



Subject: Agenda for the 146th meeting of the AUASB
Venue: Virtual via Zoom Teleconference
Time: Thursday 20 June 2024, 9:00 am – 11:00 pm

| Time | Agenda Item No. | Resp. |
|--|---|---------------------------------|
| PRIVATE SESSION [Board Members and Staff Only] | | |
| 9:00 am | 1. AUASB Chair Update* | Doug Niven |
| PUBLIC SESSION [Open to Members of the Public for Virtual Attendance] | | |
| 9:05 am | 2. Welcome* | Doug Niven |
| 9:10 am | 7. Audit Implications of the Consolidated Entity Disclosure Statement | Doug Niven / Marina Michaelides |
| 11:00 pm | 8. Close | Doug Niven |

Note - The timing of Agenda items is subject to change on the day of the meeting.

Note - There are no agenda items 3 to 6 for this meeting. The numbering for agenda item 7 has been carried over from the 13 June 2024 Board meeting.

*** - These items are verbal updates only and there are no associated board papers (other than declarations of interest for Agenda Item 1).**



AGENDA PAPERS

Auditing and Assurance Standards Board – Meeting 146, 20 June 2024

| Agenda Number | Document Title | Page No in final Combined PDF Pack |
|---------------|---|------------------------------------|
| - | Meeting agenda | 1-2 |
| 1 | Declarations of interest (refer to 13 June 2024 meeting papers) | N/A |
| 7 | Agenda Paper – Audit Implications of the Consolidated Entity Disclosure Statement (per 13 June 2024 meeting) | 3-6 |
| 7.1 | Draft AUASB Bulletin – Assurance Implications of the Consolidated Entity Disclosure Statement (per 13 June 2024 meeting with minor revisions as marked) | 7-20 |
| 7.2 | Agenda Paper – Audit Implications of the Consolidated Entity Disclosure Statement (supplementary paper) | 21-33 |



AUASB Agenda Paper

| | | | |
|-----------------------------|---|---------------------|--------------|
| Title: | AUASB Bulletin – Audit Implications of the Consolidated Entity Disclosure Statement | Date: | 13 June 2024 |
| Office of the AUASB: | Doug Niven / Marina Michaelides | Agenda Item: | 7 |

Objective of this Agenda Paper

1. The objective of this Agenda Item is to inform the AUASB about the new legislative requirement for a 'consolidated entity disclosure statement' (CEDS) for a public company from 30 June 2024 and the process the Office of the AUASB has been through to develop the draft Bulletin and conduct a soft consultation process with key stakeholders.

Given the late distribution of this paper and stakeholder feedback, members will be asked for any initial comments or views and the matter will be continued at a follow up one hour virtual meeting.

Questions for AUASB members

| Question for AUASB members |
|---|
| Do AUASB members have any fatal flaw comments on the draft Bulletin – <i>Audit Implications of the Consolidated Entity Disclosure Statement</i> (Agenda Paper 7.1)? |

Requirements

2. As part of its broader reforms in relation to multinational tax, the Federal Government has made legislative changes to the *Corporations Act 2001* (the Act) to require all public companies (listed and unlisted) to include a CEDS in their annual financial reports. The amendments were given Royal Assent on 8 April 2024 and are effective for annual reporting periods beginning on or after 1 July 2023. That is, they apply for the first time at 30 June 2024.
3. Where accounting standards require the public company to prepare consolidated financial statements, the CEDS must include details of **all** entities that were part of the consolidated entity as at the end of the financial year, including names, ownership interests, place of incorporation or formation and, for foreign resident entities, tax residency.
4. Where consolidated financial statements are not required to be prepared, the CEDS will only contain a statement to that effect.
5. The auditor's report must contain an opinion as to whether the CEDS is in accordance with the Act (s307(a) of the Act).

Draft AUASB Bulletin

6. There has been strong demand from firms for AUASB guidance on the audit implications of the CEDS (except as noted in the feedback table later in this paper). A draft Bulletin has been prepared (see Agenda Paper 7.1).

Meeting with audit firms

7. The Office of the AUASB met with Treasury regarding this matter on two occasions to discuss the background to the changes and the intentions of the new legislation and the implications for the auditors of the CEDS.
8. The Office of the AUASB also met with the largest six firms to discuss this matter and the implications for the auditors.
9. The firms had consistent views on the reporting requirements at that time (i.e. disclosure not subject to materiality) but differing views on the audit implications. Two firms held the view that, while the reporting requirement is on a 'true and correct' basis without a materiality criterion, the auditor could apply a 'true and fair view' framework and financial statement materiality based on investors and creditors as primary users. In brief, this view was based on:
 - (a) *True and fair view* – s307 of the Act which concerns the auditor forming an opinion on compliance with the financial reporting requirements of the Act, including the true and fair view requirement in s297. However, the true and fair view requirement in s297 does not apply to the CEDS;
 - (b) *Materiality* – s307A of the Act requires compliance with auditing standards and an introductory paragraph of ASA 320 *Materiality in Planning and Performing an Audit* would introduce materiality. However, even if the paragraph were a requirement, the auditing standard would be invalid to the extent of any inconsistency with the Act under s336 of the Act.
10. A further meeting was held with the two firms at which they explained that there were two views on the use of the term 'consolidated entity' in the CEDS reporting requirement. One view is 'consolidated entity' might exclude controlled entities that were immaterial for investors and creditors and not included in the mechanical consolidation process (i.e. potentially the same list of entities would appear in the CEDS as required by accounting standards for the notes to the financial statements).
11. The other view is that 'consolidated entity' includes all controlled entities theoretically consolidated. This view continued to be held by most stakeholders and is consistent with the intent of the legislation. On intent, paragraphs 1.3 to 1.5 of the Explanatory Memorandum to the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Bill 2023* say (emphasis added):
 - 1.3 There are shifts globally towards public reporting as a means of **enhancing public scrutiny of multinational tax arrangements**. This amendment is part of the Government's broader regulatory mix to **improve corporate disclosures**. Ensuring this information is in the public domain will facilitate an informed discussion on tax compliance, helping to build trust in the integrity of the tax system.
 - 1.4 Australian public companies (listed and unlisted) will be required to disclose information on their subsidiaries. **This measure will place an onus on companies to be more transparent about their corporate structures**. Disclosures would be made publicly available within the company's annual financial report published on their website to minimise compliance burden.
 - 1.5 **The intent is that increased public disclosures will lead to enhanced scrutiny on companies' arrangements, including how they structure their subsidiaries and operate in different jurisdictions, including for tax purposes**. From a tax perspective, the expectation is that more information in the public domain will help to encourage behavioural change in terms of how companies view their tax obligations, including their approach to tax governance practices, decision making around aggressive tax planning strategies and potential simplification of group structures.'

12. Whether materiality applied in the preparation of the CEDS was discussed in a meeting with Treasury, the ATO and the Corporate Tax Association, as well as a meeting with ASIC.

Reasonable assurance

13. The draft Bulletin suggests that reasonable assurance applies because it is an 'audit'. While more work is required than if materiality and true and fair view also applied, modified opinions would only be required in certain circumstances. While this seems a supportable and practical approach, some stakeholders remain of the view that the legislation requires absolute assurance and so the auditor should always give a modified opinion on an inherent limitation of scope.

