at an Annual General Meeting* pursuant to section 227B of the *Australian Securities and Investments Commission Act 2001*, for the purposes of providing guidance on auditing and assurance matters.

This Guidance Statement provides guidance to assist the auditor to fulfil the objectives of the audit or assurance engagement. It includes explanatory material on specific matters for the purposes of understanding and complying with AUASB Standards. The auditor exercises professional judgement when using this Guidance Statement.

This Guidance Statement does not prescribe or create new requirements.

Dated: 10 September 2021

W R Edge  
Chairman – AUASB

## GUIDANCE STATEMENT GS 010

### *Responding to Questions at an Annual General Meeting*

#### Application

1. This Guidance Statement (GS) has been formulated by the Auditing and Assurance Standards Board (AUASB) to provide guidance to auditors on responding to questions at an Annual General Meeting (AGM) of a listed company.
2. This GS may also assist auditors when attending the AGM of other entities.

#### Issuance Date

3. This Guidance Statement is issued on 10 September 2021 by the AUASB and replaces GS 010 *Responding to Questions at an Annual General Meeting*, issued in March 2009.

#### Introduction

4. The *Corporations Act 2001* (the Act) requires the auditor or their representative, to attend the AGM of a listed company,<sup>1</sup> and includes provisions<sup>2</sup> for members to obtain information from the auditor relevant to their investment by submitting written questions before the AGM or by raising questions at the AGM.<sup>3</sup>
5. The Act<sup>4</sup> allows members to ask the auditor questions relevant to:
  - (a) the conduct of the audit;
  - (b) the preparation and content of the auditor's report;
  - (c) the accounting policies adopted by the company in relation to the preparation of the financial statements; and
  - (d) the independence of the auditor in relation to the conduct of the audit.

#### Definitions

6. For the purposes of this Guidance Statement the following items have the meaning attributed in the Australian Auditing Standards and reproduced below:
  - (a) Those charged with governance means the person(s) or organisation(s) (for example, a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager.<sup>5</sup> In the context of this Guidance Statement, those charged with governance include those persons accountable for the preparation for, and conduct of, an AGM. For some

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<sup>1</sup> See section 250RA of the Act.

<sup>2</sup> See section 250PA of the Act.

<sup>3</sup> See section 250T of the Act.

<sup>4</sup> See section 250T(1)(a) of the Act.

<sup>5</sup> See ASA 200 *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Australian Auditing Standards*, paragraph 13(o).

entities, in addition to the directors, this may include management, for example, the company secretary.

- (b) Key audit matters (KAMs) are those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period. KAMs are selected from matters communicated with those charged with governance.<sup>6</sup>
- (c) Other information means financial or non-financial information (other than the financial report and the auditor's report thereon) included in an entity's annual report.<sup>7</sup>

### **Written Questions to the Auditor before the AGM**

7. Section 250PA (1) of the Act states:

“A member of a listed company who is entitled to cast a vote at the AGM may submit a written question to the auditor under this section if the question is relevant to:

- (a) the content of the auditor's report to be considered at the AGM; or
- (b) the conduct of the audit of the annual financial report to be considered at the AGM.

The member submits the question to the auditor under this subsection by giving the question to the listed company no later than the fifth business day before the day on which the AGM is held.”

- 8. In accordance with section 250PA(3) of the Act, the listed company must pass the question on to the auditor as soon as practicable after the question is received by the company, even if the company believes the question is not relevant to the matters specified in section 250PA(1)(a) and (b).
- 9. In accordance with sections 250PA(4) and (5) of the Act, the auditor must prepare, and give to the listed company, a list of the questions that the listed company has passed on to the auditor and which of the questions the auditor considers to be relevant to the matters specified in section 250PA(1)(a) and (b). This must be done as soon as practicable after the end of the time for submitting questions under section 250PA(1) and a reasonable time before the AGM.
- 10. In accordance with section 250PA(9) the listed company must, at or before the start of the AGM, make copies of the question list reasonably available to the members attending the AGM.
- 11. In accordance with section 250T(1)(b) of the Act, if the auditor or their representative is at the AGM, the chair of the AGM must allow a reasonable opportunity for the auditor or their representative<sup>8</sup> to answer written questions submitted to the auditor under section 250PA.
- 12. In accordance with sections 250T(3) and (4) of the Act, the auditor may be permitted to table a written answer to a written question submitted to the auditor under section 250PA and the listed company must make that written answer reasonably available to members as soon as practicable after the AGM.