Informal consultation on draft Bulletin

14. The draft Bulletin was sent to a range of stakeholders for informal comment by COB Thursday, 6 June 2024. The matter has also been discussed in meetings with stakeholders such as the Large National Networks Discussion Group and the Research Group.
15. Excluding government bodies, responses were received from 11 stakeholders. More minor suggested changes are reflected in the draft Bulletin at Agenda Paper 7.1. There were no consultation questions, but the more substantive comments were:

| No. | Area | Number of the 11 respondents commenting and the views expressed | Comments |
|-----|--|--|---|
| 1 | Is Bulletin required? | 2 responses – whether a Bulletin is still required this should be reconsidered. | We have received strong feedback that guidance is required, particularly from smaller audit firms. A Bulletin will assist in promoting consistency. |
| 2 | Should Bulletin be issued for 30 June 2024 reporting season? | 3 respondents (including 1 respondent on item 1) - defer Bulletin for reasons such as: <ul style="list-style-type: none"> proximity to 30 June 2024; larger firms may have developed their own positions; questions over interpretation of the law; proposed AUASB solution may not align with the law; should wait for practice during first reporting season; and AUASB should conduct research on practice from first reporting season. | See comments on item 1 above. |
| 3 | Expectation gap | 5 respondents – concerns varied and included: <ul style="list-style-type: none"> the Bulletin could misrepresent the work required of auditors (1); dilution of confidence in public company reporting and consider AUASB research on practices instead (1); directors will expect auditors to give them assurance for a true and correct sign off (1); and unspecified (2). | We have included paragraphs to clearly state the role of the company and directors vs the auditors. Any expectation gap thought to be created by the legislation itself is not within the control of the AUASB. |
| 4 | Reporting framework | 3 respondents – guidance is beyond remit of AUASB (3).and guidance should be given by AASB, ASIC or ATO (1) | A statement of the reporting requirements is necessary as a basis for the assurance guidance. ASIC indicated at a recent ASIC Accounting Liaison Meeting that it intends issue guidance in this area. |
| 5 | Legal advice | 3 respondents – legal advice should be sought (3) on reporting (2) and unspecified matters but implicitly reporting and audit (1). | See above re reporting framework and cover paper. |
| 6 | Modified opinion on limitation of scope | 6 respondents – matters raised included: <ul style="list-style-type: none"> concern with prospects of modified opinion on financial reporting in all cases and impact on market (4); make it clearer modified opinion not always required (1); leave it to practitioners to determine when opinion should be modified (1); and a modified opinion likely could affect engagement acceptance (2). | The Bulletin does not state how often a modified opinion will be required and links to whether inherent risk is addressed by controls and substantive testing. |

AUASB Agenda Paper

| No. | Area | Number of the 11 respondents commenting and the views expressed | Comments |
|-----|----------------------------------|--|---|
| | | 1 respondent – concern that modified report should be required in all cases. | |
| 7 | Does reasonable assurance apply? | 3 respondents – inconsistent with auditing standards not to allow auditor to use materiality (3), and it is inconsistent not to allow auditor to use true and fair view (1). 1 respondent – absolute assurance is required and auditor must use true and correct framework with no materiality. | There were mixed views. See paragraphs 9 and 13 of this paper. However, we consider the approach in the Bulletin to be supportable and practical. |
| 8 | Procedures listed | 4 respondents – responses included: <ul style="list-style-type: none"> • more guidance needed (1); • very helpful but more procedures may be required in some cases and conversely be wary of creating a checklist, auditor should apply judgement (2); • more audit fees should apply (1); and • very helpful but 4(c) requires greater clarity for small practitioners and 6(h) seems a big stretch even though tempered with ‘when possible’ (1). | Generally, there is support for the procedures listed in the draft Bulletin. The list was previously prefaced with the words "generally include", which have now been replaced with "may include". |
| 9 | Split opinion | 2 respondents – can we use a fully split opinion to separate reporting similar to the remuneration report? 2 respondents – a split opinion is not appropriate and the comment in the example modified report that the rest of the financial report is unaffected by a modified opinion on the CEDS should be removed. | A split opinion is not possible because the CEDs is part of the financial report and the opinion on the CEDS and the rest of the financial report is under a single provision, being s307 of the Corporations Act. We believe that commenting that a modified opinion on the CEDS does not affect the rest of the financial report is useful information for users, assists in addressing some of the expectation gap concerns raised by some respondents, and does not create a split opinion. The remuneration report is not the same situation. The remuneration report is not part of the financial report and the auditor's opinion is required by a separate and distinct provision from the opinion on the financial report. |
| 10 | Example reports | 1 respondent - possibly include examples for listed vs unlisted, particularly if KAMs remains within the Bulletin. 1 respondent – example report is good. 1 respondent – not consistent with current ASA 700 series (presumably for reasons similar to those given above). | The Bulletin does not include an example KAM because the procedures will vary from case-to-case and it seems best to avoid being seen to inadvertently promoting a ‘boilerplate’ KAM. |
| 11 | Other | Perhaps a flowchart would help. | A flowchart is not considered essential and could delay finalising the Bulletin. |

Materials presented

| Agenda Item | Description |
|-------------|--|
| 7.1 | Draft AUASB Bulletin – <i>Audit Implications of the Consolidated Entity Disclosure Statement</i> |

June 2024

AUASB Bulletin

Audit Implications of the Consolidated Entity Disclosure Statement

ISSUED BY
THE OFFICE OF THE AUDITING AND ASSURANCE
STANDARDS BOARD

DISCLAIMER: At its meeting on 20 June 2024, the AUASB decided not to issue an AUASB Bulletin on the audit implications of the consolidated entity statement at this time. The content of any final Bulletin may differ.



About the AUASB

The Auditing and Assurance Standards Board (AUASB) is an independent, non-corporate Commonwealth entity of the Australian Government, responsible for developing, issuing and maintaining auditing and assurance standards. The Office of the Auditing and Assurance Standards Board provides technical and administrative services to the AUASB.

For more information about the AUASB see the AUASB Website.

Disclaimer

This publication has been prepared by the Office of Auditing and Assurance Standards Board.

The views expressed in this publication are those of the authors and those views do not necessarily coincide with the views of the members of the Auditing and Assurance Standards Board. Any errors or omissions remain the responsibility of the author.

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Draft

Background

As part of its broader reforms in relation to multinational tax, the Federal Government has made legislative changes to the *Corporations Act 2001* (the Act) to require all public companies (listed and unlisted, and regardless of their size) to include a 'consolidated entity disclosure statement' (CEDS) in their annual financial reports¹. The changes are effective for annual reporting periods beginning on or after 1 July 2023 and so will apply for the first time at 30 June 2024.

The requirement does not apply to companies limited by guarantee that prepare financial reports under the *Australian Charities and Not-for-profits Commission Act 2012*.

Where accounting standards require the public company to prepare consolidated financial statements, the CEDS must include details of all entities that were part of the consolidated entity as at the end of the financial year, including names, ownership interests, place of incorporation or formation and, for foreign resident entities, tax residency. Where consolidated financial statements are not required to be prepared, the CEDS will only contain a statement to that effect.