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<sup>6</sup> See ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*, paragraph 8.

<sup>7</sup> See ASA 720 *The Auditor's Responsibilities Relating to Other Information*, paragraph 12(c).

<sup>8</sup> See section 250RA of the Act relating to the requirement for a listed company's auditor, or their representative, to attend the company's AGM at which the auditor's report is considered.

### **Questions to the Auditor at the AGM**

13. In addition to submitting written questions to the auditor prior to the AGM,<sup>9</sup> members are able to direct questions to the auditor at the AGM. Section 250T (1) of the Act states:
- “ If the company’s auditor or their representative is at the meeting,<sup>10</sup> the chair of an AGM must:
- (a) allow a reasonable opportunity for the members as a whole at the meeting to ask the auditor or the auditor’s representative questions relevant to:
    - (i) the conduct of the audit; and
    - (ii) the preparation and content of the auditor’s report; and
    - (iii) the accounting policies adopted by the company in relation to the preparation of the financial statements; and
    - (iv) the independence of the auditor in relation to the conduct of the audit; and
  - (b) allow a reasonable opportunity for the auditor, or their representative, to answer written questions submitted to the auditor under section 250PA.”

### **Auditor’s Responsibilities in Responding to Questions**

14. In contrast to the responsibilities of those charged with governance for all aspects of the business, the auditor has specific responsibilities which are established by the Act,<sup>11</sup> but which may be extended when agreed with the entity as part of the terms of the engagement. Members may not be generally familiar with the scope of an audit. Therefore, without due consideration of the role of the auditor, there is the risk that questions from members may be directed to the auditor on matters that should be addressed by those charged with governance.
15. The auditor is under no obligation to respond to questions on matters beyond the scope of the audit mandate and/or questions relating to matters that are the responsibility of those charged with governance. Therefore, it is important that the auditor, together with the chair of the AGM and those charged with governance, adequately prepare for participation at an AGM. If the auditor is asked to respond to inappropriate questions or if responses are not understood in an appropriate context, there is the risk that any information provided could be misleading.

### **AGM Planning**

16. Adequate planning and preparation for the AGM enable authoritative responses to be provided to questions raised. In addition to preparing responses to written questions received by members prior to the AGM, the auditors preparation may also include preparing responses to questions they may receive verbally at the AGM.
17. The chair of the AGM should be familiar with the responsibility and authority of both those charged with governance and the auditor, with matters arising from the financial report and the content of the auditor’s report, to ensure that inappropriate questions do not delay proceedings. A question is inappropriate if the person to whom it has been directed is not able to respond with an appropriate level of authority.
18. The auditor may assist the AGM planning process by meeting with the chair of the AGM and those charged with governance in an AGM planning meeting, and/or by having discussions

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<sup>9</sup> See paragraphs 7-12 of this Guidance Statement.

<sup>10</sup> See section 250RA of the Act relating to the requirement for a listed company’s auditor, or their representative, to attend the company’s AGM at which the audit report is considered.

<sup>11</sup> See Part 2M.3 Division 3 of the Act.



with directors, management, and/or audit committee members, to ascertain whether there are particular issues, in addition to those communicated as KAMs in the auditor's report, which are likely to be of interest to members.

19. The auditor may discuss the protocol for questions at the AGM with the chair of the AGM prior to the meeting. Usually, the chair of the AGM will communicate to the meeting the protocol for presenting questions and, as a rule, questions are to be addressed to the chair who can direct them to the appropriate respondent.
20. Questions directed to the auditor by the chair of the AGM may not be within the scope of the audit or the auditor's responsibilities. The auditor may refer such questions back to the chair of the AGM. If the question is about an area where the responsibility is divided between the auditor and those charged with governance, the auditor responds to the parts relevant to their responsibilities and then invites the chair of the AGM to consider the question as well.
21. If written questions are received before the AGM, the company will pass these questions to the auditor. In best practice, the auditor prepares responses to such questions prior to the meeting. Where written questions have been received, the auditor may prepare a written response if considered appropriate, however is under no obligation to do so.
22. Prior notification of issues enables the auditor to seek professional consultation and/or legal advice if appropriate. However, some members may prefer to reserve questions for the meeting. Adequate planning is imperative to identify areas of potential interest to ensure that questions directed to the auditor at the AGM can be properly addressed.
23. In preparation for the AGM the auditor may consider the particular circumstances of the entity, matters which the members may be interested in, and the matters communicated in the auditor's report. Appendix 1 includes some examples of the types of questions auditors may receive.
24. The following principles may be followed when planning on how to respond to questions:
  - Responses ought to be factual, precise, and based on requirements under relevant legislation, technical standards and ethical standards;<sup>12</sup> and
  - Questions not relevant to the auditor's responsibilities are referred to the chair.

### **Context**

25. In response to any question at the AGM, the auditor may set the context within which the auditor's response is provided by explaining key aspects of an audit which include:
  - (a) The auditor conducts an audit in accordance with Australian Auditing Standards, as required by the Act.
  - (b) The auditor is not responsible for the preparation and fair presentation of the financial report. This is the responsibility of those charged with governance.
  - (c) The auditor may refer to the "auditor's responsibilities" section in the auditor's report. If the auditor has chosen to include part of the description of their responsibilities within an appendix to the auditor's report, or a reference to the AUASB website, the auditor may emphasise the importance of reading the full responsibilities.
  - (d) The auditor provides reasonable, not absolute, assurance that the financial report taken as a whole is free from material misstatement.

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<sup>12</sup> See APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* issued by the Accounting Professional and Ethical Standards Board.

- (e) The objective of an audit of a financial report is to enable the auditor to express an opinion as to whether the financial report is prepared, in all material respects, in accordance with the applicable financial reporting framework such as the Act and Australian Accounting Standards.
- (f) The audit involves performing procedures to obtain audit evidence about amounts and disclosures in the financial report.
- (g) The auditor determines the procedures required to conduct an audit in accordance with Australian Auditing Standards, having regard to the requirements of these Standards, as well as the Act, other legislation and, when appropriate, the terms of the audit engagement.
- (h) The auditor exercises professional judgement in selecting audit procedures to be performed. Audit procedures include the assessment of the risks of material misstatement of the financial report whether due to fraud or error. In making such risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- (i) The audit involves a systematic examination for which audit-based skills, which include skills such as analysis of financial information, knowledge of internal control structures, risk assessment, sample selection, knowledge of accounting standards and other aspects of reporting, are required.
- (j) The purpose of communicating KAMs in the auditor's report is to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. Communicating KAMs assists intended users in understanding those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report. Communicating KAMs may also assist intended users in understanding the entity and areas of significant management judgement in the audited financial report.<sup>13</sup> The auditor does not provide a separate opinion on KAMs.
- (k) The auditor's report does not provide assurance in relation to individual elements of the financial report, or other aspects of operations such as the adequacy of the entity's systems of internal control or the selection of accounting policies.

### **Responses to Questions**

- 26. In accordance with section 250T(1) of the Act the auditor may receive questions relevant to the conduct of the audit, the preparation and content of the auditor's report, the accounting policies adopted by the company in relation to the preparation of the financial report and the independence of the auditor. Additional risk is attached to the auditor responding to questions dealing with matters that go beyond these matters and/or questions which should have been addressed to the chair of the AGM and those charged with governance. Paragraphs 28–58 below discuss a number of factors which the auditor may take into account when considering questions.
- 27. If a member asks a question that has been previously addressed by the auditor, the chair of the AGM may respond that the question has previously been addressed and not refer this to the auditor. If the question is referred to the auditor, the auditor may respond that this matter has been previously addressed.