The auditor's report must contain an opinion as to whether the CEDS is in accordance with the Act (s307(a) of the Act).

Responsibilities

The company, its directors and management are responsible for the preparation and content of the CEDS. They should have appropriate systems and processes to ensure completeness and accuracy of the CEDS. They cannot not rely on the auditor.

The role of the auditor is to obtain independent assurance, form an opinion and report their opinion in the auditor's report.

Reporting requirements

Reporting where consolidated financial statements are required

Where a public company is required to prepare consolidated financial statements under accounting standards, the CEDS must include the following information about each entity that is part of the consolidated entity at the end of the financial year (s295(3A)(a) of the Act):

- The entity's name;
- Whether the entity is a body corporate, partnership or trust;
- Whether the entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity;
- Where the entity was incorporated or formed (if the entity is a body corporate);

¹ See [Treasury Laws Amendment \(Making Multinationals Pay Their Fair Share—Integrity and Transparency\) Act 2024](#) which was given Royal Assent on 8 April 2024.

- Where the entity is a body corporate with share capital, the percentage of the entity's issued share capital held directly or indirectly, by the public company;
- Whether the entity was an Australian resident or a foreign resident within the meaning of the *Income Tax Assessment Act 1997*; and
- If the entity is a foreign resident, a list of each foreign jurisdiction in which the entity was a resident for the purposes of the law of the foreign jurisdiction.

The CEDS is a separate statement and does not form part of the notes to the financial statements (s295(1)(ba)). The CEDS cannot be combined with the note on controlled entities required by Australian accounting standards.

Tax Residence

Tax residence is a principle that is determined under the domestic tax rules of a country. It is relevant when considering how business income is taxed. The ATO has provided guidance on tax residency which can be found on their website at: [Australian Taxation Office](#).

We understand that entities that determine tax residency in good faith and in accordance with the Commissioner of Taxation's public guidance, may declare that the tax residency status of a subsidiary is true and correct ~~if consistent with the application of the Commissioner's published guidance~~ for the purposes of the CEDS.

Reporting where consolidated financial statements are not required

Where a public company is not required to prepare consolidated financial statements, the CEDS is only required to contain a statement to that effect (rather than including information about controlled entities).

True and correct

The directors' declaration is required to include a statement about whether, in the directors' opinion, the CEDS is true and correct. For listed public companies, the chief executive officer and chief financial officer are required to include a statement in their declaration to the directors that the CEDS is true and correct (s295A(2)(ca)).

Paragraph 1.16 of the Explanatory Memorandum to the Treasury Laws Amendment (Making Multinationals Pay Their Fair Share – Integrity and Transparency) Bill 2023 (the EM) says:

'As 'true and correct' is not defined in the legislation, the words take on their ordinary meaning in the context of the amendments. For the purposes of the consolidated entity disclosure statement, the policy intention is to ensure complete and accurate disclosures under subsection 295(3A).'

True and correct is a higher reporting requirement than would be the case under a true and fair view or fair presentation framework. Further, the materiality provisions in the accounting standards do not apply. That is, all entities in the consolidated entity at year end must be disclosed with the information required by s295(3A) and cannot be excluded on the basis of materiality. Entities must be listed even if they are newly acquired 'shelf' companies, dormant or excluded from the company's process to prepare consolidated financial statements on the basis of materiality.

This Bulletin does not express a view on whether the CEDS for a public company that prepares consolidated financial statements is required to list controlled entities that are

not consolidated because of the ‘investment entity exemption’ in Accounting Standard AASB 10 *Consolidated Financial Statements*. An investment entity is required to consolidate a controlled entity that is not itself an investment entity and whose main purpose and activities are providing services that relate to the investment entity’s investment activities.

The reporting requirement for a CEDS is intended to be a higher requirement than for the listing of material controlled entities in a note to the financial statements pursuant to accounting standards. The CEDS is a tax transparency measure. More information on the group structure in the public domain is intended to encourage companies with structures that minimise tax to reconsider their corporate tax structures. The CEDS is not a part of the financial statements and notes for which the primary users are investors, creditors, and potential investors and creditors.

Audit requirements

Assurance level, etc

Paragraph 1.17 of the EM says:

‘Further, as the consolidated entity disclosure statement forms part of an entity’s annual financial report, it is also subject to the existing audit framework under the Corporations Act. Specifically, section 307 requires an auditor to form an opinion about whether the financial report (which includes the consolidated entity disclosure statement) is in accordance with the Corporations Act generally, as well as on specific matters. This general obligation is also consistent with the requirements of the auditor’s report under section 308.’

The CEDS and the director’s declaration are part of the annual financial report under s295(1) of the Act. They are not part of the financial statements and notes to the financial statements that the accounting standards and the auditing standards were developed to cover.

The objective of audit work in relation to a financial report under the auditing standards is to obtain reasonable assurance that the financial report as a whole is free of material misstatement. The CEDS is not subject to materiality.

Obtaining reasonable assurance in relation to the CEDS may be implicit in s307 of the Act which requires the auditor to form an opinion on whether the financial report (including the CEDS) complies with the Act. Paragraph 1.17 of the EM also says that the CEDS is ‘subject to the existing audit framework under the Act’.

It follows that the objective of the audit work on the CEDS is to obtain reasonable assurance that the following are not misstated:

- The CEDS; and
- The opinion of the directors in the directors’ declaration that the CEDS is true and correct.

The audit work effort is higher than would be the case if similar disclosures were required to made in a note to the financial statements pursuant to accounting standards because:

- a) the CEDS is intended to encourage companies with structures that minimise tax to reconsider their corporate tax structures, whereas the primary users of the financial statements and notes are investors and creditors making decisions about the allocation of scarce resources;
- b) the disclosures are required whether they are material or not; and

- c) the true and correct criterion applies rather than a true and fair view or present fairly criterion.

While the AUASB could consider narrow scope amendments to the auditing standards consistent with the above, any such amendments would be unlikely to be available for the 30 June 2024 reporting season.

The AUASB cannot make auditing standards that are inconsistent with the requirements of the Act (s336 of the Act). That is, the auditing standards cannot reduce the obligations of auditors by replacing the true and correct criterion with materiality and true and fair view criteria.