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<sup>13</sup> See ASA 701, paragraph 2.

### *Auditor Independence*

28. The auditor may respond to questions about auditor independence with reference to the Act,<sup>14</sup> Australian Auditing Standards and relevant ethical requirements.<sup>15</sup> Where an individual auditor or an audit firm or audit company has prepared a written auditor independence declaration in accordance with section 307C of the Act, the auditor may choose to refer to the declaration in responding to questions at the AGM.

### *Audit Approach and Audit Plan*

29. ASA 200 requires the auditor to plan and perform an audit by exercising professional judgement and with an attitude of professional scepticism recognising that circumstances may exist that cause the financial report to be materially misstated.
30. In accordance with ASA 300<sup>16</sup> the auditor exercises professional judgement to assess audit risk and to design audit procedures to ensure audit risk is reduced to an acceptable level. The auditor's assessment of risk requires as prerequisites both a "knowledge of the business" (economy, industry, entity operations, management, legislation and regulation) and an assessment of materiality. When members raise questions relating to the audit approach or audit plan it is possible that they will not have an understanding of these prerequisites, nor of their significance to the audit process. Similarly, members' perceptions of risk may vary considerably. Therefore the auditor may inform the meeting about the auditor's approach to risk with reference to ASA 315<sup>17</sup> and ASA 330.<sup>18</sup>
31. It is possible that members may not be familiar with the relevant statutory requirements governing an audit of a financial report. Responses to questions at an AGM provide an opportunity to inform members of the requirements mandated by Australian Auditing Standards, relevant requirements of the Act and the professional and ethical standards<sup>19</sup> governing auditors. It provides further opportunity to explain that adherence to Australian Auditing Standards and professional ethics promote quality in the audit process and commitment to due care.

### *Audit Procedures*

32. Questions which relate to specific audit procedures and/or in relation to specific parts of the financial report are addressed by reference to the fact that the auditor's report relates to the financial report taken as a whole. In this context, it may not be appropriate for the auditor to address individual audit procedures or financial report elements. The auditor may provide further detail such as that the nature of audit procedures result in many types of audit evidence being obtained and drawn upon to provide sufficient appropriate audit evidence with which to form an opinion on a financial report. When responding to a question on audit procedures performed on a KAM, the auditor may refer to the description included in the auditor's report. Refer to paragraphs 44-47 for further details on responding to questions on a KAM.
33. The auditor may find it useful to refer also to ASA 101<sup>20</sup> which set out how the AUASB Standards are to be understood, interpreted and applied, to explain to members that Australian Auditing Standards contain mandatory requirements relating to the planning, conduct and reporting of an audit. Each Auditing Standard describes the procedures to be performed for various aspects of the audit, and is relevant only as an integral component of the whole audit process.

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<sup>14</sup> See Part 2M.4 Division 3 of the Act relating to the requirements for auditor independence.

<sup>15</sup> See APES 110.

<sup>16</sup> See ASA 300 *Planning an Audit of a Financial Report*.

<sup>17</sup> See ASA 315 *Identifying and Assessing the Risks of Material Misstatement*.

<sup>18</sup> See ASA 330 *The Auditor's Responses to Assessed Risks*.

<sup>19</sup> See APES 110.

<sup>20</sup> See ASA 101 *Preamble to Australian Auditing Standards*.

*Accounting Policies*

34. Members may request the auditor to comment on accounting policies adopted by the entity. When responding to questions on accounting policies the auditors may explain that selection of accounting policies is the responsibility of those charged with governance. In an audit of a financial report the auditor obtains reasonable assurance on whether the financial report is free from material misstatement, and is prepared in all material respects in accordance with the applicable financial reporting framework ie. the Australian Accounting Standards and relevant law such as the Act.<sup>21</sup> Therefore the auditor does consider whether the accounting policies are appropriate in that context. Those charged with governance may wish to comment on the appropriateness of the choice of accounting policies within those choices permitted by Australian Accounting Standards.

*Internal Control*

35. Responses given in respect of questions on internal control may be provided within the context of the financial report audit. The Auditors may refer to the Auditor's Responsibilities for the Audit of the Financial Report section of the auditor's report which includes the responsibility in relation to internal control. An audit of a financial report conducted in accordance with Australian Auditing Standards is not designed to, and therefore does not, provide sufficient appropriate evidence on which to base an opinion on the adequacy of the internal control structure. Evidence on which to base an opinion on internal control would require the application of audit procedures beyond the scope of an audit of a financial report.
36. Depending on the questions asked the auditor may also communicate that assurance is not provided on internal control, but rather that control procedures are examined only to the extent that reliance thereon might enable modification to the nature, timing or extent of other audit work. An auditor engaged to report on the financial report has no responsibility under Australian Auditing Standards to understand and evaluate the internal control structure beyond that level sufficient to plan and develop an effective audit approach unless there is a specific statutory, regulatory or additional contractual requirement to the contrary. Questions regarding internal control may be addressed to those charged with governance who are responsible for ensuring that an adequate internal control structure exists. (See also paragraph 25(h) above.)

*Fraud*

37. The auditor may receive a question in relation to how they have addressed the risk of fraud when conducting the audit. The auditor responds to questions about fraud based on the specific circumstances of the entity, and may consider referencing to ASA 240<sup>22</sup> as follows:
- (a) The primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.
  - (b) An auditor conducting an audit in accordance with Australian Auditing Standards is responsible for obtaining reasonable assurance that the financial report taken as a whole is free from material misstatement, whether caused by fraud or error.
  - (c) Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial report may not be detected, even though the audit is properly planned and performed in accordance with Australian Auditing Standards.

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<sup>21</sup> See ASA 200 paragraph Aus A7.1.

<sup>22</sup> See ASA 240 *The Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report*.

- (d) The auditor considers the risks of material misstatement in the financial report due to fraud and conducts specific procedures to address this risk.

It may be appropriate to refer to the chair of the AGM to provide further response.

#### *Going Concern*

- 38. Depending on the specific circumstances of the entity, auditors may receive questions in relation to their responsibilities in relation to going concern. Responses to questions on going concern may detail the responsibilities of management and those charged with governance that exist in the Australian Accounting Standards and the Act, and the responsibilities of the auditor that exists in ASA 570.<sup>23</sup> The auditor may refer to the respective responsibilities of management and the auditor outlined in the auditor's report. Questions relevant to management and those charged with governance, including how they fulfilled their responsibilities in making assessments in relation to the appropriateness of the use of the going concern basis of accounting, and the appropriateness of disclosures in the financial report, may be referred to the chair of the AGM to provide further response.
- 39. Responses to questions on the responsibilities of the auditor, may be provided in the context of ASA 570 which requires the auditor:
  - (a) To obtain sufficient appropriate evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting; and
  - (b) To conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern.

If relevant, the auditor may refer to matters included in the auditor's report such as a KAM in relation to going concern, or a material uncertainty in relation to going concern paragraph, or if the auditor has modified its opinion due to going concern. Refer also to paragraph 51(a) on questions regarding a material uncertainty in relation to going concern in the auditor's report.

#### *Emerging Risks*

- 40. Auditors may receive questions on how emerging risk areas, such as climate-related risks, cyber security risks<sup>24</sup> and public health risks, have been addressed during the audit. The auditor's response to these questions may be based on the auditor's responsibility to identify and assess risks of material misstatement to the financial report as a whole under the Australian Auditing Standards. The auditor considers the specific circumstances of the entity, the impact of these types of risks on the financial report and how they have been addressed during the audit. The following provides the context of those charged with governance, and the auditor's responsibility when considering these types of risks:
  - (a) Management and those charged with governance are responsible for preparing the financial report in accordance with the applicable financial reporting framework and designing and implementing internal controls necessary to do this. Recognising and managing risk and ensuring appropriate disclosures in the annual report and/or financial report is an important part of the role of management and those charged with governance.
  - (b) Auditors are required to identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Depending on the facts and circumstances of an

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<sup>23</sup> See ASA 570 *Going Concern*.