Audit procedures – where consolidated financial statements are required

Where a public company is required to prepare consolidated financial statements, the auditor's work to obtain assurance that the CEDS is not misstated may include:

1. Enhancing the auditor's understanding of the business and operations of the public company and other entities in the consolidated entity for the purposes of the disclosures required in the CEDS;
2. Applying knowledge from the audit of the financial statements and notes and the enhanced understanding of the business in identifying and assessing risks and performing work on the completeness and accuracy of the information disclosed;
3. Understand the control environment of the public company and those other entities in the consolidated entity that have significant operations or are known sub-holding companies for parts of the business and the processes used to identify entities in the consolidated entity;
4. Identify and assess the risks of misstatement in the CEDS, including with regard to matters such as:
 - a) the complexity and size of the businesses and operations of the consolidated entity and the locations in which it operates;
 - b) any concerns with the integrity of management; and
 - c) any past use of tax minimisation arrangements, particularly involving foreign controlled entities;
5. Plan the nature and extent of audit procedures including responses to identified risks;
6. Perform procedures to obtain assurance that the entities listed in the CEDS and the information disclosed for each entity at the end of the year is complete and accurate, such as:
 - a) Reviewing the processes and work undertaken within the consolidated entity to support the completeness and accuracy of the disclosures, and confirming whether controls to be relied upon by the auditor are appropriately designed, implemented and operating effectively;
 - b) Reviewing board minutes and papers to identify matters such as:
 - acquisitions or arrangements that may involve the creation of new controlled entities;
 - new operations in foreign jurisdictions; and

- disposals or discontinuance of operations in foreign jurisdictions;
- c) Other than for the first year in which a public company prepares a CEDS, obtaining audit evidence supporting the reasons why any entities disclosed in the CEDS as at the end of the previous financial year are no longer part of the consolidated entity at the end of the current financial year;
- d) Checking completeness of the entities listed in the CEDS by reference to the entities in the company's consolidation records;
- e) Considering entities identified by the auditor or international affiliate firms for the purposes of independence and conflict checking;
- f) Reviewing the impact of business acquisitions during the financial year;
- g) Searching ASIC's company register for companies that might be controlled entities because they have similar names or common directors with the public company~~ies~~ and other entities in the consolidated entity;
- h) Searching company registers in other jurisdictions in which the consolidated entity operates for any controlled entities (where that is possible);
- i) Obtaining audit evidence necessary to assess the tax residency of entities in the consolidated entity in the jurisdictions where those entities are formed or carry on business such as where the management and control of the entity is located;
- j) Obtaining audit evidence on the completeness and accuracy of the other information required to be disclosed for entities in the consolidated entity;
- k) Obtaining written representations from directors and management on the completeness and accuracy of the information disclosed in the CEDS;
- l) Obtaining representations from the public company's solicitors and tax advisers;
- m) Specifically instructing component auditors, reviewing their work as appropriate and ensuring that any issues identified by component auditors have been properly resolved; and
- n) Where any audit work is performed on the completeness and accuracy of the CEDS prior to the end of the financial year, obtaining assurance as to the completeness and accuracy of the CEDS at the end of the financial year. This may include work to identify in connection business acquisitions immediately before year end.

Audit procedures – where consolidated financial statements are not required

Where a public company is not required to prepare consolidated financial statements, the CEDS is only required to contain a statement to that effect. The auditor does not need to perform additional work to that which is required in the audit of the financial statements and the notes to the financial statements.

Auditor's report

The auditor may not need to modify their opinion where there are no significant inherent ~~risks limitations on the scope of the audit~~ in connection with the completeness of information in the CEDS that are not adequately addressed ~~through adequately~~

~~addressed~~ by internal controls and there no significant limitations on scope affecting the adequacy of the audit procedures outlined above.

The auditor may need to modify their opinion due to significant inherent risks limitations on the scope of the audit in connection with the completeness of information in the CEDS. A significant inherent limitation on scope may exist in relation to the completeness of the entities listed in the CEDS and completeness of the jurisdictions in which they are tax residents. Such significant limitations are more likely to arise where there is an inherent risk that is not adequately addressed by internal controls and the audit procedures above.

The auditor should consider whether the auditor's report for a listed public company should include a key audit matter paragraph in relation to the CEDS, particularly in the first year that the CEDS is presented.

The Appendix provides examples of an unmodified auditor's report and an auditor's report containing a modified opinion on the completeness of the information in the CEDS.

Appendix: Example Auditor's Reports

Example 1: Unmodified auditor's report (both where consolidated financial statements are prepared and where they are not prepared)

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Report

[Appropriate Addressee]

Opinion

We have audited the financial report of ABC Company Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 20X1, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 20X1 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

[Refer ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.]

[Note: Key audit matters are not required for unlisted public companies.]

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 20X1, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- ii) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- iii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether:

- a) the financial report as a whole is free from material misstatement, whether due to fraud or error (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement is not misstated, whether due to fraud or error, and

to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be

expected to influence the economic decisions of users taken on the basis of this financial report.

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.]

Report on the Remuneration Report

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in ASA 700.]

[Auditor's name and signature]

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]

Example 2: Modified auditor's report

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Audit of the Financial Report

Qualified Opinion

We have audited the financial report of ABC Company Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 20X1, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, the consolidated entity disclosure statement and the directors' declaration.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 20X1 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Qualified Opinion

There is a significant inherent limitation on the scope of our audit in relation to the completeness of the entities listed in the consolidated entity disclosure statement and the information on their tax residency. This does not affect our opinion on the remainder of the financial report.

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

[Refer ASA 701 *Communicating Key Audit Matters in the Independent Auditor's Report*.]

[Note: Key audit matters are not required for unlisted public companies.]

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 20X1, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of:

- a) the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement that is true and correct in accordance with the *Corporations Act 2001*, and

for such internal control as the directors determine is necessary to enable the preparation of:

- ii) the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- iii) the consolidated entity disclosure statement that is true and correct and is free of misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether:

- a) the financial report as a whole is free from material misstatement, whether due to fraud or error (other than the consolidated entity disclosure statement); and
- b) the consolidated entity disclosure statement is not misstated, whether due to fraud or error, and

to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

[A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: <http://www.auasb.gov.au/Home.aspx>. This description forms part of our auditor's report.]

Report on the Remuneration Report

[Reporting in accordance with ASA 700 – see [Aus] Illustration 1A in ASA 700.]

[Auditor's name and signature]

[Name of Firm]

[Date of the auditor's report]

[Auditor's address]



AUASB Agenda Paper

| | | | |
|-----------------------------|---|---------------------|--------------|
| Title: | AUASB Bulletin – Audit Implications of the Consolidated Entity Disclosure Statement – Supplementary Paper | Date: | 20 June 2024 |
| Office of the AUASB: | Doug Niven / Marina Michaelides | Agenda Item: | 7.2 |