<sup>24</sup> See AUASB Bulletins *The Consideration of Cyber Security Risks in an Audit of a Financial Report and Climate-related and other emerging risks disclosures: assessing financial statement materiality using AASB/IASB Practice Statement 2*.

entity, emerging risks may contribute to the susceptibility to misstatement of certain amounts and disclosures in an entity's financial report.

- (c) The auditor's responsibility in relation to emerging risks is to consider the risk of material misstatement to the financial report as part of risk assessment procedures and respond appropriately where a risk of material misstatement is identified.

It may be appropriate to refer to the chair of the AGM to provide further response.

## **The Auditor's Report**

### *Report on the Financial Report*

- 41. The auditor may respond to questions about the auditor's report by referring to the auditor's report included with the financial report. Where necessary, the auditor explains the meaning of the terms used in the auditor's report.
- 42. The auditor provides assurance on the financial report taken as a whole. Hence individual financial statement items are audited within the framework of materiality appropriate to the financial report as a whole, rather than a materiality level appropriate to a specific individual item. The auditor decides whether or not to disclose the level of materiality adopted in the audit.
- 43. Members may be interested in errors detected by the auditor and/or disagreements with management. The auditor explains the significance of an unmodified opinion to indicate that any uncorrected errors are immaterial and disagreements have been resolved satisfactorily and that such items are considered in the context of materiality appropriate to the financial report as a whole. It may be appropriate to refer questions about uncorrected errors to the chair of the AGM.

### *Key audit matters*

- 44. Auditors may receive questions on matters that have been communicated as KAMs. Questions may be asked in relation to:
  - (a) Why matters have or have not been identified as a KAM;
  - (b) Why certain procedures were or were not performed;
  - (c) What conclusion the auditor reached on these specific audit procedures or on a KAM;
  - (d) The level of uncorrected misstatements in relation to a KAM;
  - (e) Internal controls relative to a KAM; and
  - (f) Accounting policies relative to a KAM.
- 45. When responding to questions on the communication of KAMs including how they were determined, the auditor's response may be based on the requirements of ASA 701 as follows:
  - (a) KAMs are to enhance the communicative value of the auditor's report by providing greater transparency about the audit that was performed. Communicating KAMs provides additional information to assist users in understanding those matters which were of most significance in the audit in the current year. KAMs may also assist users in understanding the entity and areas of significant management judgement in the financial report. KAMs are:
    - (i) Those matters that, in the auditor's professional judgement, were of most significance in the audit of the financial report of the current period;

- (ii) Selected from matters communicated with those charged with governance; and
  - (iii) Addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters.
- (b) KAMs are not a substitute for a modified opinion.
  - (c) The auditor's report includes a description of why a matter was determined to be a KAM and how it was addressed.
  - (d) The auditor uses professional judgement when determining which procedures are performed and these are detailed in the auditor's report.
46. In responding to questions about specific conclusions on KAMs,<sup>25</sup> the auditor may explain that the auditor's responsibility is to opine on the financial report as a whole and there is no separate opinion provided on KAMs. There is guidance in ASA 701<sup>26</sup> which explains that the language used in the description of KAM "does not imply that the matter has not been appropriately resolved by the auditor in forming the opinion on the financial report" and "does not contain or imply discrete opinions on separate elements of the financial report". These principles also provide relevant considerations for the auditor when answering questions at an AGM.
47. When responding to questions about procedures performed or the outcome of the audit procedures with respect to KAMs, the auditor may refer to the description in the auditor's report. The auditor may also explain that when determining the procedures to perform the auditor applies professional judgement and identifies the most appropriate audit approach under the Australian Auditing Standards.