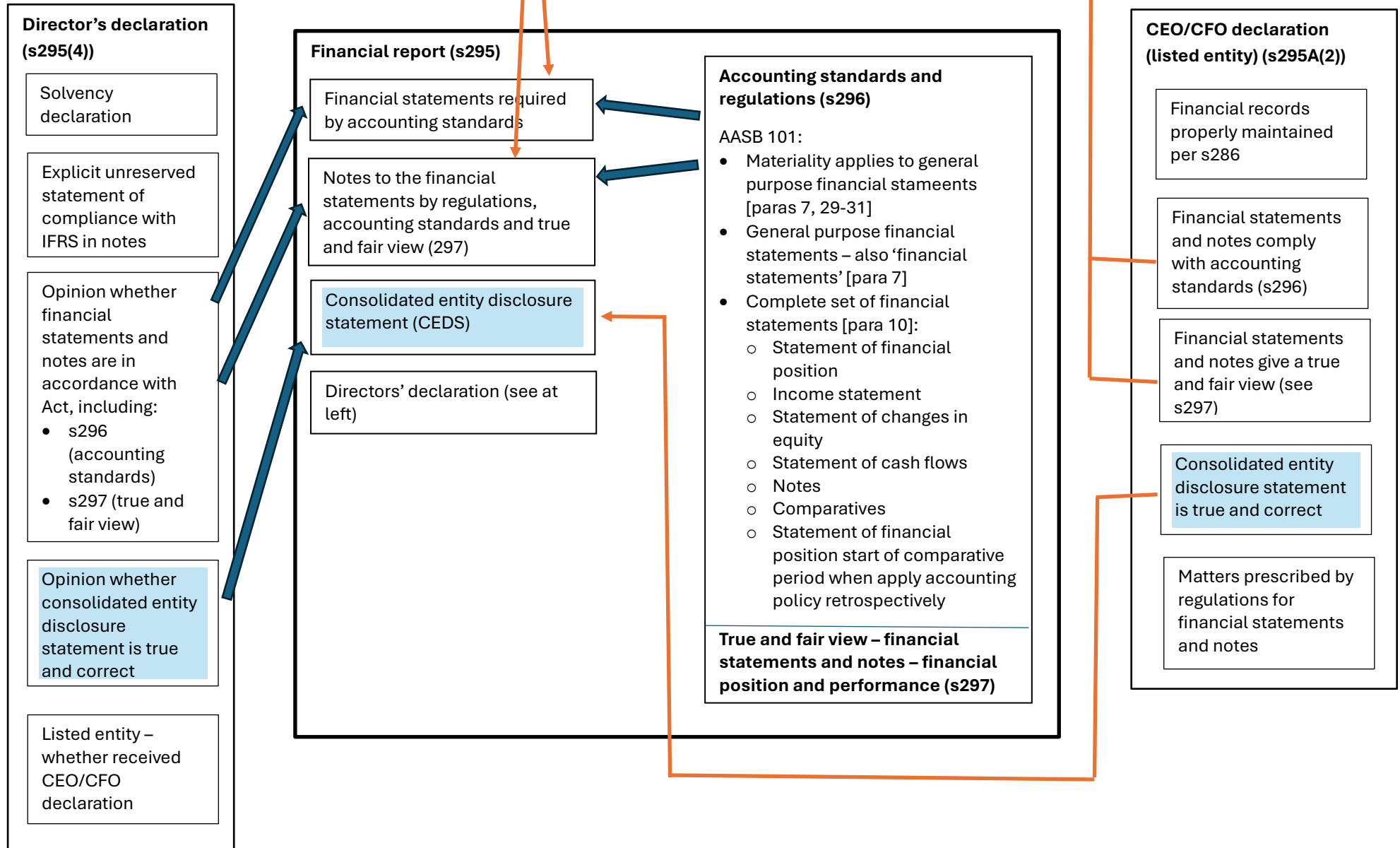
This paper is a supplement to papers 7 and 7.1 for the AUASB meeting held on 13 June 2024. This paper will be used to facilitate discussion at the AUASB Board meeting on 20 June 2024.

Sections of this supplementary paper

To assist in discussing this matter, each of the following sections of this paper contains 'Questions for AUASB members, as well as relevant supporting information such as diagrams and extracts from the legislation/standards:

| No. | Section | Page |
|-----|---|------|
| 1 | Reporting Framework – Overview | 2 |
| 2 | Reporting Framework – 'Consolidated entity' | 7 |
| 3 | Assurance Framework | 10 |
| 4 | Due process considerations | 13 |

1. REPORTING FRAMEWORK – OVERVIEW



Questions for AUASB members

| No. | Question for members | Yes/No | If 'No', why? |
|-----|--|--------|---------------|
| 1.1 | Does the above diagram correctly describe the reporting requirements for the CEDS in the <i>Corporations Act 2001</i> (Corps Act)? | | |
| 1.2 | Do you agree that the CEDS is a statement but not a financial statement under s295 and AASB 101? | | |
| 1.3 | Do you agree that the CEDS is a statement and not part of the notes to the financial statements under s295 and AASB 101? | | |
| 1.4 | Do you agree that the relevant criterion for CEDS reporting is 'true and correct' and not 'true and fair view'? | | |
| 1.5 | Other than whether there are consolidated financial statements, do you agree that the accounting standards apply to the financial statements and notes, and do not apply to the CEDS (subject to Section 2)? | | |
| 1.6 | Do you agree that materiality under the accounting standards does not apply to the CEDS (subject to Section 2)? | | |
| 1.7 | Do you agree that none of the above matters involve an interpretation of the law? | | |

Relevant extracts

For convenience, relevant extracts from the Corps Act (amendments made by the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Act 2024* underlined) and accounting standards appear below:

Corporations Act 2001

'295 Contents of annual financial report

Basic contents

- (1) The financial report for a financial year consists of:
- (a) the financial statements for the year; and
 - (b) the notes to the financial statements; and
 - (ba) for a public company—the consolidated entity disclosure statement required by subsection (3A); and
 - (c) the directors' declaration about the statements and notes.

Financial statements

- (2) The financial statements for the year are:
- (a) unless paragraph (b) applies—the financial statements in relation to the company, registered scheme or disclosing entity required by the accounting standards; or
 - (b) if the accounting standards require the company, registered scheme or disclosing entity to prepare financial statements in relation to a consolidated entity—the financial statements in relation to the consolidated entity required by the accounting standards.

Notes to financial statements

- (3) The notes to the financial statements are:
- (a) disclosures required by the regulations; and
 - (b) notes required by the accounting standards; and
 - (c) any other information necessary to give a true and fair view (see section 297).

Consolidated entity disclosure statement

(3A) The consolidated entity disclosure statement for a public company's financial report for a financial year is:

- (a) if the accounting standards require the public company to prepare financial statements in relation to a consolidated entity—a statement that includes the following information for each entity that was, at the end of the financial year, part of the consolidated entity:
 - (i) the entity's name (if any) at that time;
 - (ii) whether, at that time, the entity was a body corporate, partnership, or trust;
 - (iii) whether, at that time, the entity was a trustee of a trust within the consolidated entity, a partner in a partnership within the consolidated entity, or a participant in a joint venture within the consolidated entity;
 - (iv) if the entity is a body corporate—the place at which the entity was incorporated or formed;
 - (v) if the entity is a body corporate with a share capital—the percentage of the entity's issued share capital (excluding any part that carries no right to participate beyond a specified amount in a distribution of either profits or capital) that was held, directly or indirectly, by the public company at that time;
 - (vi) whether, at that time, the entity was an Australian resident (within the meaning of the *Income Tax Assessment Act 1997*) or a foreign resident (within the meaning of that Act);
 - (vii) if the entity was a foreign resident as described in subparagraph (vi)—a list of each foreign jurisdiction in which the entity was, at that time, a resident for the purposes of the law of the foreign jurisdiction relating to foreign income tax (within the meaning of that Act); or
- (b) if paragraph (a) does not apply—a statement to that effect.

Directors' declaration

(4) The directors' declaration is a declaration by the directors:

- (a) whether, in the directors' opinion, there are reasonable grounds to believe that the company, registered scheme or disclosing entity will be able to pay its debts as and when they become due and payable; and
- (ca) if the company, registered scheme or disclosing entity has included in the notes to the financial statements, in compliance with the accounting standards, an explicit and unreserved statement of compliance with international financial reporting standards—that this statement has been included in the notes to the financial statements; and
- (b) whether, in the directors' opinion, the financial statement and notes are in accordance with this Act, including:
 - (i) section 296 (compliance with accounting standards); and
 - (ii) section 297 (true and fair view); and
- (ca) whether, in the directors' opinion, the consolidated entity disclosure statement required by subsection (3A) is true and correct; and
- (c) if the company, disclosing entity or registered scheme is listed—that the directors have been given the declarations required by section 295A. ...

295A Declaration in relation to listed entity's financial statements by chief executive officer and chief financial officer

- (1) If the company, disclosing entity or registered scheme is listed, the directors' declaration under subsection 295(4) must be made only after each person who performs:
 - (a) a chief executive function; or
 - (b) a chief financial officer function; in relation to the company, disclosing entity or registered scheme has given the directors a declaration under subsection (2) of this section.
- (2) The declaration is a declaration whether, in the person's opinion:

- (a) the financial records of the company, disclosing entity or registered scheme for the financial year have been properly maintained in accordance with section 286; and
- (b) the financial statements, and the notes referred to in paragraph 295(3)(b), for the financial year comply with the accounting standards; and
- (c) the financial statements and notes for the financial year give a true and fair view (see section 297); and
- ~~(ca) the consolidated entity disclosure statement required by subsection 295(3A) is true and correct; and~~
- (d) any other matters that are prescribed by the regulations for the purposes of this paragraph in relation to the financial statements and the notes for the financial year are satisfied. ...

296 Compliance with accounting standards and regulations

- (1) The financial report for a financial year must comply with the accounting standards. ...

Further requirements

- (2) The financial report must comply with any further requirements in the regulations.

297 True and fair view

The financial statements and notes for a financial year must give a true and fair view of:

- (a) the financial position and performance of the company, registered scheme or disclosing entity; and
- (b) if consolidated financial statements are required—the financial position and performance of the consolidated entity. This section does not affect the obligation under section 296 for a financial report to comply with accounting standards. ...'

AASB 101 Presentation of Financial Statements

'Definitions

- 7 The following terms are used in this Standard with the meanings specified: ...

General purpose financial statements (referred to as 'financial statements') are those intended to meet the needs of users who are not in a position to require an entity to prepare reports tailored to their particular information needs. ...

Material:

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Materiality depends on the nature or magnitude of information, or both. An entity assesses whether information, either individually or in combination with other information, is material in the context of its financial statements taken as a whole.

Information is obscured if it is communicated in a way that would have a similar effect for primary users of financial statements to omitting or misstating that information. The following are examples of circumstances that may result in material information being obscured:

- (a) information regarding a material item, transaction or other event is disclosed in the financial statements but the language used is vague or unclear;
- (b) information regarding a material item, transaction or other event is scattered throughout the financial statements;
- (c) dissimilar items, transactions or other events are inappropriately aggregated;
- (d) similar items, transactions or other events are inappropriately disaggregated; and
- (e) the understandability of the financial statements is reduced as a result of material information being hidden by immaterial information to the extent that a primary user is unable to determine what information is material.

Assessing whether information could reasonably be expected to influence decisions made by the primary users of a specific reporting entity's general purpose financial statements requires an entity to consider the characteristics of those users while also considering the entity's own circumstances.

Many existing and potential investors, lenders and other creditors cannot require reporting entities to provide information directly to them and must rely on general purpose financial statements for much of the financial information they need. Consequently, they are the primary users to whom general purpose financial statements are directed. Financial statements are prepared for users who have a reasonable knowledge of business and economic activities and who review and analyse the information diligently. At times, even well-informed and diligent users may need to seek the aid of an adviser to understand information about complex economic phenomena. ...

Complete set of financial statements

10 A complete set of financial statements comprises:

- (a) a statement of financial position as at the end of the period;
- (b) a statement of profit or loss and other comprehensive income for the period;
- (c) a statement of changes in equity for the period;
- (d) a statement of cash flows for the period;
- (e) notes, comprising material accounting policy information and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraphs 38 and 38A; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 40A–40D. ...

Materiality and aggregation

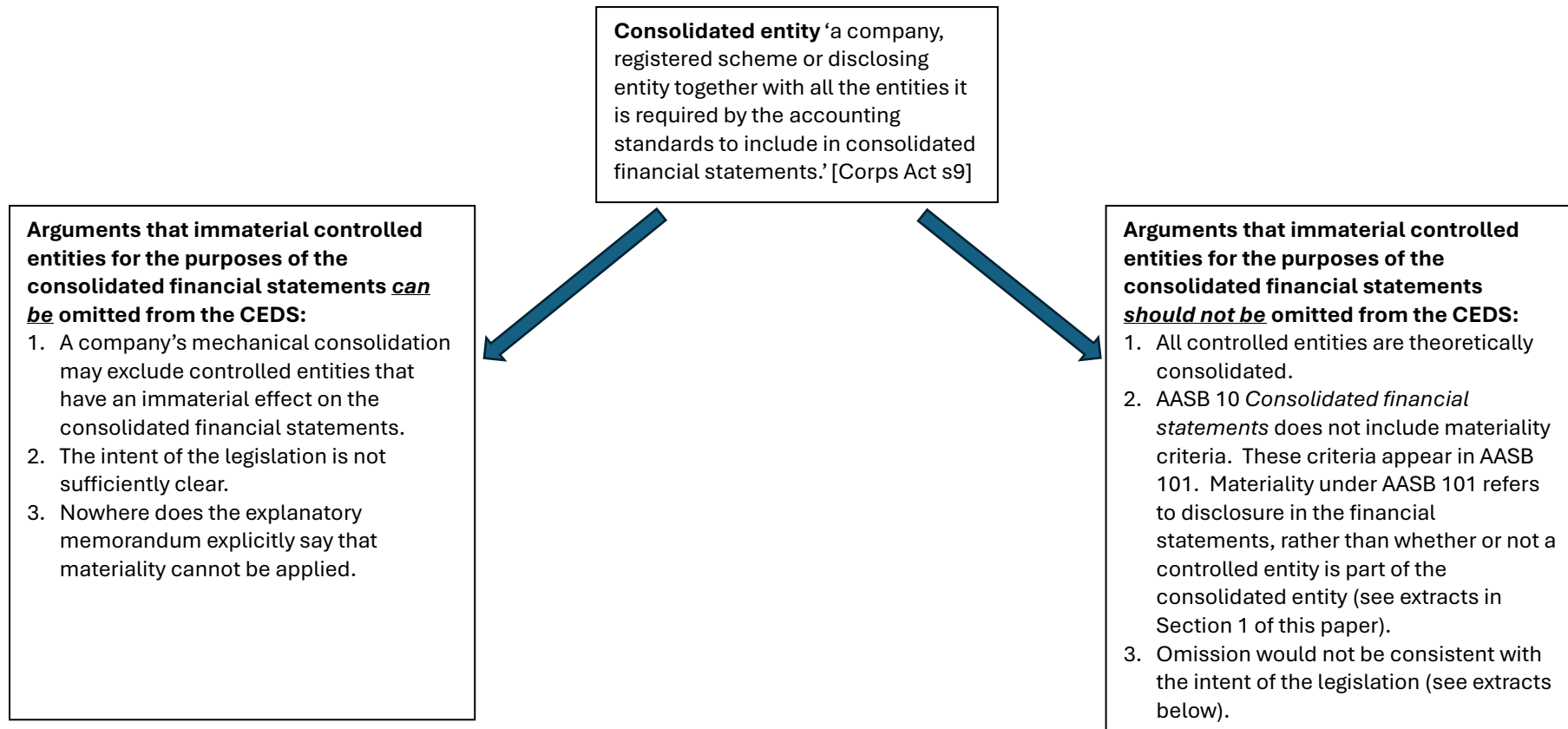
29 An entity shall present separately each material class of similar items. An entity shall present separately items of a dissimilar nature or function unless they are immaterial.