*Other Information*

48. The other information paragraph in the auditor's report communicates the auditor's responsibility in relation to the other information. Auditors may consider if there is anything communicated in this paragraph which may be of interest to members, particularly if this paragraph communicates a material misstatement in the other information, or that other information had not been received prior to the date of the auditor's report.
49. In addition the auditor may receive questions in relation to:
- (a) What does and what does not constitute other information;
  - (b) What is the auditor's responsibility in relation to other information; and
  - (c) What procedures the auditor has performed on the other information.
50. When responding to questions on the other information the auditor's response may be based on ASA 720 as follows:
- (a) Management is responsible for the other information;
  - (b) The auditor's opinion does not cover the other information and, accordingly, the auditor does not express (or will not express) an audit opinion or any form of assurance conclusion thereon;

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<sup>25</sup> See ASA 701, paragraph A46.

<sup>26</sup> See ASA 701, paragraph A47.

- (c) The auditor is responsible for reading the other information and considering whether there is a material inconsistency with the financial report or the auditor's knowledge obtained during the audit; and
- (d) If the auditor concludes that there is an uncorrected material misstatement of the other information, the auditor reports the uncorrected material misstatement of the other information in the auditor's report.

If further information regarding the other information is required, it may be appropriate to refer the question to the chair of the AGM.

*Other sections included in the auditor's report*

51. If the auditor's report includes other sections in accordance with the Australian Auditing Standards the auditor may receive questions in relation to these as follows:
- (a) **Material Uncertainty Related to Going Concern** - The auditor may refer to the note in the financial report that discloses the matter and states that the events or conditions indicate that a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern, and that the auditor's opinion is not modified in respect of the matter. The auditor may also explain the directors' responsibility for assessing the ability of the entity to continue as a going concern and appropriateness of disclosures about matters related to going concern in the financial report, and the auditor's responsibilities as detailed in ASA 570. If further information regarding the going concern assessment and the material uncertainty is required, it may be appropriate to refer the question to the chair of the AGM.
  - (b) **Emphasis of Matter<sup>27</sup>** - The auditor may refer to the relevant note disclosed in the financial report and states that the auditor's opinion is not modified in respect of the matter emphasised. If further information regarding a matter giving rise to the inclusion of the Emphasis of Matter paragraph is required, it may be appropriate to refer the question to the chair of the AGM.
  - (c) **Other Matter<sup>28</sup>** - The auditor may refer to the other matter paragraph and provides more information if considered appropriate. The auditor also states that the matter has not been determined to be a key audit matter to be communicated in the auditor's report.

**Report on Other Legal and Regulatory Requirements**

52. In some cases, the auditor may have additional responsibilities to report on additional matters that are supplementary to the auditor's responsibility to express an opinion on the financial report.
53. As detailed in ASA 700 if the auditor addresses other reporting responsibilities in the auditor's report that are in addition to the auditor's responsibilities under the Australian Auditing Standards, these other reporting responsibilities are included in a separate section of the auditor's report that clearly indicates the reporting does not relate to the opinion on the financial report.
54. The auditor exercises professional judgement in responding to questions relating to these additional matters by reference to the auditor's report.
55. Where a remuneration report is included in the directors' report and the auditor is required to report in accordance with section 308(3C) of the Act, the auditor may receive a question in relation to their report. In response, the auditor explains its responsibility as governed by the

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<sup>27</sup> See ASA 706 *Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*.

<sup>28</sup> See ASA 706.



Act. It may be appropriate to refer the question to the chair of the AGM to provide additional response.

56. The Act also requires the auditor to report certain matters if they come to the auditor's attention during the course of the audit of the financial report. Alternatively, the auditor may be asked to perform and report on additional specified procedures, or to express an opinion on specific matters. When the audit is conducted pursuant to the Act, section 308(3)(b) also requires the auditor to report on any deficiency, failure or shortcoming in respect of certain matters relating to the completeness of information, explanation and assistance given to the auditor and the maintenance of financial and other records by the entity.<sup>29</sup> These items are referred to in the auditor's report if there is cause for concern; alternatively, silence in the auditor's report indicates satisfaction.

### **Modification to the Opinion in the Independent Auditor's Report**

57. If the auditor has issued an auditor's report with a modified opinion, the auditor may expect to be asked questions about issues leading to that modification. The auditor may address any such questions by reference to the basis for opinion section in the auditor's report which describes the reason for the modified opinion. Auditors are reminded that ASA 705<sup>30</sup> requires that the auditor's report includes all relevant information to explain matters that result in a modified auditor's opinion.
58. In certain circumstances the auditor may seek legal advice or professional consultation in preparing responses to issues raised in respect of a modified auditor's opinion. If further information regarding such issues is required, it may be more appropriate for the auditor to request that those charged with governance provide the response.