30 Financial statements result from processing large numbers of transactions or other events that are aggregated into classes according to their nature or function. The final stage in the process of aggregation and classification is the presentation of condensed and classified data, which form line items in the financial statements. If a line item is not individually material, it is aggregated with other items either in those statements or in the notes. An item that is not sufficiently material to warrant separate presentation in those statements may warrant separate presentation in the notes.

30A When applying this and other Australian Accounting Standards an entity shall decide, taking into consideration all relevant facts and circumstances, how it aggregates information in the financial statements, which include the notes. An entity shall not reduce the understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different natures or functions.

31 Some Australian Accounting Standards specify information that is required to be included in the financial statements, which include the notes. An entity need not provide a specific disclosure required by an Australian Accounting Standard if the information resulting from that disclosure is not material. This is the case even if the Australian Accounting Standard contains a list of specific requirements or describes them as minimum requirements. An entity shall also consider whether to provide additional disclosures when compliance with the specific requirements in Australian Accounting Standards is insufficient to enable users of financial statements to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.'

2. REPORTING FRAMEWORK – ‘CONSOLIDATED ENTITY’



Questions for AUASB members

| No. | Question for members | Yes/No | If 'No', why? |
|-----|---|--------|---------------|
| 2.1 | Do you consider the arguments in favour of applying materiality in the diagram above are complete? | | |
| 2.2 | Do you agree that where there are alternative views on the interpretation of legislation, the intent of the legislation should be followed? | | |
| 2.3 | Do you agree that the intent of the legislation appears to be that all controlled entities are disclosed where consolidated financial statements have been prepared (subject to differing views on the impact of the 'investment entity' exemption)? | | |
| 2.4 | Do you agree that if another authoritative Government entity dealing with reporting regulation or standard setting were of the view that materiality does not apply in preparing the CEDS, that approach should be referred to and relied upon in the AUASB's Bulletin? | | |

Relevant extracts

For convenience, relevant extracts from the Corps Act (relevant definition below pre-dates amendments made by the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Act 2024*) and the explanatory memorandum to the amending Bill appear below:

Corporations Act 2001

'9 Definitions ...

consolidated entity means a company, registered scheme or disclosing entity together with all the entities it is required by the accounting standards to include in consolidated financial statements. ...'

Explanatory memorandum (emphasis added)

'Context of amendments

- 1.3 There are shifts globally towards public reporting as a means of **enhancing public scrutiny of multinational tax arrangements**. This amendment is part of the Government's broader regulatory mix to **improve corporate disclosures**. Ensuring this information is in the public domain will facilitate an informed discussion on tax compliance, helping to build trust in the integrity of the tax system.
- 1.4 Australian public companies (listed and unlisted) will be required to disclose information on their subsidiaries. **This measure will place an onus on companies to be more transparent about their corporate structures**. Disclosures would be made publicly available within the company's annual financial report published on their website to minimise compliance burden.
- 1.5 **The intent is that increased public disclosures will lead to enhanced scrutiny on companies' arrangements, including how they structure their subsidiaries and operate in different jurisdictions, including for tax purposes**. From a tax perspective, the expectation is that more information in the public domain will help to encourage behavioural change in terms of how companies view their tax obligations, including their approach to tax governance practices, decision making around aggressive tax planning strategies and potential simplification of group structures.
- 1.6 The reporting of a company's subsidiary information would be in line with international approaches to enhanced corporate tax transparency, such as that of the UK. Based on stakeholder feedback from the recent consultation process, this would also provide a more objective mechanism for disclosing information on a company's tax arrangements. Requiring public companies to disclose their subsidiaries information would also align with the Government's commitment to implement a beneficial ownership register.

Summary of new law ...

- 1.7 Alongside the general reporting obligations, directors, chief executive officers and chief financial officers must also declare that the consolidated entity disclosure statement is in their opinion 'true and correct' at the end of that financial year. ...

Detailed explanation of new law ...

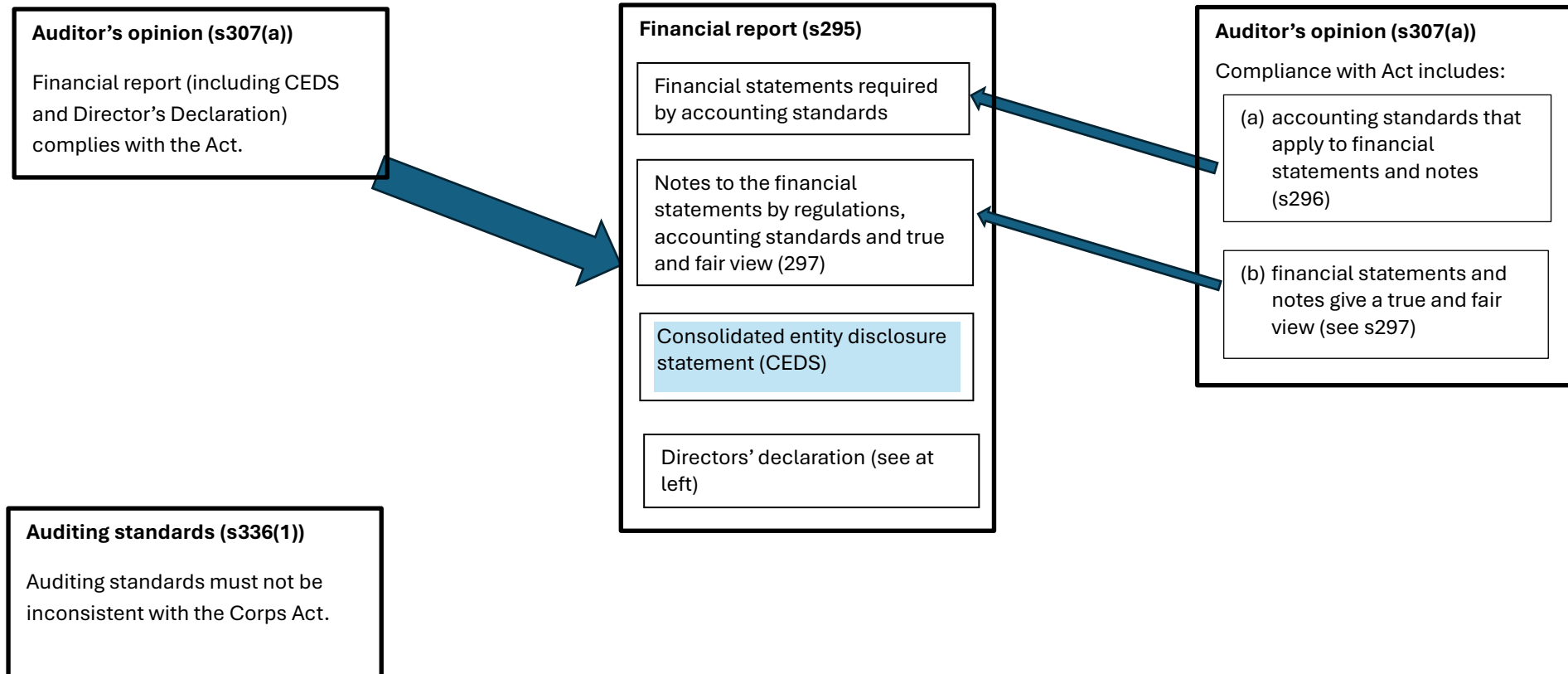
- 1.14 Under the amendments, the accounting standards refer to those made by the Australian Accounting Standards Board (under section 334). At the time these explanatory materials were prepared, Accounting Standard AASB 10 relates to consolidated financial statements. These accounting standards are publicly available at: <https://aasb.gov.au/pronouncements/accounting-standards/>

Directors, chief executive officers and chief financial officers must also declare that the consolidated entity disclosure statement is in their opinion 'true and correct' at the end of that financial year.

[Schedule 1, items 3 and 4, paragraphs 295(4)(da) and 295A(2)(ca)]

- 1.15 The standard of 'true and correct' is distinct from the generally used standard of 'true and fair' with respect to an entity's financial statements and notes to financial statements (see section 297 regarding annual financial reports). Under the current law, the 'true and fair' view generally applies with respect to the financial position or performance of the reporting entity.
- 1.16 As 'true and correct' is not defined in the legislation, the words take on their ordinary meaning in the context of the amendments. For the purposes of the consolidated entity disclosure statement, **the policy intention is to ensure complete and accurate disclosures under subsection 295(3A).**
- 1.17 Further, as the consolidated entity disclosure statement forms part of an entity's annual financial report, it is also subject to the existing audit framework under the Corporations Act. Specifically, section 307 requires an auditor to form an opinion about whether the financial report (which includes the consolidated entity disclosure statement) is in accordance with the Corporations Act generally, as well as on specific matters. This general obligation is also consistent with the requirements of the auditor's report under section 308.'

3. ASSURANCE FRAMEWORK



Questions for AUASB members

| No. | Question for members | Yes/No | If 'no', why? |
|-----|---|--------|---------------|
| 3.1 | Do you agree that s307(a) envisages that the auditor will form an opinion as to whether the financial report complies with the reporting requirements of the Corps Act? | | |
| 3.2 | Do you agree that s307(a) requires an opinion on compliance with the reporting requirements for the CEDS and related directors' declaration? That is: <ul style="list-style-type: none"> • 'true and correct' not 'true and fair view'; and • no materiality? See Section 1 for the reporting requirements. | | |
| 3.3 | Do you agree that the auditing standards were not written with the CEDS requirements in mind? | | |
| 3.4 | Do you agree that an auditing standard is invalid to the extent it is inconsistent with the Act (s336)? | | |
| 3.5 | Do you agree that any auditing standard purporting to replace 'true and correct' with 'true and fair view' and/or introduce materiality for the CEDS would be inconsistent with the Act (see Section 1 of this paper)? | | |
| 3.6 | Do you agree that 'audit' implies reasonable assurance? | | |
| 3.7 | Do you agree that the audit report will not always be modified in relation to the CEDS? | | |
| 3.8 | Do you agree that s307(a) does not envisage split opinions? | | |

Relevant extracts

For convenience, relevant extracts from the Corps Act (amendments made by the *Treasury Laws Amendment (Making Multinationals Pay Their Fair Share—Integrity and Transparency) Act 2024* underlined) and the explanatory memorandum to the amending Bill appear below:

Corporations Act 2001

307 Audit

An auditor who conducts an audit of the financial report for a financial year or half-year must form an opinion about:

- (a) whether the financial report is in accordance with this Act, including:
 - (i) section 296 or 304 (compliance with accounting standards); and
 - (ii) section 297 or 305 (true and fair view); ...

307A Audit to be conducted in accordance with auditing standards

- (1) If an individual auditor, or an audit company, conducts:
 - (a) an audit or review of the financial report for a financial year; or
 - (b) an audit or review of the financial report for a half-year;
the individual auditor or audit company must conduct the audit or review in accordance with the auditing standards.
- (2) If an audit firm, or an audit company, conducts:
 - (a) an audit or review of the financial report for a financial year; or
 - (b) an audit or review of the financial report for a half-year;

the lead auditor for the audit or review must ensure that the audit or review is conducted in accordance with the auditing standards.

(3) If an individual auditor, or an audit company, conducts:

(a) an audit or review of the financial report for a financial year; or

(b) an audit or review of the financial report for a half-year;

the individual auditor or audit company must conduct the audit or review in accordance with the auditing standards.

(4) If an audit firm, or an audit company, conducts:

(a) an audit or review of the financial report for a financial year; or

(b) an audit or review of the financial report for a half-year;

the lead auditor for the audit or review must ensure that the audit or review is conducted in accordance with the auditing standards.'

'336 Auditing standards

AUASB's power to make auditing standards

(1) The AUASB may, by legislative instrument, make auditing standards for the purposes of this Act. The standards must not be inconsistent with this Act or the regulations. ...'

Explanatory memorandum (emphasis added) ...

'1.17 As 'true and correct' is not defined in the legislation, the words take on their ordinary meaning in the context of the amendments. For the purposes of the consolidated entity disclosure statement, the policy intention is to ensure complete and accurate disclosures under subsection 295(3A).

1.18 Further, as the consolidated entity disclosure statement forms part of an entity's annual financial report, it is also subject to the existing audit framework under the Corporations Act. Specifically, section 307 requires an auditor to form an opinion about whether the financial report (which includes the consolidated entity disclosure statement) is in accordance with the Corporations Act generally, as well as on specific matters. This general obligation is also consistent with the requirements of the auditor's report under section 308.'

4. DUE PROCESS CONSIDERATIONS

| No. | Question for members | Yes/No | If 'no', why? |
|-----|--|--------|---------------|
| 4.1 | Given 30 June 2024 is approaching, do you agree that a bulletin is the only option under the Due Process Framework for Developing, Issuing and Maintaining AUASB Pronouncements and Other Publications if guidance is to be issued at this time? | | |
| 4.2 | While a guidance statement would have more authority, do you agree that it would not be the best use of Office of the AUASB and AUASB limited resources to develop a guidance statement to replace any bulletin after the 30 June 2024 reporting season? | | |
| 4.3 | Do members agree that the auditing standards should be amended to accommodate the CEDS? | | |