### **Audit Files**

59. While responses given by the auditor will be supported by sufficient appropriate audit evidence, there is no obligation to take audit files into the AGM. The level of detail relating to specific issues, as contained in audit files, is not appropriate in responses to questions at AGMs.

### **Auditor's Representative at the AGM**

60. In accordance with section 250RA of the Act when the auditor is not able to attend an AGM and questions for the auditor have been notified, the auditor arranges for a representative to attend the meeting on the auditor's behalf. In this situation, the auditor ensures that the representative has sufficient knowledge of the engagement and is provided with sufficient information to provide an adequate response to the matters raised. This is relevant in the scenarios where a firm or an individual auditor is appointed as the auditor.

### **Inability to Provide a Response to a Question**

61. A question may arise at the AGM in relation to the audit to which the auditor is not able to provide an immediate response. For example, the auditor may wish to seek legal advice prior to providing the response. In these circumstances, the auditor, in conjunction with the entity's management, makes alternative arrangements, as appropriate, to communicate the information to the members. This may include posting the response on the entity's website.

### **Conformity with International Pronouncements**

62. There is no equivalent International Standard on Auditing or International Auditing Practice Statement to this Guidance Statement.

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<sup>29</sup> See sections 307(b), (c) and (d) of the Act.

<sup>30</sup> See ASA 705 *Modifications to the Opinion in the Independent Auditor's Report*.

## **Appendix 1**

(Ref: Para. 23)

### **EXAMPLES OF THE TYPES OF GENERAL QUESTIONS THAT MAY BE ASKED BY MEMBERS AT AN AGM**

The following are examples of questions which auditors may receive either before or at an AGM. This list is not exhaustive and has been provided to assist auditors in planning for their attendance at an AGM.

#### *General*

- What materiality did you adopt?
- Did you have any disagreements with management / those charged with governance on matters related to the financial report?
- Were there uncorrected misstatements?

#### *Independence*

- How have you ensured you are independent of the entity?
- Do the non-audit services you perform impact your independence?

#### *Audit approach / risk assessment*

- How did you perform risk assessment?
- Are all risks that may have a material financial impact on the entity adequately disclosed in the financial report?

#### *Accounting Policies*

- Are the accounting policies in accordance with the Australian Accounting Standards?

#### *Internal Controls*

- What is your assessment of the systems of internal controls relevant to the preparation of the financial report?
- To what extent do you rely on internal controls?

#### *Going concern*

- What are your responsibilities in relation to going concern and how have you fulfilled these?
- What does a Material Uncertainty Related to Going Concern mean (if relevant)?
- Are the disclosures in the financial report appropriate?

#### *Fraud*

- What are your responsibilities in relation to fraud relevant to the financial report and how have you fulfilled these?
- What are the fraud risks within the organisation?

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- How have you addressed the risk of fraud relevant to the financial report?

### *KAMs*

- Why have matters been identified or not identified as KAMs?
- Why isn't X (business risk) a KAM?
- What was your conclusion on KAMs?
- Why have KAMs changed / or have not changed from prior years?
- Why did you do specific procedures and what was the results?

### *Emerging risks*

- To the extent climate-related financial risk / cyber-security risk / public health pandemic risk represent a risk to the entity, are the disclosures adequate in the financial report?
- Have you considered the impact of climate-related risk / cyber-security risk / public health risk on your audit approach?

### *Other Information*

- What reports constitute other information?
- What is your responsibility in relation to the other information?
- What procedures has the auditor performed on the other information?
- What is your responsibility in relation to other information not received at the date of the auditor's report?

### *Modified audit opinion (if relevant)*

- Why was the audit opinion modified?

### *Remuneration Report*

- What is your responsibility in relation to the remuneration report and how have you fulfilled this?